

## Transformational Adaptation for Climate Resilience in Lake Chilwa Basin of Malawi (TRANSFORM)

### Basic Information

**GEF ID**

10777

**Countries**

Malawi

**Project Title**

Transformational Adaptation for Climate Resilience in Lake Chilwa Basin of Malawi (TRANSFORM)

**GEF Agency(ies)**

UNDP

**Agency ID**

UNDP: 6608

**GEF Focal Area(s)**

Climate Change

**Program Manager**

Aloke Barnwal

# PIF

## Part I – Project Informatic

### Focal area elements

#### 1. Is the project/program aligned with the relevant GEF focal area elements in Table A, as defined by the GEF 7 Programming Directions?

##### Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 26 April, 2021

Thanks for revising the project design to align with the existing LDCF project in Malawi. Overall, it is now aligned with LDCF objectives and complements the existing GEF investment.

GEFSEC: Thanks for submitting this PIF. Given that the focus region (Lake Chilwa Basin) and a number of activities proposed in this project are similar to the Council Approved GEF-AfDB project titled " Malawi-climate resilient and sustainable capture fisheries, aquaculture development and watershed management project" , please provide a detailed reasoning on how this project will build on this GEF investment, complement its activities and coordinate to avoid duplication. Although reference to this AfDB project has been made in the PIF, it is not included as a baseline project and the clear value add of the proposed project is not fully articulated.

The PIF notes that "GEF-funded project entitled '*Malawi-climate resilient and sustainable capture fisheries, aquaculture development and watershed management*' have included the establishment of community organizations – such as Beach Village Committees (BVCs) – to enforce regulation of natural resource use on the lake, these have had limited human resource and technical capacity to be effective".

This indicates that the current project is not fully effective and therefore additional project may be needed. The GEFSEC will ensure that when the AfDB project is submitted for endorsement, the effectiveness is considered. So, the above argument for an additional project do not fit well.

Please provide a more detailed rationale before we can do a full review of the PIF.

##### Agency Response

The proposed TRANSFORM project has now been restructured and revised to directly complement the *Sustainable capture fisheries, aquaculture development and watershed management* SFAD project. While there were several areas where the projects seemingly overlap,

these elements have now been refined to ensure alignment and complementarity between the two projects. Revisions made to the TRANSFORM PIF are aligned with feedback and recommendations from the GEF Secretariat reviewer and a high-level stakeholder meeting held on Friday 17/04/2021. During the meeting, representatives from several relevant GoM institutions and other stakeholders involved in

the development of the SFAD-WM and TRANSFORM project were present. Each project was presented to the stakeholders, after which an extensive discussion was held during which overlap and alignment between the project was discussed. It was agreed during the meeting that there is significant potential for complementarity between the projects and that since the SFAD-WM project is already in the PPG phase, the TRANSFORM project should be revised to improve complementarity and to reduce overlap of discrete elements.

Several elements of the TRANSFORM project have subsequently been updated to reflect the outcome of the meeting. The current structure of TRANSFORM has also been suggested to the participants of the stakeholder meeting, who have voiced their support for the revisions. The primary areas where TRANSFORM has been updated to improve complementarity with SFAD-WM are outlined below.

- The element of TRANSFORM that is most innovative and transformative – namely enhanced market linkages and stimulating private and public sector financing for adaptation – has now been moved to Output 1, to ensure that it is clear that the financing element is what distinguishes TRANSFORM from (and makes it complementary to) the SFAD-WM project.
- The component related to the implementation of livelihoods has been revised to include the development of an EbA plan that will be directly aligned with Watershed Management Plans (WMPs) developed for each district under SFAD-WM. Initially it was envisioned that an EbA plan would be developed for each district, but in line with SFAD-WM, WMPs will now be used as the basis for the development of a basin-wide EbA plan, which can be upscaled to other ecosystems/regions of Malawi.
- Component 3 of TRANSFORM will now complement initiatives implemented under SFAD-WM in that TRANSFORM will be primarily focused on strengthening the enabling environment for upscaling and replication of EbA to other areas of Malawi beyond Lake Chilwa. The output will involve improved knowledge management, outreach and awareness raising, the development of guidance for climate-resilient investment planning, and the development of Framework Investment Plans (FIPs) (previously under Component 1).
- Overall, TRANSFORM will build on SFAD-WM by expanding the focus of catchment restoration beyond fisheries sector to other value chains, and through strengthening of the enabling environment for upscaling of EbA to areas beyond the Lake Chilwa basin.
- During the PPG phase, the two project's teams and their respective government institutions will continue to work together, building on the collaboration that has taken place during the PIF design stage.

## **Indicative project/program description summary**

### **2. Are the components in Table B and as described in the PIF sound, appropriate, and sufficiently clear to achieve the project/program objectives and the core indicators?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC April 26, 2021

- The link between Component 1 and 2 is not very clear. It will be great if it can be articulated.

- Will the new funding window SCFF focus exclusively on MSMEs and MFIs? How does it link with EbA planning and NRM projects identified under that?

GEFSEC May 5, 2021

Thanks. However, output 1.1 indicates that "investment for MSMEs, with a new CCA funding window opened under the MICF, as well as provision of technical assistance and strengthening of the micro-finance industry for innovation in climate-resilient livelihoods, enterprises and technologies.". It is likely that many of the EbA activities including activities related climate resilient water and land management may be proposed by local public and non-profit organizations as these activities not have revenue streams. So, two additional questions area:

- Will the SCFF support such projects or will the focus be only on revenue generating projects where private sector will be interested?

- Will the SCFF focus only in Lake Chilwa Basin or could it also support projects from other regions?

GEFSEC May 7, 2021

Thanks. Comment cleared.

## **Agency Response**

GEFSEC April 26, 2021

- The link between Component 1 and 2 is not very clear. It will be great if it can be articulated.

## **Agency Response**

The component narratives have now been updated to clarify and better articulate linkages between Components 1 and 2.

- Will the new funding window SCFF focus exclusively on MSMEs and MFIs? How does it link with EbA planning and NRM projects identified under that?

## **Agency Response**

The narrative of Component 2 has now been updated to note that the project will support the implementation of ecosystem-based adaptation interventions described in the EbA plan (developed under Component 2). Funding from the SCFF will also be available for initiatives aimed at improving EbA planning and related projects. Its focus will go beyond MSMEs and MFIs to include civil society organizations and larger companies.

## **Agency Response**

It is envisioned that the SCFF will be focused on revenue-generating activities where there is interest from the private and public sector. However, such activities are strongly dependent on EbA, some of which may not have immediate revenue streams, and the SCFF will therefore also be supportive of these activities (in as far as they are related to climate resilient value chains/markets/diversified livelihoods). The overall objective to leverage private sector investment into climate resilient value chains will however be kept under focus, with activities that may not have immediate revenue streams undertaken by non-profit entities supported by the SCFF linked as much as possible

activities that may not have immediate revenue streams undertaken by non-profit entities supported by the SCFF linked as much as possible to private sector driven activities and value chains. Provision for local non-profit organizations under the SCFF have been added to the public entities that were already in the PIF under description of Output 1.1.

During the initial stages of SCFF development, when the funding window is opened under the MICF, the focus will be only on the Lake Chilwa basin. This will allow for a targeted approach in the basin, to support other interventions implemented under the TRANSFORM project, and to serve as a demonstration of the funding mechanism. Subsequently, upon the successful operationalization of the SCFF, the mechanism will be transferred to the National Climate Change Fund, which will allow for the expansion of support for climate change adaptation beyond the Lake Chilwa basin to other regions.

## Co-financing

**3. Are the indicative expected amounts, sources and types of co-financing adequately documented and consistent with the requirements of the Co-Financing Policy and Guidelines, with a description on how the breakdown of co-financing was identified and meets the definition of investment mobilized?**

### Secretariat Comment at PIF/Work Program Inclusion

The second row says "recipient country government", but lists organizations which are mainly GEF Agencies. Please mention the name of the government department receiving these funds. The name of co-financier should be of that which will issue the co-finance letter.

Also, please confirm if there will be any co-financing from MICF, given that the LDCF project will complement it to create a new funding window SCFF.

GEFSEC May 5, 2021

Thanks. Please mention this in the text below the co-finance table.

GEFSEC May 7, 2021

Thanks. Comment cleared.

### Agency Response

Agency Response

The name of co-financier is Ministry of Finance. This has been updated in the document.

Yes, we anticipate co-financing from MICF for the capitalization of the fund. However, indicative amounts from the partners are not available at this stage. This will be confirmed during PPG.

#### Agency Response

The Ministry of Finance and MICF have now been mentioned in the text after the co-finance table.

### GEF Resource Availability

**4. Is the proposed GEF financing in Table D (including the Agency fee) in line with GEF policies and guidelines? Are they within the resources available from (mark all that apply):**

**Secretariat Comment at PIF/Work Program Inclusion** Yes. The LDCF resources are within the allowable cap for Malawi.

#### Agency Response

### The STAR allocation?

**Secretariat Comment at PIF/Work Program Inclusion** NA

#### Agency Response

### The focal area allocation?

Secretariat Comment at PIF/Work Program Inclusion NA

Agency Response

The LDCF under the principle of equitable access?

Secretariat Comment at PIF/Work Program Inclusion Yes.

Agency Response

The SCCF (Adaptation or Technology Transfer)?

Secretariat Comment at PIF/Work Program Inclusion NA

Agency Response

Focal area set-aside?

Secretariat Comment at PIF/Work Program Inclusion NA

Agency Response

Impact Program Incentive?

Secretariat Comment at PIF/Work Program Inclusion NA

Agency Response

Project Preparation Grant

5. Is PPG requested in Table E within the allowable cap? Has an exception (e.g. for regional projects) been sufficiently substantiated? (not applicable to PFD)

Secretariat Comment at PIF/Work Program Inclusion Yes.

Agency Response

Core indicators

6. Are the identified core indicators in Table F calculated using the methodology included in the corresponding Guidelines? (GEF/C.54/11/Rev.01)



#### **Secretariat Comment at PIF/Work Program Inclusion**

LDCF tracking tool is provided for core indicators.

The number of beneficiaries seems very low for a project of this scale which has more than \$20 million in co-financing. Please consider the entire financing (LDCF+cofinance) to estimate the number of direct beneficiaries.

GEFSEC May 5, 2021

Thanks. Comment cleared. With confirmed co-financing from MICF at the CEO endorsement stage, the GEFSEC expects that the number of beneficiaries will be increased. Comment cleared.

#### **Agency Response**

The number of beneficiaries has been updated but keeping it realistic enough to ensure that the targets can be realized during implementation. Given that TRANSFORM will directly complement the SFAD-WM project, the figure is based on the assumption that the beneficiaries of the project will ultimately extend across the country.

#### **Project/Program taxonomy**

#### **7. Is the project/program properly tagged with the appropriate keywords as requested in Table G?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

No. Please tag the Rio Marker correctly. Adaptation score will be 2 instead of 1 as the project has adaptation as a principal objective.

GEFSEC May 5, 2021

Thanks. Comment cleared.

#### **Agency Response**

The Rio Marker has now been tagged correctly, with an assigned adaptation score of 2.

## **art II – Project Justification**

### **1. Has the project/program described the global environmental/adaptation problems, including the root causes and barriers that need to be addressed?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

Yes. The climate vulnerability of the Lake Chilwa basin is elaborated well both on the lake's productivity and surrounding ecosystem's ability to provide sustainable livelihoods to communities. The root causes are identified well which are primarily related to lack of integrated ecosystem based planning, climate resilient management of natural resources, development of alternative climate resilient livelihoods and limited community and private sector led action for adaptation.

#### **Agency Response**

### **2. Is the baseline scenario or any associated baseline projects appropriately described?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

Yes. The baseline scenario is elaborated well. Particularly, the complementarity with the GEF-AfDB LDCF project is described well. The justification of an additional project in the Lake Chilwa Basin is fine. At the CEO ER stage, the project will be reviewed more closely to ensure that the two projects support holistic resilience building of communities in the region.

#### **Agency Response**

### **3. Does the proposed alternative scenario describe the expected outcomes and components of the project/program?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

Under introductory description of each component, please indicate how this component will address the climate vulnerability, barriers and root causes identified in the project.

Under component 1, will the project target only private sector or will it also support innovative project ideas by community groups and civil society organizations? It may be good to diversify beyond MSMEs. It is not clear if there is an enabling policy and regulatory environment for MSMEs in the country to support scaling up innovative technology solutions. The project also doesn't have a specific focus on creating enabling policy environment for MSMEs. The focus on micro-finance is welcome. However, for solutions such as cold storage, irrigation systems, etc. which require relatively large investment, will micro-finance be a viable option. Often the lending rate is higher in MFIs than commercial mainstream credits. Therefore, it is recommended that the project adopts a flexible approach and supports innovative financing for adaptation solutions depending on the nature of the adaptation solution. The barriers to commercial lending is well noted, but the project may work with them to develop mechanisms which can provide low cost financing to MSMEs.

Component 2- please provide a linkage with component 1. It seem more logical to have this component first in the design as it will lead to identification of adaptation solutions which could then be funded through the SCFF and MSMEs. Please clarify, if under output 2.1, the project will also support implementation of certain identified ecosystem based adaptation solutions.

Component 3: Please also consider enabling activities that address systemic issues related to access to finance by MSMEs for adaptation solutions.

GEFSEC May 5, 2021

Please refer to comment above related to the scope of support by the new financing facility i.e. support to private sector only and in the lake basin only.

GEFSEC May 7, 2021

Thanks. Comment cleared.

## Agency Response

Introductory description of each component: A summary has been provided under each component on how climate vulnerability, barriers and root causes will be addressed.

Component 1: More information on the policy environment for MSMEs has been added to the component narrative. In addition, it has been clarified that The proposed project will focus on providing low-cost financing to MSMEs in the target areas, but that it will adopt a flexible approach, and will support innovative financing for adaptation solutions depending on the context. It has also been clarified in Component 1 narrative that support will be provided for innovative project ideas by community groups and civil society organizations.

Enabling environment for scaling up innovative technological solutions: The PIF has been revised, under component 1, to clearly indicated that the project will work on the enabling conditions for MSMEs to be vehicles for upscaling innovative technological solutions, including addressing barriers to availing commercial lending at low cost to MSMEs. This builds on existing efforts by Government of Malawi, and efforts under this project will be tailored to support adaptation solutions and their scaling up. It has been noted in the PIF that in recent decades, the GoM has undertaken several steps to strengthen entrepreneurship in Malawi, including strengthening public organizations tasked with entrepreneurship development. These include inter alia Technical Education, Vocational and Entrepreneurial Training Authority

tasked with entrepreneurship development. These include Inter and Technical Education, Vocational and Entrepreneurial Training Authority (TEVETA), Small and Medium Enterprise Development Institute (SMEDI) and Malawi Rural Development and Enterprise Fund (MARDEF) .

Numerous programmes aimed at supporting SMEs are also provided by different government departments and institutions, and the private sector. However, these initiatives have had limited success, and MSMEs across the country remain constrained by insufficient access to debt financing and venture capital

Component 2: It has now been clarified in the output narrative that the project will support the implementation of ecosystem-based adaptation interventions as identified in the EbA plans developed under Component 2. The linkages between Component 1 and 2 have been clarified in the narrative throughout the document. Component 1 will directly contribute to the scalability of the EbA and livelihood interventions implemented under Component 2 by catalyzing a sustained source of adaptation financing for diversified livelihood activities and EbA. Interventions implemented under Component 2 will also demonstrate the value of adaptation, which will further increase the potential for replication in other communities.

Component 3: One of the primary systemic issues inhibiting access to finance by MSMEs is insufficient information dissemination. While there have been several initiatives implemented aimed at promoting entrepreneurship across the country, the main limitation to the success of many of these interventions is that many MSMEs remain unaware of them. Component 3 will therefore complement the increased access to finance for MSMEs enabled under Component 1 by also increasing information dissemination and ensuring that smallholders and MSMEs are aware of existing financing and support options. This information has now been added under the narrative of Component 3.

#### Agency Response

The response to the comment above provides information on the scope of support by the SCFF, as well as its geographic reach. In summary, the SCFF is aimed at stimulating private sector investment in the Lake Chilwa basin, but this investment is also dependent on long-term support for EbA, thus enabling public and non-profit entities to be also included in the SCFF. Regarding the geographic reach, the SCFF will be focused on the Lake Chilwa basin during initial stages of its development — particularly under the MICF funding window. However, once the SCFF has been fully operationalized, investments into the Lake Chilwa basin will serve as demonstrations of this funding model, and upon transferring the SCFF from the MICF to the National Climate Change Fund, the model will be replicated across the rest of the country.

#### 4. Is the project/program aligned with focal area and/or Impact Program strategies?

##### Secretariat Comment at PIF/Work Program Inclusion

Yes.

##### Agency Response

**5. Is the incremental/additional cost reasoning properly described as per the Guidelines provided in GEF/C.31/12?**

**Secretariat Comment at PIF/Work Program Inclusion**

Yes.

**Agency Response**

**6. Are the project's/program's indicative targeted contributions to global environmental benefits (measured through core indicators) reasonable and achievable? Or for adaptation benefits?**

**Secretariat Comment at PIF/Work Program Inclusion**

As indicated earlier, the number of beneficiaries (40,000) is extremely low for a project of this scope with significant co-financing. Please review. Please consider direct benefits from both the LDCF and co-financing.

GEFSEC May 5, 2021

Thanks. Cleared. As indicated earlier, we expect that with more confirmed co-financing the number of beneficiaries may increase. Comment cleared.

**Agency Response**

The number of beneficiaries has now been adjusted to 100,000. This includes those benefitting directly from interventions implemented under the project. Care has been taken to keep the numbers realistic at this stage, while there is room to increase the number of beneficiaries during detailed design.

**7. Is there potential for innovation, sustainability and scaling up in this project?**

**Secretariat Comment at PIF/Work Program Inclusion**

Yes, the innovation and sustainability aspects are elaborated well.

Under innovation, please indicate if the project will support development of innovative financing mechanisms under the new funding window e.g. returnable investment, revolving fund, etc.

In the scaling up rationale, please highlight the project's support in creating the climate funds which may scale up investment in adaptation solutions beyond the Chilwa Lake Basin too.

GEFSEC May 5, 2021

Thanks. While it is well articulated in the scaling up section, please mention this under outcome 1 or component 1 in the Table B. The objective statement indicates that the project is targeted for beneficiaries of the basin only.

GEFSEC May 7, 2021

Thanks. Comment cleared.

### **Agency Response**

It has now been clarified in the text that the project will consider these and other options during PPG phase, in consultation with other stakeholders, with the overall objective of making the financing facility sustainable over time and beyond the project. In addition, at PPG, UNDP will engage a financial expert to support detailed design of the financing mechanism, building on the experts already engaged during the project identification phase.

The project's support for the capitalization of climate finance for upscaling of investment in adaptation solutions beyond the Chilwa Lake Basin has now been articulated in the scaling up rationale.

### **Agency Response**

The wording of both the objective statement and Component 1 in Table B have now been revised to clearly show that the Component will be have potential for upscaling across other areas of Malawi.

## **Project/Program Map and Coordinates**

**Is there a preliminary geo-reference to the project's/program's intended location?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

Yes. Please provide a short description on the overlap of the region with the AfDB project and the additionality.

GEFSEC May 5, 2021

Thanks. Comment cleared.

#### **Agency Response**

A short description has now been provided to summarize the geographic overlap and complementarity between the projects.

#### **Stakeholders**

**Does the PIF/PFD include indicative information on Stakeholders engagement to date? If not, is the justification provided appropriate? Does the PIF/PFD include information about the proposed means of future engagement?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

It's fine. Please change the name of DFID to FCDO.

GEFSEC May 5, 2021

Thanks. Cleared.

#### **Agency Response**

All mentions of DFID have been changed to FCDO.

#### **Gender Equality and Women's Empowerment**

**Is the articulation of gender context and indicative information on the importance and need to promote gender equality and the empowerment of women adequate?**

the empowerment of women, adequate

#### **Secretariat Comment at PIF/Work Program Inclusion**

Please add if the project will support women entrepreneurs and MSMEs.

GEFSEC May 5, 2021

Thanks. Comment cleared.

#### **Agency Response**

It has now been specified in Section 3. Gender Equality and Women's Empowerment that the project will provide direct support for women entrepreneurs and MSMEs.

### **Private Sector Engagement**

**Is the case made for private sector engagement consistent with the proposed approach?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

Yes.

#### **Agency Response**

### **Risks to Achieving Project Objectives**

**Does the project/program consider potential major risks, including the consequences of climate change, that might prevent**



**the project objectives from being achieved or may be resulting from project/program implementation, and propose measures that address these risks to be further developed during the project design?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

Thanks. Please add a section on COVID-19 context, risks and opportunities for green and resilient growth as per GEF guidance on COVID-19 for PIFs.

GEFSEC May 5, 2021

Thanks. No further comments.

#### **Agency Response**

A short sub-section on COVID-19 has been added under Section 5 of the PIF. Risks to provide information on the context, risks and opportunities for green growth.

### **Coordination**

**Is the institutional arrangement for project/program coordination including management, monitoring and evaluation outlined?  
Is there a description of possible coordination with relevant GEF-financed projects/programs and other bilateral/multilateral initiatives in the project/program area?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

Please confirm which institution will be the executing agency for this project. In the project information it says Ministry of Forests and Natural Resources, but in this section on coordination, there is no mention of this Ministry.

The project says "The Ministry of Environment, Tourism and Wildlife (MoETW) and the Environmental Affairs Department (EAD) will be the project's Implementing Partner (IP), accountable to UNDP for project management." This is different than what is in the information sheet and also please clarify if a government agency can be held accountable to a GEF Agency.

Please provide a schematic diagram of the project implementation and coordination structure. And within this, please provide a clear indication how this project will coordinate with the institutional structure of the GEF-AfDB project in Malawi. It is critical to ensure that there is no duplication of efforts.

GEFSEC May 5, 2021

Please confirm if Environmental Affairs Department is under the Ministry of Forestry and Natural Resources. If they are different, you may like to include both as Executing Agencies.

The AfDB project will be executed by the Ministry of Agriculture, Irrigation and Water Development. They are not mentioned in the project management structure. Please confirm how they will be engaged as it is critical to have synergy with them.

GEFSEC May 7, 2021

Thanks. Comment cleared.

June 7, 2021

Please address one additional comment related to project implementation arrangement.

1. Executive Entity in Portal (Ministry of Forestry and Natural Resources) is not specified in LoE. There are three options: (i) leave it in blank or t.b.d. in Project Information and remove Ministry of Forestry and Natural Resources from Section 6 – Coordination; (ii) get an email from the OFP supporting Ministry of Forestry and Natural Resources as the Executing Partner and upload the email in the Documents tab; (iii) get new LoE supporting Ministry of Forestry and Natural Resources as the Executing Partner.

Please address this comment and resubmit the project.

### **Agency Response**

The Ministry of Forestry and Natural Resources will be the executing agency (or Implementing Partner). This has been clarified under Section 6 on Coordination. The text has been updated to reflect this fact (name is due to governance and political transitions since PIF development).

A schematic diagram of the project implementation and coordination structure has been provided in the section on coordination.

UNDP will provide project quality assurance as part of its oversight role in the project as shown in the diagram. The additions made to the PIF also show, schematically, how the project will coordinate with the institutional structure of the GEF-AfDB project to avoid duplication. This coordination will take place at the national level (Steering committee and technical level), at the District and at the community levels.

### **Agency Response**

We confirm that the Environmental Affairs Department is under the Ministry of Forestry and Natural Resources. This has been spelt out more clearly in the PIF under the Coordination section.

The project management structure has been revised to include the Ministry of Agriculture, Irrigation and Water Development in the Project Steering Committee.

## Agency Response

The comment is well noted. The OFP has issued a new LOE supporting Ministry of Forestry and Natural Resources as the Executing Partner/Entity. This is included in this re-submission.

## Consistency with National Priorities

**Has the project/program cited alignment with any of the recipient country's national strategies and plans or reports and assessments under relevant conventions?**

### Secretariat Comment at PIF/Work Program Inclusion

Yes.

## Agency Response

## Knowledge Management

**Is the proposed "knowledge management (KM) approach" in line with GEF requirements to foster learning and sharing from relevant projects/programs, initiatives and evaluations; and contribute to the project's/program's overall impact and sustainability?**

### Secretariat Comment at PIF/Work Program Inclusion

Yes. The project should also collaborate with the other GEF project to have a well coordinated knowledge management plan. Please provide some details in this context.

GEFSEC May 5, 2021

Comment cleared.

#### **Agency Response**

It has now been specified that a knowledge-management plan will be developed between the two projects to ensure coordination and effective collaboration, and thereby increasing the potential for upscaling EbA across the country.

#### **Environmental and Social Safeguard (ESS)**

**Are environmental and social risks, impacts and management measures adequately documented at this stage and consistent with requirements set out in SD/PL/03?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

Yes. The UNDP Audit Checklist is also provided.

#### **Agency Response**

#### **art III – Country Endorsements**

**Has the project/program been endorsed by the country's GEF Operational Focal Point and has the name and position been checked against the GEF data base?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

Yes.

#### **Agency Response**

**Agency Response**

**Termsheet, reflow table and agency capacity in NGI Projects**

Does the project provide sufficient detail in Annex A (indicative termsheet) to take a decision on the following selection criteria: co-financing ratios, financial terms and conditions, and financial additionality? If not, please provide comments. Does the project provide a detailed reflow table in Annex B to assess the project capacity of generating reflows? If not, please provide comments. After reading the questionnaire in Annex C, is the Partner Agency eligible to administer concessional finance? If not, please provide comments.

Secretariat Comment at PIF/Work Program Inclusion

NA

**Agency Response**

**EFSEC DECISION**

**RECOMMENDATION**

Is the PIF/PFD recommended for technical clearance? Is the PPG (if requested) being recommended for clearance?

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC May 5, 2021

Please address a few additional comments and resubmit for consideration.

GEFSEC 26 April, 2021

Please address additional comments provided in the review sheet above.

GEFSEC Secretariat Comment at PIF/Work Program Inclusion

GEFSEC: Given that the focus region (Lake Chilwa Basin) and a number of activities proposed in this project are similar to the previous Council Approved GEF-AfDB project titled " Malawi-climate resilient and sustainable capture fisheries, aquaculture development and watershed management project" , please provide a detailed reasoning on how this project will build on this GEF investment, complement its activities and coordinate to avoid duplication.

Although reference to this AfDB project has been made in the PIF, it is not included as a baseline project and the clear value add of the proposed project is not fully articulated. The PIF also notes that **"GEF-funded project entitled '*Malawi-climate resilient and sustainable capture fisheries, aquaculture development and watershed management*' have included the establishment of community organizations — such as Beach Village Committees (BVCs) — to enforce regulation of natural resource use on the lake, these have had limited human resource and technical capacity to be effective"**. This indicates that the current project is not fully effective and therefore additional project may be needed. The GEFSEC will ensure that when the AfDB project is submitted for endorsement, the effectiveness is considered. So, the above argument for an additional project do not fit well.

The project is being returned based on this understanding. After a satisfactory response is received and the additionality of the project is well described and integrated in project design, GEFSEC will do a full review of the project. GEFSEC PM will also be happy to speak to the project team if necessary for better understanding.

GEFSEC May 7, 2021

Thanks. Comment cleared. PPG is recommended.

GEFSEC June 7, 2021

The project is returned to address one comment related to project coordination. Please see the comment under "coordination" section.

GEFSEC September 19, 2021

The outstanding comment from the PPO on Executing Agency name has been addressed with an updated letter from the OFP. The PIF is recommended for inclusion in the work program.

## ADDITIONAL COMMENTS

**Additional recommendations to be considered by Agency at the time of CEO endorsement/approval.**

### Secretariat Comment at PIF/Work Program Inclusion

At the CEO Endorsement stage, the full project design should include the following:

- A more specific plan of complementing the GEF-AfDB Malawi Chilwa lake basin project.
- Increased number of beneficiaries after securing complementary financing from MICF.
- A detailed Theory of Change.

## Review Dates

	PIF Review	Agency Response
First Review	4/1/2021	
Additional Review (as necessary)	4/26/2021	
Additional Review (as necessary)	5/5/2021	
Additional Review (as necessary)	5/7/2021	
Additional Review (as necessary)	6/7/2021	

## PIF Recommendation to CEO

### Brief reasoning for recommendations to CEO for PIF Approval

The LDCF funded “Transformational Adaptation for Climate Resilience in Lake Chilwa Basin of Malawi (TRANSFORM)” project of UNDP aims to reduce vulnerability of communities in Malawi by adopting an ecosystem based adaptation approach, enhancing flow of climate finance and engaging communities and private sector enterprises to develop climate resilient livelihoods. The project will focus on the Lake Chilwa Basin of Malawi, and through enabling activities such as creating an adaptation financing mechanism at the national level, it will scale up adaptation action across the country. The LDCF will provide a financing of \$5 million for the project and will mobilize \$21.45 million of co-financing from Malawi Government and UNDP. It will benefit 100,000 people directly with 55% of the beneficiaries being women. It will also bring 121,000 hectares of land under climate resilient management. The project will achieve this through three integrated components.

Under the first component, GEF resources will be used to strengthen the enabling financial environment for long-term adaptation to climate change. This will be achieved through the design and operationalization of an innovative financial mechanism — namely the Sustainable

Climate Financing Facility (SCFF) – which will catalyze public and private sector investments in climate-resilient livelihoods and enterprises, thereby incentivizing improved ecosystem management and enhancing ecosystem-based adaptation (EbA).

In the second component, the project will develop an ecosystem based adaptation (EbA) plan for the Lake Chilwa Basin which will factor in climate risks in the regions and will be complemented by a community-based monitoring and reporting system to support improved natural resource management in compliance with environmental regulations. Within this component, the project will support implementation of adaptation solutions such as ecotourism in the Lake Chilwa basin, upscaling alternate livelihoods such as mushroom cultivation and products derived from beekeeping enterprises; and development of fishery and agricultural value chains. The implementation support will follow a structured phase wise process of baseline information collection on resource availability and climate vulnerability; finalizing ecosystem management plans and legal agreements between communities and governments; and finally empowering communities and other stakeholders to implement the plans. The project will identify climate-resilient livelihoods that align with the EbA action plans using Community-Based Resilience Analysis (CoBRA). This will facilitate aggregation by enhancing the ability of MSMEs and other enterprises to access district and city markets by inter alia ensuring harvested commodities meet market standards. The adaptation solutions under this component will be linked to the SCFF Framework Investment Plan (FIP), which will be developed for each target district.

Under the third component, TRANSFORM will capacitate district- and community-level institutions to plan, implement and monitor Ecosystem-based Adaptation (EbA) – particularly to qualify for funding from the SCFF. TRANSFORM will complement other projects and initiatives in the basin through a focus on information and knowledge management – including the establishment of a knowledge management hub, which will serve as a repository for information generated in the basin. This will improve access by communities and the private sector to knowledge and information on: i) climate resilient natural resources management; ii) best practices on the implementation of diversified livelihoods and ecosystems-based adaptation (EbA) interventions; and iii) market information – collected in the information hub developed under Component 1.

Overall, the project adopts an innovative and integrated approach addressing critical adaptation barriers in the country including limited access to climate finance, lack of community led adaptation planning and limited private sector engagement in adaptation. The project will strengthen climate resilience through i) developing alternative livelihood options; ii) capacity building for EbA and enhanced M&R of natural resources; iii) increased market access and value chain enhancement for fishing and agricultural commodities; and iv) greater support and investment from the private sector for small-scale producers. The sustainability of this approach will be ensured through concessional financing, improved infrastructure and technologies for livelihoods, and value-adding activities for harvested commodities. While not explicitly indicated, this summarizes the theory of change of the project to achieve climate resilience from the current baseline. During the CEO endorsement stage, the Agency will be requested to provide a theory of change.

The TRANSFORM project will complement the LDCF funded AfDB project in the Lake Chilwa Basin of Malawi which focuses on strengthening capacity of Beach Village Committees in the basin for adaptation planning and making fisheries sector climate resilient. The project implementation structure has made clear provisions to ensure effective collaboration between the two projects in Malawi for deriving maximum value for LDCF.



