

Recruitment of National Consultant for
Development of Cost Scenarios for Climate Change Investments in the Non-Resort
Tourism sector of the Maldives

TERMS OF REFERENCE

1. BACKGROUND

The Ministry of Environment (ME), is the National Designated Authority (NDA) of the Government of the Republic of Maldives to the Green Climate Fund (GCF).

ME is currently implementing a project, Readiness and Preparatory Support for ‘Establishing and Strengthening National Designated Authority (NDA), and Developing Strategic Framework for Engagement with the GCF in the Maldives’ with support from the GCF and United Nations Environment Programme (UNEP). The project aims to contribute to effectively build a strategic framework for the Maldives to engage the GCF on Climate Change interventions.

Under this project, the Ministry of Environment is seeking a qualified national consultant to undertake development of Cost Scenarios for Climate Change Investments in the Non-Resort Tourism sector of Maldives.

2. OBJECTIVES OF ASSIGNMENT

As a low-lying small island developing state, economic impacts of climate change are already being felt throughout the Maldives, through the need for increased public and private expenditure in areas such as coastal protection and responding to extreme weather events, as well as through losses from slow onset events such as damage to coral reef ecosystems. The ongoing Covid-19 global pandemic has had unprecedented devastating impacts on the tourism sector which is the economic mainstay of Maldives, and continues to further aggravate the economic situation.

While the government focuses on recovery efforts, it remains committed to climate action, and intends to continue efforts to understand how continued investment in climate action would

provide economic co-benefits in addition to resilience building. As such, analysis of cost scenarios of climate investments is crucial to understanding how climate change will affect key areas of impact, the livelihoods of the people who depend on them and potential gains from integrating climate adaptation and mitigation action into development and recovery plans.

This activity will provide the Government of Maldives with actionable information about the potential economic opportunities of a selected project in the Maldives GCF Country Programme. This is also based on the recommendations of the GCF Secretariat, following its review of the National Strategic Framework to Mobilize International Climate Finance in the Maldives 2020- 2024. The project concept prioritised for this assessment has been selected based on its potential co-benefits to support the Covid-19 recovery efforts and its direct impact on livelihoods, and potential for private sector engagement in climate action. The project concept chosen in this regard is Project 8: Tourism Adaptation in the Maldives, specifically its components relevant to the non-resort tourism sector.

The assessment will identify climate risks for the non-resort tourism sector, the cost imposed by those risks, and develop alternative cost scenarios for incorporating climate considerations, in contrast to business as usual scenarios.

The consultant would work closely with the GCF National Designated Authority (NDA) at the Climate Change Department of the Ministry of Environment to achieve these objectives.

The consultant is expected to collect data on non-resort tourism sector in the Maldives, in consultation with the Ministry of Environment Ministry of Tourism and other relevant government agencies, and align these data to climate projections data, then use accepted approaches for scenario development for a set of predetermined timescales.

3. SCOPE OF WORK

Task 1: Conduct initial desk-studies, consultations and research to finalize a methodology of work

a) Consult with Ministry of Environment regarding objectives and scope of assignment.

b) Complete an initial review of available information regarding climate change risks to the non-resort tourism sector (especially in the wake of the Covid 19 outbreak) including relevant studies and data sources.

c) Conduct follow up consultations with Ministry of Environment regarding findings of the review and agree on the methodology of work, taking into consideration the short timeframe available for completion of the task.

Task 2: Identify information sources

In consultation with Ministry of Environment, Ministry of Tourism, and the Guesthouse Association of Maldives and other relevant agencies, identify and obtain data and information that will be needed for the study.

Choose a range of climate change scenarios on which to base the study.

Task 3: Complete scenario development of the proposed investments for the non-resort tourism sector identified in the project concept, “Tourism Adaptation in the Maldives” as provided in the Annex.

a) Review of identified impacts of climate change on the non-resort tourism sector of Maldives.

b) In the areas of focus for the sector, analyze information about the current situation: number of people engaged in the sector directly and indirectly, infrastructure at risk from extreme weather or slow onset events, supporting economic activities linked to the non-resort tourism sector etc. Data on these topics could come from Statistical Yearbooks, statistical reports from relevant ministries within the Government and other specialized studies.

c) Review literature to identify studies that analyze how climate change will affect the non-resort tourism industry.

e) Conduct key informant interviews with the sector representatives (virtual interviews are preferred due to Covid-19 situation)

d) Combine analysis from steps a-e above to predict the specific changes that will occur in the key focus areas in Maldives by 2050.

e) Use current price data to put a monetary value on the changes attributable to climate change in the sector.

Task 4: Organize the data and calculations in a well-documented spreadsheet format that makes it possible for users to see how all of the results were derived.

Task 5: Synthesize findings and submit draft assessment report.

Task 6: Present findings and recommendations to NDA and relevant stakeholders.

a- an oral presentation with key findings need to delivered to a group of stakeholders to be identified by the Ministry of Environment.

Task 7: Submit final assessment Report

a- Report would be finalized following incorporation of feedback provided by the Ministry of Environment to the draft report and presentation.

4. KEY DELIVERABLES

The consultant should provide the following deliverables:

Deliverable 1: Detailed work plan, including methodology of work, findings from initial literature review and studies.

Deliverable 2: Scenario development report for the proposed project concept “Tourism Adaptation in the Maldives”. (This report needs to include analytical tools used for the analysis e.g. spreadsheets and an annex identifying data sources etc.)

Deliverable 3: Presentation (virtual/physical and synthesis formats) summarizing key components of the assessment process and findings.

Activity Timeline

Task	Wk* 1	2	3	4	5	6	Related deliverable
Desk study and consultations							#1
Identify data sources							#2
Complete economic assessment							#2
Organize data and calculations							#2
Draft assessment report							#2
Present findings to NDA							#3

*From the date of contract signing

5. QUALIFICATION CRITERIA

- **Educational background**

- A minimum Master's degree in economics or related field

- **Professional experience**

- At least 5 years of demonstrated working experience in the similar fields nationally or internationally.
- Demonstrated experience relevant to climate change/environment or any field related to economic modeling would be an added advantage
- Demonstrated ability in high quality writing and reporting skills
- Must demonstrate experience via samples of or web links to similar work previously conducted.

6. REPORTING

The consultant is expected to work closely with the GCF NDA, and will report directly to the assigned official from Climate Change Department (CCD).

The consultant shall update CCD on the progress via email or virtual platforms on a regular basis.

For meetings held under this consultancy, the minutes of meetings must be provided to CCD within two days of the meeting.

7. CONTRACT DURATION

The contract duration will be a maximum of **6 weeks** from the commencement of the assignment.

8. PAYMENT

Payment would be made in accordance with the schedule specified below:

Deliverable	Allocation
Detailed work plan, including methodology of work, findings from initial literature review and studies.	20%
Scenario development report for the proposed project concept “Tourism Adaptation in the Maldives”.	60%
Presentation (virtual/physical and synthesis formats) summarizing key components of the assessment process and findings.	20%

9. SELECTION CRITERIA

The consultants will be selected based on the following criteria.

Criterion	Weightage
Academic Qualifications	20 points
Professional Experience in prescribed sector <ul style="list-style-type: none">At least 5 years of demonstrated working experience in the similar fields nationally or internationally (15 points)	30 points

<ul style="list-style-type: none"> • samples of or web links to similar work previously conducted. (5 points per work, up to 3 samples) 	
Proposed methodology of work based on the scope of work provided in the ToR	20 points
Financial Proposal The proposal with the Lowest Financial Quote (Fq) will get the maximum Financial Score (Sf) of 30 points. The Financial Scores (Sf) of the other Financial Proposals will be computed according to the following formula: $Sf = 30 \times Fq / F$, in which Sf is the financial score, Fq is the <u>Lowest Financial Quote received</u> and F is the price of the proposal under consideration.	30 points

10. APPLICATIONS

Interested consultants may submit the proposals indicating the following.

- CV of the consultant
- Copy of National ID card
- Valid reference letters from the clients for the relevant assignments carried out in the past
- Sample copies of the previous assignments (web links/excerpts of similar works would be acceptable)
- Attested copies of educational qualifications
- Proposed methodology of work
- Total cost of the assignment with cost breakdowns for all assignments as indicated in the deliverables

11. ADDITIONAL INFORMATION

- The Climate Change Department (CCD) of ME has overall responsibility for the management of the contract and contractual reporting obligations
- Documents and data provided by the government for the purpose of this assessment which is not of public nature shall be considered confidential and should not be disclosed to any other party.
- All outputs and materials produced as part of this ToR shall be handed over to the CCD at the end of the contract and will become the sole property of ME

- For the Stakeholder Consultation: ME will facilitate the meetings and it is expected that most meeting would be held virtually.

12. SUBMISSION

Proposals must be delivered in sealed envelopes titled '*Do not Open Before 8th November 2020 at 11:00 – Development of Cost Scenarios for Climate Change Investments in the Non-Resort Tourism Sector of the Maldives*' together with the submitting consultants' name and address, to the address below, before 1100hrs on 8th November 2020. Electronic submission is not permitted. Late proposals will be rejected. Proposals will be opened in the presence of the proponents' representatives who choose to be present at the address below at 1100hrs on 8th November 2020.

Procurement Section

Ministry of Environment

Green Building, Handhuvaree Hingun, Maafannu

Male',20392

[Email: procurement@environment.gov.mv](mailto:procurement@environment.gov.mv)

Website: www.environment.gov.mv

Republic of Maldives

13. Annexes

Annex 1: Tourism Adaptation draft concept note

Simplified Approval Process Concept Note

Project/Programme Title:	Tourism Adaptation in the Maldives (TAM)
Country(ies):	Maldives
National Designated Authority(ies) (NDA):	Mr. Amjad Abdulla, Director General, Climate Change Department, Green Building, Handhuvaree Hingu, Maafannu Malé, 20392, Republic of Maldives
Executing Entities:	Ministry of Environment (ME) and Ministry of Tourism of the Republic of Maldives, domestic banks and insurance companies (to be determined)
Accredited Entity(ies) (AE):	Ministry of Environment (ME), Republic of Maldives
Date of first submission/ version number:	<u>[YYYY-MM-DD] [V.0]</u>
Date of current submission/ version number	<u>[YYYY-MM-DD] [V.0]</u>



Please submit the completed form to sap@gcfund.org,
using the following name convention in the subject line and file name:
“CN-[Accredited Entity or Country]-YYYYMMDD”

A. Project / Programme Information (max. 1 page)			
A.1. Project or programme	<input checked="" type="checkbox"/> Project <input type="checkbox"/> Programme	A.2. Public or private sector	<input checked="" type="checkbox"/> Public sector <input checked="" type="checkbox"/> Private sector
A.3. Indicate the result areas for the project/programme	<p>Mitigation: Reduced emissions from:</p> <input type="checkbox"/> Energy access and power generation <input type="checkbox"/> Low emission transport <input type="checkbox"/> Buildings, cities and industries and appliances <input type="checkbox"/> Forestry and land use <p>Adaptation: Increased resilience of:</p> <input checked="" type="checkbox"/> Most vulnerable people and communities <input checked="" type="checkbox"/> Health and well-being, and food and water security <input checked="" type="checkbox"/> Infrastructure and built environment <input type="checkbox"/> Ecosystem and ecosystem services		
A.4. Estimated mitigation impact (tCO₂eq over lifespan)	To be estimated during feasibility study	A.5. Estimated adaptation impact (number of direct beneficiaries and % of population)	Direct: to be determined during feasibility Indirect: 100% of national population, 491,589 (2017)
A.6. Indicative total project cost (GCF + co-finance)	Amount: USD 15M	A.7. Indicative GCF funding requested (max 10M)	Amount: USD 10M of which 4M repayable
A.8. Mark the type of financial instrument requested for the GCF funding	<input checked="" type="checkbox"/> Grant <input type="checkbox"/> Loan <input type="checkbox"/> Guarantee Other: specify: Repayable grant		
A.9. Estimated duration of project/ programme:	a) disbursement period: 10 years b) repayment period: at project end, after 10 years	A.10. Estimated project/ Programme lifespan	10 years - tbd (total period over which the investment is effective)
A.11. Is funding from the Project Preparation Facility needed?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	A.12. Confirm overall ESS category is minimum to no risk¹	<input checked="" type="checkbox"/> C or I-3
A.13. Provide rational for the ESS categorization (100 words)	The proposed project does not include activities that will cause significant environmental, social or gender impacts. The project focus is on capacity development, awareness raising, information exchange, policy & legislation improvements, on-granting and insurance. On-granting will focus on supporting small-scale adaptive solutions in non-resort, small and medium sized tourism operators and investments with no or minimal environmental and social risks. The insurance product to be developed and implemented will be designed to cause no or minimal environmental and social risks.		
A.14. Has the CN been shared with the NDA?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	A.15. Confidentiality²	<input type="checkbox"/> Confidential <input checked="" type="checkbox"/> Not confidential
A.16. Project/Programme rationale, objectives and approach of programme/project (max 100 words)	Brief summary of the problem statement and climate rationale, objective and selected implementation approach, including the executing entity(ies) and other implementing partners, including who will be implementing the measures to manage the environmental and social risks. Maldives is highly vulnerable to climate changes (CC). Adaptation to CC is highly relevant to the entire country and all economic sectors, including especially tourism which directly accounts for one quarter of GDP and employment. The pristine natural environment of the Maldives and sea-sand-sun is the main backbone of the Maldivian tourism product and the Maldives could be considered a global tourism vulnerability hotspot. The proposed project will address tourism sector adaptation challenges focusing on three strategic components: 1) awareness raising and systematic identification and documentation of adaptation strategies; 2) systematic improvement of relevant governance, policy and legislation; and 3) implementation of adaptation investments and a new insurance product for domestic, non-resort tourism operators. AE and ESS manager will be Ministry of Environment (ME). EEs include ME, Ministry of Tourism, domestic banks & insurance companies (tbd).		

¹ Refer to the SAP ESS Guidelines

² Concept notes (or sections of) not marked as confidential may be published in accordance with the Information Disclosure Policy ([Decision B.12/35](#)) and the Review of the Initial Proposal Approval Process ([Decision B.17/18](#)).

B. Project / Programme details (max. 3 pages)

B.1. Context and Baseline (max. 1 page)

Describe as relevant the climate vulnerabilities and impacts, GHG emissions profile, and mitigation and adaptation needs that the prospective intervention is envisaged to address.

Tourism in the Maldives started in 1972 with just two resort islands and since, the industry has grown rapidly. According to the Maldives Statistical Office, 1.5 million tourists arrived in the Maldives in 2018 (Maldives' population is at 0.5 million), of which about 50% came from European and 40% from Asian countries with China alone accounting for 20% of all tourist arrivals. About 45'000 beds were registered in 2018, of which 71% were located in a total of 145 resorts and the remaining 29% of beds in a total of 680 registered hotels, guest houses and safari vessels. According to the Tourism Yearbook 2018, tourism accounted for 23% of national GDP in 2017, whereas the performance of most other GDP sectors (transport, trade, construction, real estate, fisheries & agriculture) depended to a large degree on tourism too. Based on resort and other tourism facilities under or planned for construction, the number of tourist arrivals is expected to grow significantly in the coming years, including the number of operational resorts & guest houses and the number of registered beds. For example, the Strategic Action Plan 2019-2023 aims at introducing at least 35'000 additional tourist beds within 5 years.

The pristine natural environment of the Maldives and sea-sand-sun is the main backbone of the Maldivian tourism product. According to a tourist survey cited in the SNC, the main reasons for choosing the Maldives as a holiday destination are: beach (22% of respondents), diving/snorkelling (21%), sun (16%), peacefulness (13%), uniqueness (13%) and reputation (11%). All these will likely be impacted negatively by climate change and the Maldives could be considered a global tourism vulnerability hotspot. According to the SNC, the key vulnerabilities of the tourism sector include:

- Increase in temperatures, leading to: change & unpredictability in seasons, increase in cooling costs, heat stress for tourists, increases in infectious disease (one example: dengue). Also: decreased destination attractiveness (it will be warmer where visitors come from), higher arrival/transport costs due to mitigation measures.
- Increasing frequency and intensity of extreme events, e.g. storms, flooding, swell waves, leading to: Increased insurance costs/loss of insurability, business interruption costs, damages to infrastructure, water contamination.
- Sea level rise, leading to: Coastal erosion, loss of beach area (therefore: loss of destination attractiveness), loss of coastal infrastructure, higher costs to protect and maintain beaches.
- Sea surface temperatures rise, leading to: Increased coral bleaching; marine resource and aesthetics degradation for diving and snorkelling (therefore: loss of destination attractiveness)
- Changes in marine biodiversity, leading to: Loss of natural marine attractions and species; loss of destination attractiveness.

The tourism sector is also highly relevant in terms of climate change mitigation as the tourism sector has significant, yet largely untapped potential for energy efficiency and using renewable energy. The present project proposal does not include mitigation activities, however. This is addressed in other proposals and projects.

Please indicate how the project fits in with the country's national priorities, action plans and programs and its full ownership of the concept.

The proposed project fits in with national priorities, action plans and programs as follows:

- The Maldives Intended Nationally Determined Contribution (INDC, 2015) includes a section dedicated to tourism adaptation which highlights the vulnerability of the sector and the importance of protecting beaches, tourism facilities and coastal infrastructure. In particular, the INDC stipulates the need to establish an insurance mechanism to reduce impacts on the tourism sector and the establishment of a green tax on tourism, whereas tax revenues would be used to finance environmental management and adaptation. Cross cutting measures are prioritized too, such as capacity development, improved policies/legislation, sectoral win-wins (food & water security, infrastructure resilience, health, safeguarding biodiversity & reefs, early warning).
- The Maldives Climate Change Policy Framework (CCPF, 2015) highlights the importance and vulnerability of the tourism sector and calls for a wide range of objectives and strategies for adaptation to CC, including among others: climate proofing of assets & infrastructure; improved policy, legislation, planning & construction; capacity development; improved institutional cooperation; transfer of adaptation technologies; investments that allow for climate resilient development while being consistent with sustainable development, etc.
- The overarching governmental development plan, the Strategic Action Plan 2019-2023, calls for the sustainable development of domestic tourism and the integration of eco-tourism to existing and upcoming products by 2023.

Describe the main root causes and barriers (social, gender, fiscal, regulatory, technological, financial, ecological, institutional, etc.) that need to be addressed. Where relevant, please describe the key characteristics and dynamics of the sector or market

A number of root causes and barriers exist and will be taken into account and addressed by the proposed project:

- Economic: While resorts typically have sufficient financial means and access to relevant adaptation insurance and technology, domestic non-resort entities lack funds and access to insurance/technology.
- Social: Budget limitations and limited purchase power of domestic non-resort entities will often result in choices for cheap products and services with inferior or counteractive climate proofing, adaptation or resilience features.
- Fiscal: There are untapped opportunities for effective economic and fiscal incentives to support and enhance adaptation in the tourism industry in line with sustainable development.

- Technological: Adaptive technologies are being tested and used in some resorts but related information is not systematically collected and shared. There is also untapped potential to systematically learn from other SIDS.
- Regulatory: Gaps exist in dedicated adaptation construction standards in the building code that would effectively influence resort construction and maintenance. The project will propose and promote solutions based on best international practices. Other policy and legislation gaps will be identified and addressed.
- Financial: Current commercial financing does not trigger adaptation investment. The project will address this issue and through its on-granting component involve domestic banks in adaptation financing.
- Institutional: The institutional cooperation between environment/climate and tourism authorities is not sufficient. Awareness, know-how and capacities of all actors related to adaptation options & investment are insufficient.

B.2. Project / Programme description (max. 1 page)

The proposed components and activities to address the above needs, priorities and barriers include:

Output 1: Tourists and tourism industry are aware of CC risks, adaptation strategies and best practices

- 1.1. Establish an information gathering and sharing mechanism focusing on best practices in tourism adaptation in the Maldives; make sure it is used by the tourism industry and keep it up to date for the project duration.
- 1.2. Ensure that information from relevant similar projects or information sources from other SIDS are accessible and promoted through the mechanism operated under activity 1.1.
- 1.3. Train hotel staff, tour operators and other tourism industry representatives on CC adaptation and systematically increase their climate change and adaptation knowledge.
- 1.4. For the project duration, implement a systematic awareness campaign on CC and adaptation in the sustainable development context, targeting all foreigners arriving in and leaving the Maldives.

Output 2: Governance and legislation related to tourism sector adaptation is improved and developed

- 2.1. Implement CC adaptation training for representatives of national and atoll/island government.
- 2.2. Establish an inter-ministerial working group and ensure that this body meets regularly and works effectively.
- 2.3. Elaborate an agreed and rolling tourism adaptation investment plan and update the plan annually. Ensure the inclusion of dedicated smaller projects but also adaptation components in larger tourism projects.
- 2.4. Develop a detailed study on existing and new economic instruments to support and enhance tourism sector adaptation and enable wide stakeholder discussion and agreement. Elaborate legislation to introduce agreed instruments and support & inform the enactment process of such proposals
- 2.5. Develop legislation and guidelines to enable and enhance tourism sector adaptation and ensure that these are agreed by main stakeholders. Support and inform the enactment process of such proposals.

Output 3: Large parts of Maldivian tourism operators apply adaptation strategies and have insurance coverage

- 3.1. Based on the outcomes of activity 2.3 and regular calls for proposals, implement a small grants program targeting non-resort tourism sector adaptation, focusing on: 1) Climate resilient and green tourism supply chains; 2) Climate proofing of tourism assets; 3) Implementing adaptive industry practices and products; 4) Increasing the awareness and know-how of the industry and tourists; 5) other relevant areas as decided on a case by case basis by the project Steering Committee. Small grants can be repayable (whenever the supported activity allows for generating earnings as a result of support) or non-repayable.
- 3.2. Develop at least one new insurance product that covers CC risks in the domestic, non-resort tourism sector, accommodating aspects such as: interests and expectations of those offering and taking out insurance; best practices of similar insurance products and approaches in other SIDS taken into account; options for risk pooling and product offering across national borders considered; realistic market estimation; etc.
- 3.3. Market, implement and operate the insurance product agreed under activity 3.2.
- 3.4. Elaborate a detailed study on the findings and recommendations stemming from the implementation of the present project, focusing on replication, scaling up and further development of successful approaches.

Please explain why this project or programme is ready for scaling up and has the potential for transformation. Has it been piloted in the country or region? Are the proposed interventions well documented for their costs and benefits?

The proposed project builds on the achievements and recommendations of a recently concluded UNDP Tourism Adaptation Project (TAP). Most of the activities proposed respond to recommendations made by the TAP. At present, no dedicated tourism adaptation projects are in operation despite the vulnerability of the tourism sector. To better inform the proposed activities 3.2 and 3.3 a dedicated detailed feasibility study is proposed to be elaborated, ideally financed with GCF PFF funds. This feasibility study will review international (especially South Asian regional and SIDS) experience with relevant insurance systems and products and include a dedicated assessment of the Maldivian market and expectations of domestic, non-resort tourism operators and potential insurance companies. The recommendations regarding potential insurance product(s) to be supported through the proposed project, including documentation of costs and benefits, will then be included in the full Funding Proposal to be submitted to the GCF.

The transformation potential of the proposed project is high, especially considering the proposed awareness raising activities, the policy & legislation changes that would be triggered and capacity development carried out. The systematically documented, shared and supported adaptation practices in the tourism sector will provide for a practical information source that will be valuable in country after project end, but also in other SIDS with similar challenges. Highly effective and useful investment types tested, documented and implemented by this project can be scaled up after project end. The cooperation with domestic banks as part of the proposed on-granting scheme (activity 3.1.) can be highlighted.

Describe in what way the Accredited Entity(ies) is well placed to undertake the planned activities and what the implementation arrangements with the executing entity(ies) and implementing partners will be.

Suitability of proposed AE and proposed implementation arrangements: To guarantee a large degree of national ownership and high potential for sustainability after project end, the project is proposed to be coordinated by the Ministry of Environment (ME) of the Republic of Maldives, which is aspiring DAE accreditation with the GCF in the near future. ME will focus on systematically training and capacitating tourism stakeholders and to facilitate this, procure and use international expertise and best practice. ME will also facilitate exchanges with other ongoing and relevant development cooperation it is involved with, including other relevant GCF projects in the country (e.g., proposed HOMNET transport project, EE/climate proofing project, ecosystem adaptation project, etc.). Key implementation partners include: the Ministry of Tourism, domestic non-resort tourism operators, local or international insurance companies and local financial institutions. The project feasibility study will assess which executing entities from the banking and insurance sector would be most suitable. Of course ME will also involve interested NGOs/CSOs in the implementation of the proposed project.

Please provide a brief overview of the key financial and operational risks and any mitigation measures identified.

An initial brief assessment of financial and operational risks is provided in the table below:

Risk	Rating	Mitigation strategy
Tourism insurance products are too costly considering market size and market risks	Medium	The project feasibility study will assess and elaborate options to mitigate this risk
Tourism operators do not share information (competition concerns) or are uninterested	Low	Systematic awareness raising; provision of high quality information on vulnerabilities/risks; extensive consultations and engagement.

B.3. Expected project results aligned with the GCF investment criteria (max. 1 page)

Impact potential

- The feasibility study will provide for all information needed to formulate the adaptation impact indicator, in particular relating to tourism adaptation investments and adaptation insurance financed through this project. Expected changes are expected primarily in terms of increased value of physical assets and decreased losses due to the impact of extreme climate-related disasters throughout the entire country. A quantification of these changes will depend on the ultimate selection of technologies and products to be supported by the proposed project and the exact functioning of the proposed insurance mechanism (to be informed by the project feasibility study, based on in depth market analysis, stakeholder discussion and review of international experience).
- The number of direct beneficiaries will be estimated based on the results of the project feasibility study too and depend on the choice of technologies/products the project will support, as well as the insurance mechanism to be applied. Indirect beneficiaries include the entire population of the Maldives as each citizen and SME of the country would have access to finance.

Paradigm shift

- The project will strengthen tourism SME knowledge about adaptation and adaptation investments, thereby supporting a shift in industry behaviour towards adaptation and adaptive products and services.
- The proposed project will allow tourism SMEs easy access to reliable information on products and services that are preferable from an adaptation point of view, i.e. there will be less burden for them to identify good solutions.
- Through the projects clearing house mechanism, tourism SMEs will profit from the accumulating adaptation knowledge and know-how of larger resorts, some of them belonging to the most proactive and progressive chains as regards climate change adaptation and environmental protection.
- In terms of facilitating an enabling environment, the national policy and regulatory framework will be reviewed and updated to promote systematic adaptation. In addition, extensive and dedicated awareness campaigns and capacity development (for tourists, tourism SMEs, relevant authorities, suppliers, etc.) will be carried out.
- In terms of capturing and making available knowledge and learning, the project will systematically collect information and publish summarized information on a project website, which will be promoted in other SIDS.

Sustainable development

- Economic co-benefits: Investments and insurance supported by the proposed project will lead to increased values of assets and decreased damages in case of extreme weather events. Some technologies and products supported by the project will trigger O&M opportunities which will provide for income and jobs. The feasibility study will assess how specific gains for women can be realized and related inequalities be decreased.
- Social co-benefits: Reduced economic losses are expected as a result of investments/insurance supported by the project. SME tourism operators will be able to afford insurance which otherwise would not be available. Improvements in the health and safety of tourists and SME tourism operators can be elected.
- Environmental co-benefits: Improved coastal assets will likely be beneficial for coastal erosion protection.
- The project will contribute to achieving several Sustainable Development Goals (SDGs), including: No. 5 (gender equality), No. 8 (decent work and economic growth), No. 11 (sustainable communities); No 12 (responsible consumption and production), No 13 (climate action); No 14 (life below water); No. 15 (life on land), No 17 (partnerships for the goals)

Needs of recipients

- The proposed project addresses all root causes and barriers described in section B1. The measures needed to realize a paradigm shift in tourism adaptation are fairly complex and involve switching from a current focus on short term profit to a long term consideration including climate and environmental costs and impacts. This not only requires reliable information to be elaborated and available at domestic level, but also domestic capacity and expertise to generate and disseminate such information, based on requirements stipulated in adopted policy and regulation. While public budgets are realistically inadequate to allow for the proposed project, markets for adaptive products/services are underdeveloped (therefore limiting pure private sector financing) and considering competition issues, a comprehensive approach is desirable which draws significantly on international experience and expertise and is integrated with other GCF financed mitigation and adaptation projects in the Maldives. For all these reasons, the present complex approach is proposed with financing at scale from the GCF.

Country ownership

- Implementing the proposed project will enable & strengthen cooperation between all stakeholder groups involved in tourism sector adaptation in the Maldives, both between private sector operators and intra-government.
- Engagement with relevant stakeholders, including NDA: The present Concept Note was developed during a dedicated Concept Note development workshop held in 2019 and bringing together domestic sectoral and project development experts, invited by the NDA. A draft Concept Note was then elaborated with GCF readiness assistance and discussed with the proposed AE and sectoral stakeholders.
- Capacity of accredited entities and executing entities to deliver: A recent UNDP Tourism Adaptation Project was implemented at the Ministry of Tourism in close cooperation with the ME. ME has also been developing an implementing a number of relevant cross cutting projects, for example the 'low carbon energy island strategies project' supported by of GEF and UNEP, SPREP support (electricity supply efficiency), etc.

Efficiency and effectiveness

- In terms of the adaptation indicator, the project will identify, apply and build on the evolving best practices in the sector of tourism relevant climate proofing and adaptive technologies/services, especially as applied in SIDS. During the feasibility study to be prepared to inform the Funding Proposal, relevant information from other SIDS will be identified, sourced and assessed to this end. This will also allow for setting project targets.

C. Indicative financing / Cost information (max. 2 pages)

C.1. Financing by components (max ½ page)

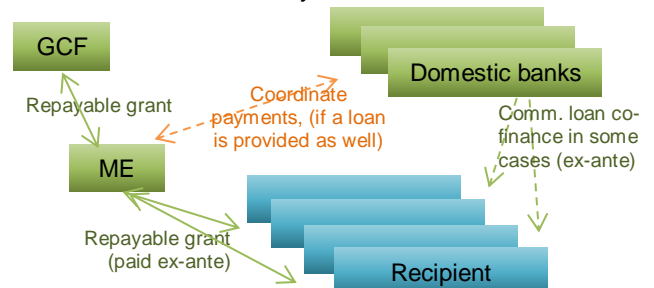
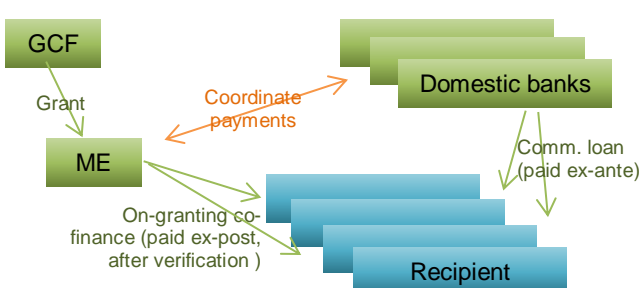
Component	Indicative cost (USD)	GCF financing		Co-financing		
		Amount (USD)	Financial Instrument	Amount (USD)	Financial Instrument	Name of Institutions
1. Tourists and tourism industry are aware of CC risks, adaptation strategies and best practices	1'000'000	1'000'000				
2. Governance and legislation related to tourism sector adaptation is improved and developed	2'000'000	2'000'000				
3. Large parts of Maldivian tourism operators apply adaptation strategies and have insurance coverage	12'000'000	3'000'000 4'000'000	Grant Repayable grant	5'000'000	Loan	Domestic bank(s), insurance company
Indicative total cost (USD)	15'000'000	10'000'000	Grant, of which USD 4'000'000 repayable	5'000'000	Loan	

For private sector proposal, provide an overview (diagram) of the proposed financing structure.

For the on-granting mechanism proposed for the present project, two cases can be distinguished:

Case 1: Investment financed by bank loan & ex-post grant

Case 2: Investment financed by repayable grant, in some cases co-financed by bank loan



In case 1, participating domestic banks will provide ex-ante commercial loans and grants will be provided through the AE amounting to up to 50% total investment value (on-granting principle: pay the minimum required to mainstream a certain technology, percentage decreasing over time) after the achievement of the pre-agreed adaptive impact was verified.

In case 2, repayable grants will be provided by the AE amounting to up to 100% total investment value (on-granting principle: minimum required to mainstream a technology, percentage decreasing over time). These grants can be (but don't have to be) blended with commercial loan (loan component to increase over time).

C.2. Justification of GCF involvement (max 1/2 page)

Explain why the Project/ Programme requires GCF funding, i.e. explaining why this is not financed by the public and/ or private sector(s) of the country.

Commercial financing alone to enable and mainstream tourism SMEs adaptation investments continues to be not viable, and external, subsidized finance at scale as proposed in this Concept Note is essential, for several reasons:

- All adaptation equipment and technologies need to be imported. Capacities to systematically assess different equipment and technologies against adaptation features needs to be built (ideally prior to import in cooperation with importing trading companies) so that tailored financing products can be designed. These inputs require international expertise and subsidized finance (grant).
- Domestic banks have insufficient expertise in SME adaptation financing, especially regarding assessing adaptation components, non-financial and non-risk components. These inputs require international expertise and grant finance.
- Awareness needs to be built at tourism SME level, so that purchase preference will be given to adaptive products. Such work requires dedicated expertise and grant finance.
- Awareness, dedicated work and stakeholder cooperation is also needed to achieve updated policy and regulation incentivizing adaptation investments. Such work requires dedicated expertise and grant finance.
- Reaching the outer islands' tourism SMEs is difficult considering the geography, sea transport cost and incomes.
- There is likely experience with tourism adaptation financing in other countries in the region from which the Maldives could profit. Similarly a Maldivian project will provide lessons learned for other SIDS. Such experience exchange is best done in the framework of a project financed by an international partner.
- Maldivian tourism SMEs typically go for short term cost savings at purchase point, rather than consideration of full life cycle cost of a product, technology, service. At the same time, the Maldivian loan financing market is characterised by high financing costs and relatively short loan tenors. The concessionality enabled by GCF co-financing will enable adaptation investment at scale and concessionality will be passed down to end-beneficiaries in the form of reduced pricing compared to that which is available thus far.
- Domestic private or public sector debt would not be suitable in achieving the level of concessionality needed in this program. International institutions tend to invest in business loans rather than smaller-scale consumption level loans. Receiving public sector grants at scale would be politically unrealistic.

Therefore, foreign climate finance at scale as offered uniquely by the GCF is considered adequate for the project.

The rationale for the proposed insurance component will be developed for the full Funding Proposal so that specific information produced under the feasibility study can be considered. At present there is no adaptation related insurance products available for Maldivian tourism SMEs.

C.3. Sustainability and replicability of the project (exit strategy) (max. 1/2 page)

Please explain how the project/programme sustainability will be ensured in the long run and how this will be monitored, after the project/programme is implemented with support from the GCF and other sources.

For non-grant instruments, explain how the capital invested will be repaid and over what duration of time.

In terms of the on-granting mechanism proposed for this project, the GCF capital will be partly used as non-repayable grants to finance the establishment of the enabling framework and to co-finance selected adaptation investments as described above. The repayable grant received from the GCF would be used to finance pre-defined types of adaptation investments. Many of the adaptation investments will be blended with commercial loan finance. The volume of repayable grant finance is expected to increase over time. Over time, the concessionality for adaptation finance offered would decrease, mirroring the increasing uptake of adaptation technologies and increased awareness and capacity of stakeholders. Repayable grant finance would be provided through a revolving on-granting facility. To allow for thorough and sustainable technology uptake, capacity development and a major increase of demand for adaptive products, a project run time of 10 years is proposed. The GCF's exit strategy is simple, as the ME will be paying the repayable grant portion back directly. The ME will take on 100% of the repayable grant risks, with no risk to the GCF.

In terms of the insurance mechanism proposed for this project, the principal idea is to pioneer the establishment of a respective market and enable an adaptation related insurance product at all, considering market size and market risks. The dedicated feasibility study which is proposed to be financed with PPF funds would further inform detailed argumentation.

For both components (on-granting and insurance), after the Project's end (GCF exit), ME will not be able to independently replicate the project's concessionality and impacts. Future projections of adaptation investment markets are heavily

dependent on the success of the proposed project. The awareness building campaigns, the proposed capacity development work and the changing purchasing habits through this project will contribute to its sustainability.

C.4 Stakeholders engagement in the project or programme (max ½ page)

Please describe how engagement among the NDA, AE, EE and/or other relevant stakeholders in the country has taken place so far and what further engagement will be undertaken as the concept is developed into a funding proposal.

The present Concept Note was developed during a dedicated Concept Note development workshop held in 2019, invited by Maldives NDA and bringing together domestic sectoral and project development experts. A draft Concept Note was then elaborated with GCF readiness assistance and discussed with the AE. In October 2019, the draft was discussed with sectoral stakeholders. Stakeholder engagement in the process leading to the formulation of a Funding Proposal includes:

- In depth discussions with key stakeholders including the Bank of Maldives, additional Maldivian banks, as well as selected local insurance companies interested to participate in the project. These entities will cooperate closely with the proposed AE in elaborating the Funding Proposal and necessary annexes to the Funding Proposal.
- The proposed AE, the Ministry of Environment (ME), and the NDA will reach out to selected foreign partners to get their opinions, expertise and advice, including for example UNDP (UNDP recently concluded a dedicated Tourism Adaptation Project, TAP).
- ME will also consult selected representatives from supplying companies, Island Councils, Atoll Councils, as well as interested NGOs/CSOs to get their comments, opinions, expertise and advice as the Funding Proposal will emerge and be finalized.
- GCF PPF support will be used to engage a team of domestic and international experts to elaborate the Funding Proposal and required annexes to the Funding Proposal (feasibility study, detailed budget; gender assessment and action plan; procurement plan; risk assessment and management plan; etc.). The feasibility study will also inform the approach for the proposed insurance mechanism and establish an initial long list of technologies, equipment and services the project can finance through the on-granting mechanism, along with initial recommendations on financing conditions for each technology/product/service, including in which cases and at which conditions co-financing commercial loans would be required from participating domestic banks.

C.5 Monitoring and Evaluation and reporting plans (max ¼ page)

Please explain how the M&E will be conducted as part of the project or programme (routine and concurrent monitoring, interim and final evaluations, and annual reports)

A monitoring and evaluation system including, among others, a baseline analysis and mid-term and end-of-project reviews will be put in place. The project's monitoring and evaluation system will integrate several indicators that will allow tracking implementation progress meaningfully. The Funding Proposal will include and describe the proposed indicator system. The monitoring of the activities will be done in coordination with all relevant stakeholders, with particular attention to gender. All entities involved in the implementation of the project will produce and transmit to the Project Management Unit (PMU) quarterly and annual activity reports in accordance with ME and GCF guidelines. Reporting will be done in accordance to the AMA and respective FAA for this project.

At end user level (here: tourism SMEs), it is important to note that retail lending processes and insurance products need to be simple with fast administration to attract and retain customers. This will be considered in the process leading to Funding Proposal development and solutions will be sought as part of the feasibility study to accommodate such concerns, e.g., through streamlined and smart proposal evaluation and approval mechanisms, which ensure that finance is used for intended purposes, expected adaptation effects are achieved, customer satisfaction is high, and speed & efficiency in ME-bank/insurance cooperation is maximized.

For avoidance of doubt, ME will be the entity responsible for monitoring and bear the cost of monitoring and verification, as well as keeping evidence/invoices.

D. Annexes

- ESS screening check list (Annex 1)
- Map indicating the location of the project/programme (as applicable)
- Evaluation Report of previous project (as applicable)

Annex 1: Environmental and Social Screening Checklist

Part A: Risk Factors

The questions describe the “risk factors” of activities that would require additional assessments and information. Any “Yes” response to the questions will render the proposal not eligible for the Simplified Approval Process Pilot Scheme. Proposals with any of the risk factors may be considered under the regular project approvals process instead.

Exclusion criteria	YES	NO
Will the activities involve associated facilities and require further due diligence of such associated facilities?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Will the activities involve trans-boundary impacts including those that would require further due diligence and notification to downstream riparian states?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Will the activities adversely affect working conditions and health and safety of workers or potentially employ vulnerable categories of workers including women, child labour?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Will the activities potentially generate hazardous waste and pollutants including pesticides and contaminate lands that would require further studies on management, minimization and control and compliance to the country and applicable international environmental quality standards?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Will the activities involve the construction, maintenance, and rehabilitation of critical infrastructure (like dams, water impoundments, coastal and river bank infrastructure) that would require further technical assessment and safety studies?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Will the proposed activities potentially involve resettlement and dispossession, land acquisition, and economic displacement of persons and communities?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Will the activities be located in protected areas and areas of ecological significance including critical habitats, key biodiversity areas and internationally recognized conservation sites?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Will the activities affect indigenous peoples that would require further due diligence, free, prior and informed consent (FPIC) and documentation of development plans?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Will the activities be located in areas that are considered to have archaeological (prehistoric), paleontological, historical, cultural, artistic, and religious values or contains features considered as critical cultural heritage?	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Part B: Specific environmental and social risks and impacts

Assessment and Management of Environmental and Social Risks and Impacts	YES	NO	TBD
Has the AE provided the E&S risk category of the project in the concept note?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has the AE provided the rationale for the categorization of the project in the relevant sections of the concept note or funding proposal?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Are there any additional requirements for the country?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Are the identification of risks and impacts based on recent or up-to-date information?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Labour and Working Conditions	YES	NO	TBD
Are the proposed activities expected to have impacts on the working conditions, particularly the terms of employment, worker’s organization, non-discrimination, equal opportunity, child labour, and forced labour of direct, contracted and third-party workers?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Will the proposed activities pose occupational health and safety risks to workers including supply chain workers?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Resource Efficiency and Pollution Prevention	YES	NO	TBD
Are the activities expected to generate (1) emissions to air; (2) discharges to water; (3) activity-related greenhouse gas (GHG) emission; and (5) waste?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Are the activities expected to utilize natural resources including water and energy?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Will there be a need to develop detailed measures to reduce pollution and promote sustainable use of resources?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Community Health, Safety, and Security	YES	NO	TBD
Will the activities potentially generate risks and impacts to the health and safety of the affected communities?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Will there be a need for an emergency preparedness and response plan that also outlines how the affected communities will be assisted in times of emergency?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Will there be risks posed by the security arrangements and potential conflicts at the project site to the workers and affected community?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Land Acquisition and Involuntary Resettlement	YES	NO	TBD
Will the activities likely involve voluntary transactions under willing buyer-willing-seller conditions and have these been properly communicated and consulted?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Biodiversity Conservation and Sustainable Management of Living Natural Resources	YES	NO	TBD
Are the activities likely introduce invasive alien species of flora and fauna affecting the biodiversity of the area?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Will the activities have potential impacts on or be dependent on ecosystem services including production of living natural resources?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Indigenous Peoples	YES	NO	TBD
Are the activities likely to have indirect impacts on indigenous peoples?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Will continuing stakeholder engagement processes and a grievance redress mechanism be integrated into the management / implementation plans?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Cultural Heritage	YES	NO	TBD
Will the activity allow continuous access to the cultural heritage sites and properties?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Will there be a need to prepare a procedure in case of the discovery of cultural heritage assets?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Sign-off: *Specify the name of the person responsible for the environmental and social screening and any other approvals as may be required in the accredited entity's own management system.*