



GEF-6 GEF SECRETARIAT REVIEW FOR FULL-SIZED/MEDIUM-SIZED PROJECTS THE GEF/LDCF/SCCF TRUST FUND

GEF ID:	9563		
Country/Region:	Seychelles		
Project Title:	Third South West Indian Ocean Fisheries Governance and Shared Growth Project (SWIOFish3)		
GEF Agency:	World Bank	GEF Agency Project ID:	158137 (World Bank)
Type of Trust Fund:	GEF Trust Fund	GEF Focal Area (s):	Multi Focal Area
GEF-6 Focal Area/ LDCF/SCCF Objective (s):	BD-1 Program 2; IW-2 Program 3; BD-1 Program 2; IW-3 Program 7;		
Anticipated Financing PPG:	\$136,986	Project Grant:	\$10,292,110
Co-financing:	\$54,000,000	Total Project Cost:	\$64,429,096
PIF Approval:	September 28, 2016	Council Approval/Expected:	October 27, 2016
CEO Endorsement/Approval		Expected Project Start Date:	
Program Manager:	Christian Severin	Agency Contact Person:	Gayatri Kanungo

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Review Criteria	Questions	Secretariat Comment	Agency Response
Project Consistency	1. Is the project aligned with the relevant GEF strategic objectives and results framework? ¹	<p>July 25, 2016. AH/DR/JC</p> <p>a) NGI: The goal of this investment is to create a support system that results in a blue bond issuance. The description and PDO as given are unclear in that regard. While we understand that your reasoning to maintain the SWIOF3 PDO, the project description is missing key descriptive elements and does not</p>	<p>World Bank responses to GEFSEC PIF review (July 27, 2016)</p> <p>1.a) Response: We reiterate that the blue bond will support implementation of SWIOFish3 and contribute to its overall objectives, and is not the main goal of the project. The PDO will therefore remain the same as for SWIOFish3, for the Bank to proceed with this operation. As designed the blue bond is considered</p>

¹ For BD projects: has the project explicitly articulated which Aichi Target(s) the project will help achieve and are SMART indicators identified, that will be used to track the project's contribution toward achieving the Aichi Target(s)?

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		<p>include a clear outcome to establish and have GEF's NDI support to the establishment of the Seychelles Blue Bond. Please change the project objective in Table B.</p> <p>b) IW: there needs to be better reasoning on the regional dimension of fisheries efforts being supported. Currently, there is no mention of links to regional coordinated approaches, to regional fisheries organization (SWIOFC) and/or IOC supported through SWIOFish SOP, or SAP implementation. Please address.</p> <p>c) BD: If \$2.5 million from the NDI are nominally "allocated" in Table A to BD-1 Program 2 (Expanding the Protected Area State), how is the project going to ensure that proceeds will be actually used for the creation of new PAs under the Component 1 (Expanded Sustainable Marine PAs) of the SWIOFish3 when the two projects "merge" after this project gets approved by Council? Also, please clarify why private sector entities are mentioned as potential beneficiaries of the grants if this sector is not in charge of creating new PAs?</p> <p>d) There is some explanation on</p>	<p>a financial mechanism that will generate the financing for implementation of activities. The description in the PIF has been strengthened to clarify the description of the components and activities to be financed, as well as the linkage with the earlier SWIOFish3 components. We confirm that the World Bank Group has issued over \$9 billion of Green Bonds since 2008 and given this experience, we feel several GEFSEC comments are not relevant for this early stage of bond development.</p> <p>1.b) Response: It should be pointed out that the project concept for the SWIOF3 is already approved by the GEF Council, where the coordination issues were sufficiently justified. This PIF is essentially a supplemental to the approved project. Nonetheless a specific paragraph at the end of the "alternative scenario" section has been included for better clarification.</p> <p>1.c) Response: The NDI-supported elements of the project have been realistically designed following extensive consultations with the client and the GEFSEC, with the aim of integrating all aspects under the SWIOFish3 project. As described in the PIF, the proceeds will be targeted towards the effective management of the</p>

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		<p>alignment with GEF focal area objectives for BD and IW, but this comes only through explaining that the grants and investments made will be aligned with the overall Marine Spatial Planning and Mahe Plateau Fisheries management Plan. For non-grant proposals, we would ask for detailed explanation on how the investment decisions would be made to ensure alignment with GEF focal area objectives, including addressing points b) and c) above.</p> <p>August 18, 2016.</p> <p>a) The Bank proposal to merge the two GEF projects, #9250 and this project, #9563 into a single Bank project is acceptable. However, this project, #9563 must describe distinct project activities in Table B that align with the non-grant project activities identified in the alternative scenario. During the project design/QER phase, these distinct project activities from #9563 related to the non-grant can be integrated into the merged project. The PDO for project #9250, noted in the PCN and PID, can remain the PDO for the merged project. Please revise the PIF as requested.</p> <p>b) IW: The response given by the agency addresses the concern. Given</p>	<p>newly created protected areas, not their creation per se. Their creation will be supported by the GEF, the World Bank and the UNDP through other projects described in the PIF (SWIOFish3 for the zone 2 areas, UNDP/GEF project for the zone 1 areas, and The Nature Conservancy support for the entire scheme).</p> <p>The project will ensure that the funds are used for what they are supposed to be used through careful project design (including that of the SeyCCAT/DBS financial architecture) and the World Bank implementation supervision. Given that the grants will not finance the creation of new protected areas per se, but their management as well as fisheries management under the overall project, it is important to bring in the private sector beneficiaries. The private sector is involved in the management of protected areas and of fisheries in Seychelles.</p> <p>1.d) Response: As was discussed before and included in the PIF, the investment decisions will meet criteria that will ensure that the activities funded by the grants and loans will contribute to the GEF Biodiversity and International Waters focal areas objectives (refer to paragraphs 2 and 3, page 5 of the PIF). The investment decisions will be made following a grant and loan charter that</p>

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		<p>the fact that the two projects (this PIF and SWIOFish 3) PCN will be a merged and one common PAD will be presented at endorsement, the regional dimension is indeed embedded in component 3 of the SWIOFish 3 project. Nevertheless, the submitted PIF is a free standing document and needs to be evident in addressing IW eligibility. The additions in the description of the alternative are noted. Comment cleared.</p> <p>c) Thank you for clarifying that the non-grant funding will not be used to support creation of protected areas. When the projects are merged together during the QER phase, please document the role for private sector beneficiaries in the management of protected areas. Comment cleared.</p> <p>d) The investment criteria are a critical component to ensure the non-grant investments align with GEF focal area objectives. During the QER phase please coordinate with the GEF on the criteria and verification mechanism, including the role of the World Bank (related to question 4v). Comment cleared.</p>	<p>will commit the use of funds to eligible activities meeting the predefined criteria and will also include a verification mechanism. These criteria will be further detailed during project preparation where extensive consultations and planning will be done. The information cannot be provided at this early concept stage.</p> <p>World Bank Response August 24 1a) Response: We already revised the PIF as already suggested in the previous set of comments provided by GEFSEC. This project #9563 describes distinct project activities in Table B that align with the non-grant project activities identified in the alternative scenario.</p>

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		August 26, 2016. Comments cleared. We will work with the Bank team to ensure the financial activities for the Blue Bonds are carefully documented in the full bank documents.	
	2. Is the project consistent with the recipient country's national strategies and plans or reports and assessments under relevant conventions?	July 25, 2016. AH/DR/JC. Yes, the project is aligned for example the Seychelles blue growth strategy.	
Project Design	3. Does the PIF sufficiently indicate the drivers ² of global environmental degradation, issues of sustainability, market transformation, scaling, and innovation?	<p>July 25, 2016. AH/DR/JC.</p> <p>No, there needs to be better reasoning provided in the baseline and increment.</p> <p>a) The PIF claims this is an innovative approach, but does not describe the business model through which project activities are connected with the Blue Bonds in such a way to make this type of investment sustainable or replicable. The PIF claims on page 4 "The blue financing is expected to have strong replicability potential for other borrowers in the future." Please clarify what aspect creates this potential - is it the low-cost concessional finance? Is it linkage of a blue bond with specific investment criteria and monitoring?</p>	<p>World Bank responses to GEFSEC PIF review (July 27, 2016)</p> <p>3.a) Response: The blue bond is only a financing mechanism, to support implementation of project activities. With limited resources, this approach is being piloted for the first time in Seychelles on a small scale, with the aim of being a "proof of concept". As explained and discussed during the pre-concept bilateral meeting with the GEFSEC, the exact architecture of the financing mechanism is still being defined and will only be finalized shortly before CEO endorsement. Two aspects described in the PIF make the blue financing replicable: (i) the low-cost of the financing compared to other accessible sources for Seychelles; (ii) and the innovative definition of what a blue set of investment would be. Once this is defined, it is expected that</p>

² Need not apply to LDCF/SCCF projects.

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		<p>b) As mentioned earlier the innovation intended by the use of NGI funds is the establishment of the Blue Bond using GEF, WB, and other resources. So far the description of what to address are limited to actions that seems to also be addressed under GEF-WB and GEF-UNDP and TNC finance. Please clarify if any incremental or additional actions will be catalyzed and invested in with the proceeds of the Blue Bonds.</p> <p>c) The para on page 2 (last par in baseline and context) is stating that these initiatives are underfunded and in risk of creating "theoretical management initiatives". Are you implying that the SWIOFish3 GEF finance which is currently under design is not likely to achieve its objectives and GEF needs to consider that at endorsement stage?</p> <p>August 18, 2016</p> <p>a) The response indicates that the proposed approach for Blue Bonds will be replicable due to the low cost of financing. If we understand the argument, the availability of the GEF non-grant funding is what provides the low-cost financing. Please clarify that the business model for replication in other countries will also depend on</p>	<p>adopting this approach will become easier for Seychelles and other countries as a replicable model, and attract additional investors.</p> <p>3.b) Response: As explained in the PIF ("alternative scenario" section), the incremental or additional actions financed with the proceeds of the Blue Bonds will be related to the implementation of the management plans prepared with the GEF-WB financing. The GEF-UNDP financing does not support the sustainable use areas. The TNC financing will complement the Blue Bonds as it is deemed insufficient by the Government, the World Bank and TNC for an effective management of the new protected areas. The team would like to emphasize that this NGI proposal be looked at through the lens of integration and not as an individual source of funding. A holistic approach will assist the client government to show more realistic impacts on the ground. The blue bond will allow the SWIOFish3 activities to be scaled up – a blue bond is simply the financing mechanism.</p> <p>3.c) Response: It may be clarified that the interpretation is not correct. The SWIOFish3 GEF financing currently under preparation was limited to the</p>

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		<p>other sources of highly concessional funding, or can we expect replication of Blue Bonds in the commercial markets once the Seychelles project proves the viability of Blue Bonds.</p> <p>b) The response indicates that Blue Bond financing will be integrated with other financing, such as TNC, to support a holistic approach to funding and allow the activities to be scaled up. This is a valuable approach. For clarification, please provide an estimate for the scaling factor of the project. That is, by what estimated factor will the Blue Bonds increase the investments compared to the baseline without the Blue Bonds?</p> <p>c) We understand from the agency response that the Blue Bond will be the financing mechanism to scale up efforts on effective management and render them more comprehensive and increasing impact compared to the SWIOFish 3 project alone. Comment cleared.</p> <p>August 26, 2016. Responses were very helpful. All comments cleared.</p>	<p>creation and some monitoring of the sustainable use areas, not their effective management, which was to be funded through proceeds of the debt restructuring. The lower size of this debt restructuring than expected will not allow for enough financing. Please note that the project is at a concept stage and preparation work is needed to further define the elements of the project.</p> <p>World Bank response, August 24 3a) Response: The team anticipates that the innovation inherent in the Blue Bond financing will be replicated for other borrowers, many higher rated and perhaps also lower rated than Seychelles. We hope to develop this new market in order to support Blue economy objectives more globally, across the credit spectrum. Blue bond issuers of similar credit quality to Seychelles may well require credit enhancements in order to make these issuances feasible, and multilateral guarantees and/or GEF or other grant support may be brought to bear to support those operations. For the case of Seychelles, both an IBRD partial credit guarantee and the GEF support are what reduce the cost of funding to a range that meets the client's objectives. This approach may be replicated for borrowers facing similar market access</p>

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			<p>challenges, while for somewhat stronger credits a guarantee of some limited size may be sufficient. For higher rated countries, as has been clearly observed in the Green bond market, no credit enhancement may be required to issue new Blue bonds.</p> <p>3b) Response: It is estimated that the Blue Bonds will increase the investments by a factor of between two and three on top of the baseline.</p>
	<p>4. Is the project designed with sound incremental reasoning?</p>	<p>July 25, 2016. AH/DR/JC.</p> <p>a. In Table F, the estimate for 2 million hectares in Row 1 and the 1% fisheries in Row 4 need justification. Please clarify how these benefits are calculated incrementally above the benefits of related projects under the SwioFish3.</p> <p>b. Please add a section for 'coordination with other initiatives'. We do not see documentation on HOW this project builds on and does not replicate the just approved PIF for the Seychelles and how it intends to cooperate with the UNDP/GEF intervention. There is no mention on any other national or regional initiatives - including the LME SAP implementation projects (UNDP and UNEP) which will be housed/coordinated by Nairobi</p>	<p>World Bank responses to GEFSEC PIF review (July 27, 2016)</p> <p>4.a) Response: At this concept stage, Table F presents preliminary estimates in hectares (based on expected gazettement) which will be revisited during preparation. The project will support Seychelles to manage no less than 10% of expected MPA to be gazetted and that project preparation will be used to better estimate the figure. Consultative discussions both within countries, with partners and GEFSEC are expected to confirm the numbers prior to CEO endorsement.</p> <p>4.b) Response: Please see response to comment 3.b above. As explained earlier, the added value of the project compared to the just approved PIF for Seychelles is described in the alternative scenario section. Refer to section on</p>

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		<p>Convention offices.</p> <p>c. The alternative scenario description for Track 1 are grants to finance agreed actions (efforts partly supported by other GEF projects), which will be paid for using the blue bonds proceeds. The second track will be loans to private entities. However, the PIF then points out that the Blue Bonds repayments will be the "obligation of the Government of Seychelles" and will not directly come from the revenues generated by the lending tracking. As explained at the pre-PCN meeting, the Bank intends to loan the GEF resources to the Government of Seychelles at 0.25% interest for 40 years, with 10 year grace period. Then, the Government of Seychelles will use the loan to purchase an instrument from the World Bank that will provide a steady stream of funding over a 10 year period (e.g., \$500,000 per year for 10 years), which is the expected term of the Bond, to reduce the Government costs of a 6% bond to equivalent of 3%. The Government of Seychelles will the repay the GEF \$5 million loan over the 40 year period from general obligation sources. This approach raises several questions that need to be addressed at PIF stage:</p>	<p>"coordination with other initiatives" on page 8, section 5.</p> <p>4.c) Response: This is the current intention and working assumption. It derives from Government of Seychelles stated preference and on preliminary testing of concept with selected market counterparts. GEF resources will be effectively deployed to pay down the coupon of bonds paid by the borrower. The investor would receive a sufficient return for the inherent risks associated with the unguaranteed amounts raised in the transaction. The final design of the Blue Bonds scheme might change in the future months while it is further refined. Because this is likely to change, it will not be included in the PIF.</p> <p>(ii) Please confirm the expected size in dollars of the proposed Blue Bonds. Response: The expected volume of the proposed Blue Bonds will reflect the specific project need, which is currently estimated to be about \$15 million.</p> <p>(iii) Please explain the likelihood that potential private sector investors will be attracted to the Blue Bonds with these innovative provisions, including the use of the bond proceeds to fund both grant and investments. Response: Preliminary sounding of market counterparts reveals interest in</p>

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		<p>(i) Please confirm it is the intention of that the Blue Bonds would offer 6% return to potential investors, and the GEF loan would allow the Government to reduce their costs to 3% over the 10 year term.</p> <p>(ii) Please confirm the expected size in dollars of the proposed Blue Bonds</p> <p>(iii) Please explain the likelihood that potential private sector investors will be attracted to the Blue Bonds with these innovative provisions, including the use of the bond proceeds to fund both grant and investments.</p> <p>(iv) Please explain how the proceeds of the Blue Bonds will be "channelled through the SeyCCAT" but also "managed by the Development Bank of Seychelles."</p> <p>(iv) Please describe the sustainability prospects for SeyCCAT after the Blue Bonds term is over. What funding streams are envisaged that will allow it to continue functioning, or will it be closed?</p> <p>(v) Where will the decision makers be located for the Track 1, grants; and the Track 2, investments? How will those decision makers ensure alignment of all grants and investments with the GEF focal area objectives? Will the World Bank have a representative on the grant and</p>	<p>the transaction. Those contacted find the story and the structure attractive, and there is interest in developing this market segment. Thus far no skepticism has been expressed regarding use of proceeds to fund grants and investments, although further discussion with investors will be conducted in the weeks ahead. It is important to emphasize that by most standards this is considered a very small issuance and few buyers are required to launch the issue efficiently. The team expects to use investors that attribute value to the Seychelles narrative and Blue Bond concept which will participate with skin the transaction, rather than require significant amount of credit support to take the risk inherent.</p> <p>(iv) Please explain how the proceeds of the Blue Bonds will be "channeled through the SeyCCAT" but also "managed by the Development Bank of Seychelles."</p> <p>Response: It is expected that all the proceeds will be channeled through SeyCCAT and that the on lending (track 2) will be managed by DBS on behalf of SeyCCAT. This is still to be further refined and agreed by the Government of Seychelles, SeyCCAT and DBS, all of which agreed in principle.</p> <p>(iv) Please describe the sustainability prospects for SeyCCAT after the Blue Bonds term is over. What funding</p>

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		<p>investment review committees?</p> <p>(vi) Please describe the World Bank fees that will be earned on the proposed instrument that will convert the GEF loan of \$5 million to a steady stream of income for the Government of Seychelles. Were other options considered that could be more cost-effective?</p> <p>(vii) Please describe the types of investors who are likely to be attracted to the Blue Bonds.</p> <p>(viii) Please describe the estimated full amount to be managed by SeyCCAT with this project, including a table that shows the contributions of the GEF Grants, the Nature Conservancy, the World Bank, and other co-financiers, over the 10 year term of the Blue Bonds. Will the grants and investments be front-loaded during the 10 year term?</p> <p>(ix) The estimate of co-financing from SMEs and businesses seems low. In many investments private sector beneficiaries often put up 30% or more of the funding. Please clarify.</p> <p>(x) Please clarify if there are options for the Government of Seychelles to pay off the GEF 40 year loan at the end of the Blue Bond term of 10 years. That is, are there options that would allow the loan to be paid off early?</p>	<p>streams are envisaged that will allow it to continue functioning, or will it be closed?</p> <p>Response: As envisaged it will not be closed, please refer to paragraph 3 on page 4. The endowment fund of SeyCCAT, financed with proceeds from the debt restructuring, will ensure it will continue functioning and be sustainable.</p> <p>(v) Where will the decision makers be located for the Track 1, grants; and the Track 2, investments? How will those decision makers ensure alignment of all grants and investments with the GEF focal area objectives? Will the World Bank have a representative on the grant and investment review committees?</p> <p>Response: The decision makers for track 1 and track 2 investments will be the SeyCCAT Board. The World Bank will not have a representative on the grant review committees. This review and decision making scheme will be finalized during project preparation.</p> <p>(vi) Please describe the World Bank fees that will be earned on the proposed instrument that will convert the GEF loan of \$5 million to a steady stream of income for the Government of Seychelles. Were other options considered that could be more cost effective?</p> <p>Response: The IBRD guarantee is expected to cover a 10 year bullet</p>

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		<p>(xi) Please clarify how the GEF 40 year loan will impact the Government of Seychelles borrowing limits under IDA and other financial institutions.</p> <p>(xii) What provisions will be made to help potential beneficiaries of the Track 2 loans to be able to present investable projects?</p> <p>(xiii) Please document the risks the Blue Bonds will never be purchased, especially given the risks the TNC Debt Swap is not fully consummated. Please explain the provisions for repayment of the GEF loan under those conditions.</p> <p>d. There is no project description/components beyond the general outline of the "GEF alternative". This leads to many questions on project design and eligibility (see comments provided). Please add a project description in line with the revised Table B (see comment in box 5). Please explain or drop the budgetary estimate for the alternative scenario, estimated at \$37 million, when the Blue Bonds may be issued at \$15 million.</p> <p>e. Due to the complexity of the financial structuring, including the load, debt swap, guarantee, grants, and investments, please provide a</p>	<p>repayment of up to \$5 million, at maturity (on the \$15 million due at that time). The charge for 10 year exposure would be 60bp per annum, which would be collected upfront on a present value basis, on the amount that it guarantees. IBRD would also charge a one-time front-end fee of 0.25% on this same notional amount. These are the standard terms that apply to all borrowers, with no exceptions. The IBRD guarantee fees and charges quoted reflect the current terms and are may change in the future. After considering various approaches for optimizing the combination of different forms of support on offer, and with a view to create leverage and risk sharing in the transaction, the current structure achieves the objectives of the operation. More cost-effective options that could be considered involve larger amount of credit enhancement (guarantee) from World Bank and/or other multilateral, which is not out of question if needed but could increase complexity and reduce efficiency.</p> <p>(vii) Please describe the types of investors who are likely to be attracted to the Blue Bonds.</p> <p>Response: There are many kinds of potential investors which could be attracted to the Blue Bonds. Holders of existing Seychelles risk, which are already familiar with the underlying</p>

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		<p>pictograph or diagram for the flow of funds.</p> <p>August 17, 2016</p> <p>a) Please note that the table F numbers – as this is a freestanding PIF – will be additive to the numbers already provided in the SWIOFish 3 submission. With that in mind please confirm that these are additive numbers (which then in the PAD would need to add the table F values from PMIS 9250 and PMIS #9563/this proposal).</p> <p>b) See also our response under 1 b. Given that this project will be merged with SWIOFish 3 during project design: Comment is cleared.</p> <p>c) The response covered multiple questions as noted below. Most comments are cleared except for vi), viii), and xiii). Please clarify. In addition some actions are requested by QER and before CEO endorsement.</p> <p>i) The response confirms the proposed approach. ii) \$15 million is expected. iii) Response from investors is expected to be good</p>	<p>credit, could be participants, as well as large global banks with interest in supporting Seychelles and/or environmentally beneficial projects demonstrate interest. The universe of impact investors which buy Green Bonds is quite large (up to \$150bn outstanding). Some of these may be targeted, and these include asset managers in nearly every geography. Many of these are large insurance funds, asset & wealth managers, endowments, pension funds based in NY, Japan, Switzerland, Sweden, etc. Over \$30bn worth of new Green Bonds have been issued in 2016 alone, as of June 30. The team is confident that interest is sufficient to support the scale of this transaction, and the ideal investor is the one which does not require an investment grade rating, which would imply less leveraging of our balance sheets.</p> <p>(viii) Please describe the estimated full amount to be managed by SeyCCAT with this project, including a table that shows the contributions of the GEF Grants, the Nature Conservancy, the World Bank, and other co-financiers, over the 10 year term of the Blue Bonds. Will the grants and investments be frontloaded during the 10 year term? Response: This is still work in progress. The information will be provided before</p>

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		<p>iv) The bond proceeds will be channeled through SeyCCAT while the lending track is managed by DBS.</p> <p>iv) The debt restructuring proceeds are expected to be sufficient to endow SeyCCAT with funding to allow sustainable operation.</p> <p>v) At the present time, the Bank is not planning to have a representative on the investment review committees. By the time of QER, please document how the Bank will ensure that investment criteria will align with GEF focal area objectives, along with monitoring and compliance mechanisms.</p> <p>vi) As proposed, the Bank would collect 60 basis points and 0.25% fee per standard practice, collected up front on a present value basis. Please confirm the full amount in \$ based on this approach. Please confirm that the GEF non-grant financing of \$5 million will be sufficient to cover this upfront cost or if another source of co-financing is needed.</p> <p>vii) A wide variety of investors are expected. Comment addressed.</p> <p>viii) Please provide an approximate estimate for the total amount of funding to be managed by SeyCCAT</p>	<p>CEO endorsement.</p> <p>(ix) The estimate of co-financing from SMEs and businesses seems low. In many investments private sector beneficiaries often put up 30% or more of the funding. Please clarify.</p> <p>Response: Given this early stage it is very difficult to estimate the co-financing from SMEs and businesses and thus a conservative estimate has been provided.</p> <p>(x) Please clarify if there are options for the Government of Seychelles to pay off the GEF 40 year loan at the end of the Blue Bond term of 10 years. That is, are there options that would allow the loan to be paid off early?</p> <p>Response: The Government of Seychelles clarified that they would ideally not want the loan to be paid off early, however there is no restriction that prevents it from doing so. The Bank does not intend to depart from its usual business model for this small bond.</p> <p>(xi) Please clarify how the GEF 40 year loan will impact the Government of Seychelles borrowing limits under IDA and other financial institutions.</p> <p>Response: We do not know of any such impact from IDA. Seychelles no longer borrows from IDA, as the country is a category 4 IBRD client, and its</p>

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		<p>with the understanding that this amount may change during project preparation.</p> <p>ix) Co-financing by the beneficiaries is an important investment criterion. Please clarify during QER.</p> <p>x) The full loan term is expected – 40 years plus 10 year grace period. Comment addressed.</p> <p>xi) Not likely to impact Seychelles borrowing capacity. Comment addressed.</p> <p>xii) Support for beneficiaries may come from other sources in the SWIOFish3 project. Comment addressed.</p> <p>xiii) The risk the Bonds will not be purchased is low. However, a contingency plan must be explored in case the Bonds are not purchased. Please propose some options, to be negotiated with the Government during project preparation, for repayment of the GEF loan if the Bonds are not purchased. In other words, if the project cannot be implemented as designed, what are the provisions for closing the GEF project and returning the GEF</p>	<p>headroom would not be affected. Given the small scale of the offering, it is not likely that this borrowing would have any significant impact on the Government's ability to raise other funding from private financial institutions. Rather, at the margin, the transaction may be positive in terms of increasing its visibility and demonstrating leadership with regard to Blue Economy innovation.</p> <p>(xii) What provisions will be made to help potential beneficiaries of the Track 2 loans to be able to present investable projects? Response: The IBRD through the SWIOFish3 project will support potential beneficiaries of the track 2 loans to design investable projects. The exact amount of support will be assessed during project preparation.</p> <p>(xiii) Please document the risks the Blue Bonds will never be purchased, especially given the risks the TNC Debt Swap is not fully consummated. Please explain the provisions for repayment of the GEF loan under those conditions. Response: As explained in our response to comments (iii) and (vii) above, we estimate the risk that the Blue Bonds will never be purchased as very low. The terms of repayment were described in the document. 10 year grace period and 40 year final maturity. During the</p>

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		<p>investment?</p> <p>d) The explanation on the \$37 million is not clear. Please clarify. Also, please align Table B with the proposed project activities in the alternative scenario, as noted also in Box 3a) and 5a).</p> <p>e) A simple pictograph or diagram for the flow of funds as described in the PIF will help increase the understanding of the proposed approach by STAP and Council. GEF will work with the Bank staff to develop such a diagram. Suggest to meet with team.</p> <p>August 26, 2016. Responses very helpful. All comments cleared.</p>	<p>repayment period, 2% of the notional would be repaid, per annum, during years 11-20 and 4% of the notional would be repaid, per annum, during years 21-40.</p> <p>4.d) There is no project description/components beyond the general outline of the "GEF alternative". This leads to many questions on project design and eligibility (see comments provided). Please add a project description in line with the revised Table B (see comment in box 5). Please explain or drop the budgetary estimate for the alternative scenario, estimated at \$37 million, when the Blue Bonds may be issued at \$15 million.</p> <p>Response: The project description has been expanded in the PIF reflecting the broader SWOFish3 project (refer to the "alternative scenario" section on pages 4 to 6). The baseline cost presented in the incremental reasoning is not a duplication of funding from the overall SWIOFish3 project, but new/leveraged financing owing to the NGI. For incremental reasoning purposes it is therefore important to show these. When the projects are integrated at CEO endorsement, the incremental reasoning and the co-financing accounting will also be integrated.</p>

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			<p>4.e) Due to the complexity of the financial structuring, including the load, debt swap, guarantee, grants, and investments, please provide a pictograph or diagram for the flow of funds. Response: As discussed during the pre-concept note meeting, it is too early to provide a diagram for the flow of funds since it is likely to be refined until CEO endorsement.</p> <p>World Bank August 24 4a) Response: We note and confirm that these are additive numbers 4c)vi) Response: Funding for the fees will come from other co-financing sources, such as the Government, and not from the GEF non-grant funding. 4c)viii) Response: It is estimated that SeyCCAT will manage between \$750,000 and \$1,250,000 per year. We are satisfied that SeyCCAT has the capacity to do it. 4c)xiii) Response: It is important to bear in mind that this Blue bond issuance is not intended to be publicly issued to a wide range of investors, due to its very small size. Rather, the instrument is meant to be privately placed with few investors to be identified, and as such, the terms of the issuance will be negotiated well before any funds are transferred and the bond is actually</p>

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			<p>issued. In this sense, there is no contingency necessary, because in the unlikely loss of interest in the transaction, the project will be scaled accordingly and the GEF resources will not be utilized. Because this is a first ever issuance, the private format is particularly attractive, as it provide stronger comfort to the stakeholders and better predictability of outcomes than a more uncertain public issuance</p> <p>4d) Response: The explanation on the \$37 million has been clarified in the PIF. The baseline scenario is estimated at \$27 million, and the additional cost of the alternative scenario is estimated at \$10 million (\$5 million from the GEF and \$5 million from the World Bank). The total budgetary estimate is therefore \$37 million. Table B is aligned with the proposed project activities in the alternative scenario.</p> <p>4e) Response: We included a diagram in the updated PIF.</p>
	<p>5. Are the components in Table B sound and sufficiently clear and appropriate to achieve project objectives and the GEBs?</p>	<p>July 25, 2016. AH/DR/JC. a) The components and outcomes in table B are aligned with SWIOFish 3, but do not make mention of the establishment of the Blue Bond which the NGI funds are intended to contribute to. In that sense, the linkage with global environment benefits is clear (for SWIOFish 3 type of actions), but unclear how this</p>	<p>WB July 27 response</p> <p>5.a) Response: Please refer to our response to your comment 4.d) above. The PIF has been revised to provide better clarification on NGI funded activities. The team does not envisage having separate subcomponents for the NGI funding but activities will be fully integrated within the SWIOFish 3 design</p>

PIF Review

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		<p>would relate to the objectives and use of NGI funds. As proposed on page 5, the proposed project will be "merged" into the existing SWIOFish3 design by creating specific sub-components within existing components 1 and 2. Therefore, please re-write Table B to include sub-component names that will used in the merged project. Do not use the components 1 ("Expanded sustainable-use marine protected areas") and 2 ("Improved governance of priority fisheries") of SWIOFish3 which already exist. The sub-component names should be descriptive of the investment activities, such as "prepare loan documents" or "develop Blue Bonds investment criteria" or other sub-component descriptions that relate only to the NGI portion of GEF funding and the proposal.</p> <p>August 18, 2016.</p> <p>a) As noted in Box 3a) the merging of projects #9250 and this project, #9563 at QER stage before CEO endorsement is acceptable. However, it will be important that specific project activities to establish the Blue Bonds be included in the PAD. Therefore, please include draft project sub-components/activities in Table B</p>	<p>structure. Also note that activities such as "preparing loan documents" and developing Blue Bonds investment criteria will be done during project preparation and will therefore not be part of the project design.</p> <p>WB, August 24 response</p> <p>5a) Response: The PAD will include a description of the financing architecture, including the Blue Bonds, and the team stands ready to liaise with GEFSEC to better explain the process and the preparatory activities being undertaken.</p>

PIF Review

Review Criteria	Questions	Secretariat Comment	Agency Response
		and the project description as requested.	
	6. Are socio-economic aspects, including relevant gender elements, indigenous people, and CSOs considered?	<p>July 25, 2016. AH/DR/JC. No, the gender section has been left empty and need addressing. Women are important actors in the fisheries sector - e.g.. in post harvest processing, livelihoods provision, and other. Please address.</p> <p>August 18, 2016. Comment addressed.</p>	<p>World Bank responses to GEFSEC PIF review (July 27, 2016)</p> <p>Response: The gender section has been completed in the new version of the PIF (refer to section 3, page 7).</p>
Availability of Resources	7. Is the proposed Grant (including the Agency fee) within the resources available from (mark all that apply):		
	<ul style="list-style-type: none"> The STAR allocation? 	<p>N/A</p> <p>NGI funds only</p>	
	<ul style="list-style-type: none"> The focal area allocation? 	<p>N/A</p> <p>NGI funds only</p>	
	<ul style="list-style-type: none"> The LDCF under the principle of equitable access 	N/A	
	<ul style="list-style-type: none"> The SCCF (Adaptation or Technology Transfer)? 	N/A	
	<ul style="list-style-type: none"> Focal area set-aside? 	N/A	
Recommendations	8. Is the PIF being recommended for clearance and PPG (if additional amount beyond the norm) justified?	July 25, 2016. AH/DR/JC. No, the PIF cannot be recommended yet. The GEF team welcomes additional discussion with the team to aid in moving forward to address the comments raised.	

PIF Review

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		<p>In the next revision, for Table D, please leave Programming of Funds column blank. We have confirmed the project is recorded as requesting funds from the non-grant pilot.</p> <p>August 18, 2016</p> <p>Please address remaining comments as follows Boxes: 1a); 3a); 4c) vi); viii) and xiii); 4d); and 5a).</p> <p>August 26, 2016. All comments addressed. We encourage close coordination with the GEFSEC and the Bank team during project preparation to further address some of the technical issues raised and responded to. The program managers recommend technical clearance.</p>	
Review Date	Review	July 25, 2016	July 26, 2016
	Additional Review (as necessary)	August 19, 2016	August 24, 2016
	Additional Review (as necessary)	August 26, 2016	

CEO endorsement Review

Review Criteria	Questions	Secretariat Comment at CEO Endorsement	Response to Secretariat comments
Project Design and Financing	1. If there are any changes from that presented in the PIF, have justifications been provided?	4th of June 2017 (cseverin): there is a large difference in cofinancing. the GEF datasheet mentions 54 million, where as the PAD only lists 5 mio. This needs to be fixed. The issue was raised at the time of the last meeting on the project.	
	2. Is the project structure/ design appropriate to achieve the expected outcomes and outputs?	4th of June 2017 (cseverin):Yes	
	3. Is the financing adequate and does the project demonstrate a cost-effective approach to meet the project objective?	4th of June 2017 (cseverin):Yes, it seems so, this is an innovative set of financing, so it will be interesting to see how it will roll out activities and to what extend the financing structure will attract additional investments.	
	4. Does the project take into account potential major risks, including the consequences of climate change, and describes sufficient risk response measures? (e.g., measures to enhance climate resilience)	4th of June 2017 (cseverin):yes	
	5. Is co-financing confirmed and evidence provided?	4th of June 2017 (cseverin):Can only find the co-financing letter from the Seychelles minister amounting to \$16 mio, not the remaining \$38 mio. please forward these. 12th of June 2017 (cseverin): We will be expecting to receive proof of the remaining co-financing after completion of the negotiations.	
	6. Are relevant tracking tools completed?	4th of June 2017 (cseverin): Yes	

CEO endorsement Review

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	7. <i>Only for Non-Grant Instrument:</i> Has a reflow calendar been presented?	4th of June 2017 (cseverin): Please include the reflow calendar as annex B, according to GEF Datasheet template requirements. 12th of June 2017 (cseverin): Addressed.	
	8. Is the project coordinated with other related initiatives and national/regional plans in the country or in the region?	4th of June 2017 (cseverin):Yes	
	9. Does the project include a budgeted M&E Plan that monitors and measures results with indicators and targets?	4th of June 2017 (cseverin): No, please submit. 12th of June 2017 (cseverin): Explanation have been forwarded.	
	10. Does the project have descriptions of a knowledge management plan?	4th of June 2017 (cseverin):Yes, it will focus on using the IWLEARN knowledge management mechanism.	
Agency Responses	11. Has the Agency adequately responded to comments at the PIF ³ stage from:		
	<ul style="list-style-type: none"> • GEFSEC 	4th of June 2017 (cseverin):yes	
	<ul style="list-style-type: none"> • STAP 	4th of June 2017 (cseverin): According to STAP review criteria, since the project received a request for minor revisions, there is a need to provide a report of the action agreed and taken, at the time of submission of the full project brief for CEO endorsement.	

³ If it is a child project under a program, assess if the components of the child project align with the program criteria set for selection of child projects.

CEO endorsement Review

Review Criteria	Questions	Secretariat Comment at CEO Endorsement	Response to Secretariat comments
		<p>This seems to be missing, please provide.</p> <p>12th of June 2017 (cseverin): Addressed</p>	
	<ul style="list-style-type: none"> • GEF Council • Convention Secretariat 	4th of June 2017 (cseverin):Yes	
Recommendation	12. Is CEO endorsement recommended?	<p>4th of June 2017 (cseverin):No please address the few remaining items.</p> <p>12th of June 2017 (cseverin): Yes project is recommended for CEO Endorsement.</p>	
Review Date	Review		
	Additional Review (as necessary)		
	Additional Review (as necessary)		