

Document of  
The World Bank

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Report No.: PAD415

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND  
INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON PROPOSED CREDITS

IN THE AMOUNT OF SDR 7.8 MILLION (US\$11.7 MILLION EQUIVALENT) AND SDR21.4  
MILLION (US\$31.0 MILLION EQUIVALENT) RESPECTIVELY TO THE  
REPUBLIC OF MOZAMBIQUE AND UNITED REPUBLIC OF TANZANIA

AND PROPOSED GRANTS

IN THE AMOUNT OF SDR6.3 MILLION (US\$9.5 MILLION EQUIVALENT), SDR12.1 MILLION  
(US\$18.3 MILLION EQUIVALENT) AND SDR3.3 MILLION (US\$5.0 MILLION EQUIVALENT)  
RESPECTIVELY TO THE UNION OF THE COMOROS, REPUBLIC OF MOZAMBIQUE,  
AND INDIAN OCEAN COMMISSION

AND PROPOSED GRANTS FROM THE GLOBAL ENVIRONMENT FACILITY TRUST FUND

IN THE AMOUNT OF US\$3.5 MILLION, US\$7.0 MILLION, AND US\$5.0 MILLION,  
RESPECTIVELY TO THE UNION OF THE COMOROS, REPUBLIC OF MOZAMBIQUE,  
AND UNITED REPUBLIC OF TANZANIA

FOR A

FIRST SOUTH WEST INDIAN OCEAN FISHERIES GOVERNANCE  
AND SHARED GROWTH PROJECT – SWIOFish1

February 4, 2015

Environment and Natural Resources Management  
Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective August 31, 2014)

Currency Unit = Special Drawing Rights (SDR)

SDR0.659 = US\$1

US\$1.518 = SDR1

Currency Unit = Comorian Francs (KMF)

KMF373 = US\$1

US\$0.003 = KMF1

Currency Unit = Mauritian Rupees (MUR)

MUR30.91 = US\$1

US\$0.03 = MUR1

Currency Unit = New Mozambican Metical (MZN)

MZN30.55 = US\$1

US\$0.03 = MZN1

(Exchange Rate Effective December 31, 2014)

Currency Unit = Special Drawing Rights (SDR)

SDR0.69 = US\$1

US\$1.448 = SDR1

Currency Unit = Tanzania Shillings (TZS)

TZS1735 = US\$1

US\$0.0006 = TZS1

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

AFD	<i>Agence Française de Développement</i> (French Development Agency)
ASCLME	Agulhas and Somali Current Large Marine Ecosystems
BMU	Beach Management Unit
CNCSP	<i>Centre National de Contrôle et Surveillance de la Pêche</i> (National Center for Fisheries Control and Surveillance)
COMESA	Common Market for Eastern and Southern Africa
CAS	Country Assistance Strategy
CPS	Country Partnership Strategy
CQS	Selection Based on Consultants' Qualifications
CSO	Civil Society Organization
DGF	Development Grant Facility
DGRH	<i>Direction Générale des Ressources Halieutiques</i> (National Directorate for Fisheries)
DSFA	Deep Sea Fishing Authority
GDP	Gross Domestic Product
EAF	Ecosystem Approach in Fisheries management
EEZ	Exclusive Economic Zone
ENP	<i>Ecole Nationale des Pêches</i> (National Fisheries School)
ESMF	Environmental and Social Management Framework
EU	European Union
FAD	Fish Aggregating Device
FAO	Food and Agriculture Organization of the United Nations
FIS	Fisheries Information System
FMP	Fisheries Management Plan
FPU	Finance and Procurement Unit
FSDP	Fisheries Sector Development Program
GEF	Global Environment Facility
IBRD	International Bank for Reconstruction and Development
IC	Individual Consultant
ICB	International Competitive Bidding
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFR	Interim Financial Report
IOC	Indian Ocean Commission
IOTC	Indian Ocean Tuna Commission
IRR	Internal Rate of Return
JSDF	Japan Social Development Fund
LCS	Least Cost Selection
MACEMP	Tanzania Marine and Coastal Environment Management Project
MCS	Monitoring, Control and Surveillance
MinPesca	Ministry of Fisheries ( <i>Ministério das Pescas</i> ), Mozambique
MLFD	Ministry of Livestock and Fisheries Development
MLF	Ministry of Livestock and Fisheries
MP	<i>Ministério das Pescas</i> (Ministry of Fisheries)

MPA	Marine Protected Area
MPEEIA	<i>Ministère de la Production, de l'Environnement, de l'Energie, de l'Industrie et de l'Artisanat</i> (Ministry of Production, Environment, Energy, Industry and Craft)
MSY	Maximum Sustainable Yield
MTC	Minimum Terms and Conditions
M&E	Monitoring and Evaluation
NAPA	National Adaptation Programme of Action
NCB	National Competitive Bidding
NDF	Nordic Development Fund
NFPA	National Fishing Port Authority
NGO	Non-Governmental Organization
NIU	National Implementing Unit
NPC	National Project Coordinator
NSC	National Steering Committee
NSGRP	National Strategy for Growth and Reduction of Poverty
PAD	Project Appraisal Document
PARP	<i>Plano de Acção para Redução da Pobreza</i> (Poverty Reduction Action Plan)
PDO	Project Development Objective
PF	Process Framework
PPA	Project Preparation Advance
PPD	Public-Private Dialogue
PPP	Public-Private Partnership
PRGS	Poverty Reduction and Growth Strategy
PROFISH	Global Partnership on Fisheries
PRSP	<i>Plan Régional de Surveillance des Pêches</i> (Regional Fisheries Surveillance Plan)
QCBS	Quality- and Cost-Based Selection
REC	Regional Economic Communities
RIAS	Regional Integration Assistance Strategy for Sub-Saharan Africa
RIU	Regional Implementing Unit
RPC	Regional Project Coordinator
RSC	Regional Steering Committee
SADC	Southern African Development Community
SHG	Self-Help Group
SNDPC	<i>Syndicat National pour le Développement de la Pêche aux Comores</i> (National Union for the Development of Fisheries in Comoros)
SME	Small and Medium Enterprise
SOP	Series of Projects
SSS	Single-Source Selection
SWIO	South West Indian Ocean
SWIOFC	South West Indian Ocean Fisheries Commission
SWIOFish	South West Indian Ocean Fisheries Governance and Shared Growth Series of Projects
SWIOFish1	First South West Indian Ocean Fisheries Governance and Shared Growth Project
SWIOFP	South West Indian Ocean Fisheries Project
TOR	Terms of Reference
UGEA	<i>Unidade Gestora e Executora das Aquisições</i> (Procurement Management and

Execution Unit)  
URT United Republic of Tanzania  
VFC Village Fisheries Committees  
VSL Village Savings and Loans  
WAVES Wealth Accounting and the Valuation of Ecosystem Services  
WWF World Wide Fund for Nature

Regional Vice President: Makhtar Diop

Director, Regional Integration: Colin Bruce

Senior Global Practice Director: Paula Caballero

Practice Manager: Benoît Bosquet

Task Team Leaders: Xavier F. P. Vincent (Overall), Benjamin  
Garnaud (Comoros, Mozambique and  
Regional), Ann Jeannette Glauber (Tanzania)



**Africa**  
**First South West Indian Ocean Fisheries Governance and Shared Growth Project –**  
**SWIOFish1 (P132123/P132029)**

**TABLE OF CONTENTS**

	Page
<b>I. STRATEGIC CONTEXT .....</b>	<b>1</b>
A. Regional Context.....	1
B. Regional Challenges.....	2
C. Rationale for a Regional Approach.....	3
D. Rationale for Bank Involvement .....	3
<b>II. THE SERIES OF PROJECTS APPROACH.....</b>	<b>4</b>
<b>III. NATIONAL STRATEGIC CONTEXTS .....</b>	<b>6</b>
A. Comoros .....	6
B. Mozambique.....	8
C. Tanzania .....	10
D. Higher Level Objectives to which the Project Contributes.....	11
<b>IV. PROJECT DEVELOPMENT OBJECTIVE .....</b>	<b>12</b>
A. Project Development Objectives and Global Environmental Objective .....	12
B. Project Beneficiaries.....	13
C. PDO-level Results Indicators .....	13
<b>V. PROJECT DESCRIPTION.....</b>	<b>13</b>
A. Project Components .....	14
B. Project financing.....	15
C. Lessons learned and reflected in the Project design.....	16

<b>VI.</b>	<b>IMPLEMENTATION .....</b>	<b>17</b>
A.	Institutional and implementation arrangements .....	17
B.	Results monitoring and evaluation .....	18
C.	Sustainability .....	18
<b>VII.</b>	<b>KEY RISKS AND MITIGATION MEASURES.....</b>	<b>19</b>
A.	Risk Rating Summary Table .....	19
B.	Overall Risk Rating Explanation.....	19
<b>VIII.</b>	<b>APPRAISAL SUMMARY.....</b>	<b>20</b>
A.	Economic and Financial Analysis .....	20
B.	Technical .....	20
C.	Financial Management .....	21
D.	Procurement.....	22
E.	Social (including Safeguards) .....	22
F.	Environment (including Safeguards).....	23
G.	Other Safeguard Policies .....	23
	<b>Annex 1. Results Framework and Monitoring.....</b>	<b>26</b>
	<b>Annex 2: Detailed Project Description.....</b>	<b>32</b>
	<b>Annex 3: Implementation Arrangements .....</b>	<b>39</b>
	<b>Annex 4. Eligibility Criteria for Access to IDA Grants by Regional Institutions.....</b>	<b>72</b>
	<b>Annex 5. Implementation Support Plan .....</b>	<b>74</b>
	<b>Annex 6. Economic and Financial Analysis.....</b>	<b>76</b>
	<b>Annex 7. Incremental Costs Analysis.....</b>	<b>87</b>



## PAD DATA SHEET

*Africa*

*First South West Indian Ocean Fisheries Governance and Shared Growth Project (P132123/P132029)*

### PROJECT APPRAISAL DOCUMENT

*AFRICA*

*GENDR*

Report No.: PAD415

Basic Information			
Project ID P132123	EA Category B - Partial Assessment	Team Leader Xavier F. P. Vincent	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [ ]		
	Financial Intermediaries [ ]		
	Series of Projects [ X ]		
Project Implementation Start Date 27-Feb-2015	Project Implementation End Date 30-Sep-2021		
Expected Effectiveness Date 01-Jul-2015	Expected Closing Date 30-Sep-2021		
Joint IFC No			
Practice Manager/Manager Benoit Bosquet	Senior Global Practice Director Paula Caballero	Country Director Colin Bruce	Regional Vice President Makhtar Diop
Borrower: Ministry of Planning and Development (Mozambique), Vice Presidency of Finance (Comoros), Ministry of Finance (Tanzania); Indian Ocean Commission.			
Responsible Agency: Direction Générale des Ressources Halieutiques (National Directorate for Fisheries)			
Contact: Telephone No.:	Mr. Youssouf Mohamed Ali	Title: Email:	Deputy Director
Responsible Agency: Ministry of Fisheries			
Contact: Telephone No.:	Mrs. Angelica Dengo	Title: Email:	Head of International Cooperation Department adengo@mozpesca.gov.mz
Responsible Agency: Ministry of Livestock and Fisheries Development, Mainland			
Contact:	Dr. Yohana L. Budeba	Title:	Permanent Secretary

Telephone No.: +255 754 035314		Email: yobudeba@yahoo.com						
Responsible Agency: Ministry of Livestock and Fisheries, Zanzibar								
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Telephone No.:	+255 777 428575		Email: kassimjuma52@yahoo.com					
Responsible Agency: Deep Sea Fishing Authority								
Contact:	Mr. Zahor M. ElKharousy		Title: Director General					
Telephone No.:	+255 777 011011		Email: zahor1m@hotmail.com					
Responsible Agency: Indian Ocean Commission								
Contact:	Mr. Leon Martial Razaka		Title: Officer in Charge					
Telephone No.:	Email: Harijhons.razaka@coi-ioc.org							
<b>Project Financing Data(in USD Million)</b>								
<input type="checkbox"/> Loan	<input checked="" type="checkbox"/> IDA Grant	<input type="checkbox"/> Guarantee						
<input checked="" type="checkbox"/> Credit	<input checked="" type="checkbox"/> Grant	<input type="checkbox"/> Other						
Total Project Cost:	91.00	Total Bank Financing:	75.50					
Financing Gap:	0.00							
<b>Financing Source</b>			<b>Amount</b>					
BORROWER/RECIPIENT			0.00					
International Development Association (IDA)			42.70					
IDA Grant			32.80					
Global Environment Facility - Cofinancing Trust Funds			15.50					
Total			91.00					
<b>Expected Disbursements (in USD Million)</b>								
Fiscal Year	2015	2016	2017	2018	2019	2020	2021	2022
Annual	0.00	14.61	21.03	15.91	12.41	11.73	10.74	4.57
Cumulative	0.00	14.61	35.64	51.55	63.96	75.69	86.43	91.00
<b>Proposed Development Objective(s)</b>								
The Project Development Objective is to improve the management effectiveness of selected priority fisheries at regional, national and community level.								
<b>Proposed Global Environmental Objective(s)</b>								
The Global Environment Objective is to improve the management effectiveness of selected priority fisheries at regional, national and community level.								
<b>Components</b>								

<b>Component Name</b>		<b>Cost (USD Millions)</b>		
Component 1. Enhanced regional collaboration		3.03		
Component 2. Improved governance of priority fisheries		54.66		
Component 3. Increased economic benefits from priority fisheries		24.98		
Component 4. Project management and coordination		8.33		
<b>Institutional Data</b>				
<b>Practice Area / Cross Cutting Solution Area</b>				
Environment & Natural Resources				
<b>Cross Cutting Areas</b>				
<input type="checkbox"/> Climate Change				
<input type="checkbox"/> Fragile, Conflict & Violence				
<input type="checkbox"/> Gender				
<input type="checkbox"/> Jobs				
<input type="checkbox"/> Public Private Partnership				
<b>Sectors / Climate Change</b>				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Agriculture, fishing, and forestry	General agriculture, fishing and forestry sector	100	30	10
Total		100		
<input type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.				
<b>Themes</b>				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Environment and natural resources management	Other environment and natural resources management	66		
Environment and natural resources management	Environmental policies and institutions	34		
Total		100		
<b>Compliance</b>				
<b>Policy</b>				
Does the project depart from the CAS in content or in other significant respects?			Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

Does the project require any waivers of Bank policies?	Yes [ ]	No [ X ]
Have these been approved by Bank management?	Yes [ ]	No [ ]
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [ X ]
Does the project meet the Regional criteria for readiness for implementation?	Yes [ X ]	No [ ]
<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>
Environmental Assessment OP/BP 4.01	X	
Natural Habitats OP/BP 4.04	X	
Forests OP/BP 4.36		X
Pest Management OP 4.09	X	
Physical Cultural Resources OP/BP 4.11	X	
Indigenous Peoples OP/BP 4.10		X
Involuntary Resettlement OP/BP 4.12	X	
Safety of Dams OP/BP 4.37		X
Projects on International Waterways OP/BP 7.50		X
Projects in Disputed Areas OP/BP 7.60		X
<b>Legal Covenants</b>		
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>
Customization of chart of accounts		01-Jan-2016
<b>Description of Covenant</b>		
For Comoros: Customization of project chart of accounts within six months after project effectiveness.		
<b>Legal Covenants</b>		
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>
Purchase of accounting software and customization of chart of accounts		01-Jan-2016
<b>Description of Covenant</b>		
For Tanzania: Purchase of accounting software and customization of project chart of accounts within six months after project effectiveness.		
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>
Recruitment of external auditors		01-Oct-2015
<b>Description of Covenant</b>		
For the Indian Ocean Commission: External auditor acceptable to the Bank recruited within three months after project effectiveness.		
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>
Recruitment of external auditors		01-Jan-2016
<b>Description of Covenant</b>		

For Comoros: External auditor acceptable to the Bank recruited within six months after project effectiveness.

Name	Recurrent	Due Date	Frequency
Procurement consultant		01-Jan-2016	

### Description of Covenant

For Mozambique: Appointment of a procurement consultant to the National Implementing Unit within six months after project effectiveness.

### Conditions

Source Of Fund	Name	Type
IDA	Adoption of Project Operations Manual	Effectiveness

### Description of Condition

For each of the three countries and the Indian Ocean Commission: A Project Operations Manual is adopted, in form and substance satisfactory to the World Bank.

Source Of Fund	Name	Type
IDA	Implementation Units, Steering Committee and Coordinators	Effectiveness

### Description of Condition

For Tanzania: The National Project Steering Committee and the Project Implementation Units (PIUs) are established, and respective Project Coordinators are appointed to said PIUs.

Source Of Fund	Name	Type
IDA	Implementation Unit, Steering Committee and Coordinator	Effectiveness

### Description of Condition

For the Indian Ocean Commission: The Regional Project Steering Committee and the Regional Implementation Unit are established, and a Project Coordinator is appointed to said Regional Implementation Unit.

### Team Composition

#### Bank Staff

Name	Title	Specialization	Unit
Dinesh Aryal	Sr Natural Resources Mgmt. Spec.	Senior Operations Officer	GENDR
Mariella Beugue	Program Assistant	Program Assistant	AFMMU
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	Management Specialist	Management Specialist, Tanzania	
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Omri Moshe Sender	E T Consultant	E T Consultant	LEGOP
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Xavier F. P. Vincent	Sr Fisheries Spec.	Overall Task Team Leader	GENDR

#### **Non Bank Staff**

<b>Name</b>	<b>Title</b>	<b>City</b>
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Christophe Breuil	Consultant	
David Japp	Fisheries Management Specialist	Capetown
Kieran Kelleher	Fisheries Specialist	
Jean-Luc Lejeune	MCS expert	
Jason Rubens	Fisheries Specialist	Dar es Salaam
Vildan Verbeek-Demiraydin	M&E Specialist	Washington
James R. Wilson	Fisheries Economist	
Sophie des Clers	Fisheries Economist	Rochefort

#### **Locations**

<b>Country</b>	<b>First Administrative Division</b>	<b>Location</b>	<b>Planned</b>	<b>Actual</b>	<b>Comments</b>
Tanzania	Zanzibar	Unguja	<b>X</b>		
Tanzania	Tanga	Tanga Region	<b>X</b>		
Tanzania	Pwani	Coast Region	<b>X</b>		
Tanzania	Zanzibar	Pemba	<b>X</b>		
Tanzania	Lindi	Lindi Region	<b>X</b>		
Tanzania	Dar es Salaam	Dar es Salaam Region	<b>X</b>		

Tanzania	Mtwara	Mtwara Region	<b>X</b>		
Comoros	Moheli	Mwali	<b>X</b>		
Comoros	Grande Comore	Grande Comore	<b>X</b>		
Comoros	Anjouan	Ndzuwani	<b>X</b>		
Mozambique	Zambezia	Provincia de Zambezia	<b>X</b>		
Mozambique	Sofala	Sofala Province	<b>X</b>		
Mozambique	Nampula	Nampula	<b>X</b>		
Mozambique	Inhambane	Inhambane Province	<b>X</b>		



**Africa**  
**First South West Indian Ocean Fisheries Governance and Shared Growth Project –**  
**SWIOFish1 (P132123/P132029)**

**I. Strategic Context**

**A. Regional Context**

1. Nine countries border the waters of the South West Indian Ocean (SWIO) – the island nations of Comoros, Madagascar, Mauritius and Seychelles, and five mainland countries: Somalia, Kenya, Tanzania, Mozambique and South Africa. Together with Yemen, Maldives and France<sup>1</sup>, these countries are members of the South West Indian Ocean Fisheries Commission (SWIOFC), a regional fisheries body<sup>2</sup>. In recent years, the fisheries sector has formally accounted for up to 30 percent of Gross Domestic Product (GDP) in Seychelles, 8 percent in the Comoros, about 4 percent of GDP in Mozambique, 2 percent in Tanzania, and 0.5 percent in Kenya and South Africa. The SWIO region’s seafood exports (excluding South Africa) were approximately US\$1.3 billion in 2008, half of which were attributable to tuna and shrimp. Local industrial fisheries (mainly for shrimp) and tuna processing comprise a substantial part of the foreign exchange earnings. Both in terms of value and total catch, the tuna fisheries are by far the most important in the region, followed by shrimp and other crustaceans. Aquaculture is one of the most rapidly growing food industries in several of these countries, and recreational fishing (sport fishing and diving) is a growing source of revenues.

2. The fisheries sector further plays an important role for the livelihoods of SWIO coastal populations. The small-scale and subsistence fisheries are of major social importance as an economic backbone of livelihoods and economies in rural coastal communities. An estimated 107 million people live within 100 kilometers of the coast in the SWIO countries, with the coastal population increasing at a disproportionately high rate. While data are poor and likely underestimate the importance of the sector, employment in the fisheries sector is thought to be in excess of one million and directly and indirectly involves a high proportion of the coastal populations of the SWIO region. These are often among the most vulnerable, marginalized and landless communities, and highly exposed to climate change impacts. Over 45 percent of the workforce are women, mostly involved in the small-scale fisheries, including collecting, processing, marketing and aquaculture.

3. The sector is a major contributor to nutritional health and food security in the SWIO region. The coastal rural population, and in particular the poorest, has often limited alternatives to fish for providing animal protein, as well as essential nutrients, vitamins, minerals and trace

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<sup>1</sup> The French overseas territories, including La Réunion and several other islands, are located in the SWIO and surrounded by extensive Exclusive Economic Zones (EEZs).

<sup>2</sup> The South West Indian Ocean Fisheries Commission is a regional fisheries body under the Food and Agriculture Organization of the United Nations (FAO), whose objective is to promote the sustainable utilization of the living marine resources of the South West Indian Ocean region and address the common problems of fisheries management and development faced by the member countries, without prejudice to the sovereign rights of coastal States. The member States are: Comoros, France, Kenya, Madagascar, Maldives, Mauritius, Mozambique, Seychelles, Somalia, South Africa, the United Republic of Tanzania, and Yemen.

elements. Fish accounts for around 50 percent of animal protein intake in Comoros and Seychelles, 26 percent in Mozambique and Tanzania, and 20 percent in Madagascar and Mauritius (FAO, 2007).

## **B. Regional Challenges**

4. *Resource depletion.* An estimated 28 percent of the regional fish stocks are over-exploited or depleted (especially the high-value resources, such as shrimp, lobster, and sea cucumber), and a further 40 percent are fully exploited (SWIOFC, 2011). Depletion results from overfishing both by industrial vessels and artisanal fishers, through widespread use of destructive equipment and techniques, such as dynamite or beach seines, with direct negative consequences on the environment. As a result, critical ecosystems, already weakened by land-based pollution and growing mineral, oil and gas extraction, are further endangered by biodiversity loss and destruction of coral reefs and mangroves. As mentioned above, fisheries have a vital safety net function for the poor and provide essential protein and revenues, often as a last resort for poor coastal communities. Overfishing, including from uncontrolled small-scale fishing, progressively undermines the resource base upon which these poor coastal communities depend.

5. *Economic and social underperformance.* In socio-economic terms, the SWIO region's marine fish resources comprise an underperforming natural asset, capable of a substantially greater contribution to economic growth and poverty alleviation. Deficient fisheries and marine governance result in overfishing and illicit fishing activities, as mentioned above. Industrial fishing activities target high-value fisheries resources, but are mainly offshore and result in low levels of local and national economic benefits. Furthermore, a weak investment and business climate, coupled with limited or underperforming infrastructure and services, significantly constrain industrial and artisanal private sector development. As a result it is estimated that SWIO coastal states incur an annual loss of economic rent in the order of US\$225 million<sup>3</sup>.

6. *Foreign-dominated industrial value-chain.* Tuna fishing, processing and marketing is dominated by foreign operators, with modest benefits retained in the region. With some exceptions, much of the tuna fishery remains an 'offshore economy' with the region's developing coastal states playing a relatively marginal role despite the resource wealth. Since a large part of the catch is harvested in their national waters, if the SWIO countries worked together they could potentially exert significant influence on the management of, and access to, valuable regional marine resources to increase the share of benefits retained in the region.

7. *Unsustainable artisanal fisheries.* As small-scale fisheries modernize, the limited potential of many coastal fisheries will require that fishing effort be reduced to become sustainable. This will generally translate into fewer vessels or jobs in harvesting operations, and require that attention be devoted to alternative livelihood opportunities in post-harvest value added, aquaculture, recreational fisheries or in other sectors. Reduction or elimination of destructive fishing is also a significant governance and social challenge, as communities are dependent on the declining catches from this spiraling environmental and economic depletion, typical of the tragedy of the commons. Co-management approaches can serve as important pathways out of overexploitation and poverty – particularly for the poorest of the poor – through providing communities with the mandate and skills to manage and benefit from fishery

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<sup>3</sup> Estimation based on World Bank (2008), *The Sunken Billions: The Economic Justification for Fisheries Reform*.

resources.

### **C. Rationale for a Regional Approach**

8. *A regional ecosystem.* The SWIO marine fisheries are part of a larger marine ecosystem shared by all countries of the region. They are a regional public good, whose health and sustainability require regional coordination to limit the negative and enhance the positive externalities yielded by national activities. The migratory species, such as tuna, are archetypes of this shared regional public good, and their sustainable harvesting requires coordination to avoid a “tragedy of the commons” scenario.

9. *A regional sector.* The fisheries sector in the SWIO is already largely regional, with each country’s decision impacting on the other countries’ activities. In particular, large national investments, such as ports, fishing fleets, or processing plants, are competing against each other. Regional coordination is therefore needed to avoid conflicts and suboptimal sectoral investments, and to promote equitable distribution of wealth. Furthermore, several technical aspects of the sector are regional in nature, and their implementation would benefit from economies of scale if managed at a regional level (monitoring, control and surveillance, safety at sea, etc.).

10. *Common contexts and constraints.* The countries face common constraints with regard to their fisheries sector: weak governance, weak human and institutional capacity, and a fragile business environment. The SWIO countries will therefore benefit from addressing these challenges jointly. They already use regional platforms to share their experience in implementing more sustainable and economically viable fisheries policies and practices, including the Indian Ocean Commission (IOC) and SWIOFC.

11. *A regional voice.* A greater regional cohesion will enhance the countries’ voice in international fora as well as in negotiations of fishing-related agreements, where decisions are taken that have significant impacts on the fisheries sector of the SWIO countries.

12. Recognizing the important contribution by the marine fisheries to regional and national goals – poverty reduction, food security, economic growth, balance of payments, value of natural capital – all SWIO countries have repeatedly called for attention to regional collaboration in the sector. An important share of the decision-making in the sector is already happening at the regional level, and this share is growing. Most of the Regional Economic Communities (RECs) have regional fisheries policies with similar objectives and priorities (Southern African Development Community, SADC; IOC; and the Common Market for Eastern and Southern Africa, COMESA), but none of them cover all SWIO countries. To address their common concerns and needs related to fisheries, the countries have therefore created the SWIOFC.

13. In recognition of the added value and cost reduction, major donors (the European Union, EU; France; the Global Environment Facility, GEF; and the World Wide Fund for Nature, WWF) have supported regional fisheries programs. However, additional support is needed for improved governance, increased national and regional capture of the benefits, and improved regional collaboration to take advantage of synergies and contribute to poverty reduction and shared prosperity.

### **D. Rationale for Bank Involvement**

14. The fisheries sector, sustainable growth and good governance are core elements of each country’s engagement with the World Bank. All SWIO countries, with the exception of

Mauritius, have ongoing or recent World Bank engagements in fisheries, through analytical work (Madagascar, Mozambique, Seychelles, South Africa, Comoros, Maldives), International Development Association (IDA) funded investment projects (Tanzania and Kenya), International Finance Corporation (IFC) investment in aquaculture (Madagascar), grant projects (Comoros, Mozambique, Seychelles, Somalia, South Africa, regional organizations<sup>4</sup>) and the regional GEF-funded South West Indian Ocean Fisheries Project (SWIOFP, all countries).

15. Given the important achievements of the SWIOFP<sup>5</sup>, the member countries of the SWIOFC have requested support for a follow-on operation, which would continue to support regional integration around fisheries management, while expanding the approach beyond research to strengthen sector governance and promote shared growth through harnessing the value of coastal and marine fisheries to regional economies.

16. The Bank has a comparative advantage in addressing the governance issues involved, which extend beyond the core implementing agencies, where the Bank has the convening power to help local and national level stakeholders reach consensus on a vision for the sector and resolve trade-offs over competing demands on marine resource use. In addition to financing projects and analytical work in the fisheries sectors of all the participating countries, the World Bank is involved in policy dialogue with other development partners to facilitate the implementation of policy reforms in the fisheries. A number of Bank-administered partnerships are already involved in the region's fisheries, namely the Global Partnership for Oceans (GPO), the Global Program on Fisheries (PROFISH) and the Wealth Accounting and the Valuation of Ecosystem Services (WAVES) partnership. SWIO countries would greatly benefit from the World Bank's comparative advantage in the region's fishery management issues, based on a strong body of analytical work and experience from successful fisheries projects regionally and worldwide.

## **II. The Series of Projects Approach**

17. Consolidating the emerging regional vision and collaborative framework, founded on a common objective of economic growth and poverty reduction based on the sustainable use of SWIO marine resources, can only be achieved over the longer term. As such, it is envisioned that a series of projects (SOP) could potentially be supported over the next 15 years, which would help SWIO countries address the shared challenges and development issues through an expanded multi-borrower approach.

18. The overarching SOP Development Objective would be to increase the economic, social, and environmental benefits to SWIO countries from sustainable marine fisheries. The SOP Development Objective-level Results Indicators would be as follows:

- a) Reduce the degradation of the status of fish stocks;
- b) Increase in the fisheries-related GDP in participating countries; and
- c) Increase in local fisheries-related value-addition benefitting the households.

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<sup>4</sup> Namely the Indian Ocean Commission (IOC), the South West Indian Ocean Fisheries Commission (SWIOFC), and the Indian Ocean Tuna Commission (IOTC)

<sup>5</sup> The SWIOFP closed in March 2013.

19. The SOP would establish a financing, coordinating and knowledge exchange mechanism and support a suite of mutually supporting regional and country-level activities over the medium and long term. Given the range of issues affecting countries of the SWIO region, the SOP activities would target core governance and productivity challenges, remove critical constraints to private investment and sustainable business, bring part of the ‘offshore fisheries economy’ within country economies, and add value through regional collaboration.

20. *Phases*<sup>6</sup>. The proposed SOP would be a multi-phase operation to be implemented over a 15-year period. All SWIOFC member countries are eligible for the SOP, contingent on available funding. The first phase of the SOP (Phase 1) would extend, consolidate and build on the accomplishments of SWIOFP<sup>7</sup>, the Tanzania Marine and Coastal Environment Management Project (MACEMP) and other Bank and GEF-funded activities in the region. It would consolidate and strengthen regional cooperation on fisheries and living marine resource management through improved management of fisheries, strengthen regional fisheries institutions, and promote knowledge exchange and capacity development. It would also establish the core human and institutional competencies and frameworks for sustainable fisheries management and prepare for major public and public/private capital investments required (e.g., fleet adjustment, outgrower aquaculture, port infrastructure). It would also replicate and expand community fisheries co-management and business programs. As such, Phase 1 would have a major focus on human and institutional capacity development, design and implementation of fisheries management plans, and support to community livelihoods with a view to reducing the pressure on the resource.

21. A potential future phase (Phase 2), while building on the structure and achievements of Phase 1, would be a deepening and expansion phase which would further strengthen the policy reforms and empower stakeholders and users to have a greater role and incentives to secure the long-term health of the resources. It would support major investments prepared and shown to be viable in Phase 1, including in infrastructure, in co-financing of aquaculture development, fleet adjustment and fisheries reform. It would deepen regional collaboration with a focus on ensuring sustainability of that collaboration and regional management efforts. It would further harness benefits along domestic and international value chains. Phase 2 investments could start in any country when Phase 1 is completed, a sound basis for sustainable fisheries management is in place at the national and local levels, and infrastructure investments in the sector are prepared on the technical, environmental, financial and economic aspects.

22. *Geographic Scope*. The SOP would encompass the eleven developing countries of the SWIOFC (Comoros, Kenya, Madagascar, Maldives, Mauritius, Mozambique, Seychelles, Somalia, South Africa, Tanzania, and Yemen). The first project of this SOP, entitled SWIOFish1 and described in the rest of this document, will involve all SWIOFC countries through the implementation of a core regional work program (Component 1), in order to guarantee the necessary regional coordination and leadership. This will be achieved through the existing

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<sup>6</sup> The World Bank has not committed to finance any activities beyond the proposed project. Any anticipated subsequent phases would be reviewed based on respective priorities of an agreement between the countries and the Bank, and the success of the proposed project.

<sup>7</sup> More specifically, the proposed project will use the SWIOFC, strengthened under the SWIOFP, and will pursue the successful approach of using the SWIOFC as a steering committee. It will also continue to support the implementation of Ecosystem Approach to Fisheries management plans, developed under SWIOFP.

SWIOFC regional consultation mechanisms and IOC coordination and fiduciary capacity. In addition to these regional activities, each SWIOFC country can initiate country-level activities as part of the SOP, as soon as their work programs are prepared and financing is secured. A first batch of three countries, comprising Comoros, Mozambique and Tanzania, will be supported under the SOP through SWIOFish1<sup>8</sup>. Other SWIOFC countries would join the SOP in subsequent projects<sup>9</sup>.

23. *Benefits and risks.* The SOP approach is considered to bring important benefits in that it allows for phasing support necessary for a long-term, regional programmatic effort. It also brings risks stemming from the fact that the program is a series of projects both temporally at the country level, and geographically at the regional level. The associated risks result from the challenges in structuring a program that is both flexible enough to fit the diversity of situations on such a broad agenda across the region, yet specific enough to show demonstrable results.

### **III. National Strategic Contexts**

#### **A. Comoros**

##### *Country context*

24. Comoros is a Union of three different islands (Grande Comore, Anjouan and Mohéli), each with different cultures and needs. Comoros has been a relatively peaceful country despite the multiple coups in earlier decades and a new government has rekindled the reform process. GDP per capita is US\$785 and about 45 percent of the population lives below the poverty line. Comoros is characterized by few natural resources, an economy predominantly occupied by a few primary industries (vanilla, cloves, ylang-ylang), a young and increasing population, a small domestic market, and inadequate transport infrastructure. Given limited agricultural land, fisheries have an important role to play in maintaining food security.

25. Agriculture and fisheries represent about one-half of the country's GDP. Remittances from the Comorian diaspora amount to approximately 20 percent of GDP. Real GDP growth is projected to strengthen moderately from 2.5 percent in 2012 to the 3.5-4 percent range over 2013-2014, driven by a favorable performance of the agricultural sector, robust remittances and associated housing construction, and a modest recovery in foreign direct investment. While positive aggregate growth is a welcome break from the past, it is still too low: with a population growth estimated at 2.4 percent a year, much faster economic growth, sustained over a long period, and complemented by targeted programs, will be needed to reduce poverty. Comoros ranks 158 out of 189 countries in the 2013 Doing Business Index.

##### *Sectoral and Institutional Context*

26. The Comoros Exclusive Economic Zone (EEZ) is estimated at more than 160,000 km<sup>2</sup> covering 900 km<sup>2</sup> of continental shelf and 427 km of coastline. The EEZ is about 70 times the

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<sup>8</sup> These are countries where existing World Bank operations have established a policy and planning basis and where national IDA allocations have been confirmed.

<sup>9</sup> The World Bank has not committed to finance any activities beyond the proposed project. Any anticipated subsequent country-level investments would be reviewed based on respective priorities and an agreement between the countries and the Bank.

size of the country's land area and straddles the important tuna fishing grounds at the mouth of the Mozambique Channel. The sustainable yield of the marine capture fisheries is estimated to be 33,000 tons – mainly large pelagic species, such as tuna. About one-third of the fishing grounds are exploitable by traditional fishing methods targeting the resources of the narrow continental shelf. The domestic fleet lacks the capability to harvest offshore resources, which are captured by foreign vessels mostly operating under access agreements generating substantial revenues for the national budget. Coastal waters are generally fully exploited, particularly the fisheries for high-value demersals (snapper, grouper and similar species). Underexploited resources are reported to include lobsters, cephalopods (octopus), sea cucumber and bivalve mollusks.

27. The fisheries sector contributes 8 percent to GDP (about 24 percent of the ‘agriculture GDP’) and also makes up 5 percent of total foreign exchange annually. The sector is a net supplier of foreign exchange and through fisheries access agreements is a key component of the country’s balance of payments. The small-scale fisheries directly employ about 8,500 (about 6 percent of the country’s population) and up to 30 percent of the population is dependent on fishery. Fishing households – both full-time fishers and subsistence fishers who alternate between agricultural work and fishing – make up a significant proportion of the households below the poverty level (40 percent of inhabitants in Grande Comore and 70 percent in Anjouan). Per capita fish consumption is 29 kg per year, almost entirely supplied from the domestic fisheries. Marine ecosystem services represent an estimated 37 percent of the total economic value of ecosystem services, and Mohéli Marine Park, the first marine protected area (MPA) in the Comoros was established in 2001.

28. Most of the coastal fisheries are under heavy pressure with very limited potential for expansion (with the notable exception of the tuna fisheries). There are no significant mariculture or fish exports (though recent foreign investment may generate exports). Tuna is fished predominantly by foreign fleets not landing in Comoros; therefore opportunities for economic growth, employment and value added, based on tuna, are currently limited. However the fees paid to the Government for access of foreign vessels to the jurisdictional waters and their resources amount to approximately US\$1.3 million per year.

29. The National Directorate for Fisheries (*Direction Générale des Ressources Halieutiques*, DGRH) and its line Ministry, the Ministry of Production, Environment, Energy, Industry and Craft, exercise central authority on fisheries. The fishers are grouped in cooperatives and at island level the three ‘island regional syndicates’ are grouped under the *Syndicat National pour le Développement de la Pêche aux Comores* (SNDPC). The SNDPC is the principal interlocutor between the fishing communities and the fisheries administration and has an important role in promoting compliance, registration of fishers and as a conduit for the administration of fisheries and projects. A range of Non-Governmental Organizations (NGOs) and Civil Society Organizations (CSOs) are engaged in conservation of the coelacanth, whale watching, coral reef monitoring and eco-tourism. The main objective of Comoros’ Fisheries Development Strategy (*Stratégie d’Aménagement des Pêcheries*) is to contribute to poverty reduction of the most disadvantaged fishing households by developing sustainable fish production and processing, with particular attention to the role of women.

30. Comoros’ legal and institutional frameworks, human capacity and infrastructure for fisheries are all weak. This contributes to deficient management of small-scale fisheries and monitoring of the offshore tuna fisheries, which are dominated by foreign fleets operating under access agreements or illegally. Weak governance and a poor investment climate also limit

domestic and foreign investment and contribute to poor sector growth. The lack of fishing port facilities, transportation, distribution, processing, and export infrastructure, combined with a small and domestic market with weak purchasing power, make supplying the local market unprofitable for large fishing vessel and fleet operators. The knowledge of the environmental, social and economic state of the fisheries is deficient and current capability for applied fisheries research is low. However, government commitment, along with an improving investment climate and potential for further increases in production, make the small-scale fisheries a prospect for strong and sustainable development in the future.

## **B. Mozambique**

### ***Country context***

31. Mozambique's economic growth averaged 8.1 percent over the period 1995–2010, but relied largely on a growing number of 'megaprojects' and associated investments. The high economic growth did not achieve inclusive or pro-poor objectives, as per-capita household expenditures in the bottom three deciles experienced absolute declines (2002-2009) and economic growth and poverty reduction in rural areas lagged behind the urban and megaproject growth poles. The national poverty reduction plan (*Plano de Acção para Redução da Pobreza*, or *PARP*) attributes the recent poverty trends to: (i) low productivity in agriculture and fisheries; (ii) vulnerability of the rural economy to climatic shocks; and (iii) worsening terms of trade due to fuel and food price increases. Low levels of education also reduce labor mobility and opportunities to earn higher incomes. Around 80 percent of the workforce has not completed the first level of primary school, while only about 31 percent of the private sector workforce has completed at least the second level of primary school. Meanwhile, an estimated 300,000 young people are entering the labor market each year and with limited jobs in the formal economy, they are absorbed in the informal sector, including artisanal fisheries. Chronic malnutrition is high (some 47 percent of children under 5 are malnourished), only 6 percent of rural households have access to safe sanitation, and gender inequality remains high.

32. Mineral wealth and extractive megaprojects are likely to transform Mozambique's economy in the next decade. Massive investments in coal, gas, aluminum, beryllium, and titanium will create expanding growth poles and transport corridors but will likely put stress on the marine environment. Meanwhile Mozambique ranks 139 out of 189 countries in the 2012 Doing Business Index.

### ***Sectoral and Institutional Context***

33. The fisheries sector makes a substantial direct and indirect contribution to poverty alleviation. It contributes to food security, balance of payments, public revenues, employment and gender equity. Despite a relatively low direct contribution to GDP (2 percent), the social contribution of fisheries is considerable. About 850,000 households, or about 20 percent of the population, rely on fisheries for some part of their income and even more may rely on fishing for subsistence and food security. Many fishing communities are small, isolated, poor, and in a semi-subsistence situation, and fishing and fish marketing are usually part of a complex livelihood strategy often integrated with agriculture. Fisheries are the foundation of economic growth in many rural and some urban areas. Fish is a key component of the Mozambican food basket (27 percent of protein) and rising imports show that domestic supply is not meeting demand. Women make up almost half the labor force and are mostly engaged in gleaning, such as gathering



shellfish in the intertidal areas, and in post-harvest processing and marketing.

34. The sector could make significant additional contributions to inclusive growth, food security and employment. Recent estimates show that economic rents from shrimp fisheries could be increased by about US\$30 million per year. Aquaculture remains an infant industry for which the national Fisheries Master Plan (*Plano Director das Pescas 2010-2019*) has set ambitious goals. Linking sustainable community fisheries to urban markets, industrial growth poles and export markets can underpin employment and growth. There is increasing interest from small and medium enterprises (SMEs) in ‘semi-industrial’ fisheries for snapper, tuna, swordfish and other high-value species. Value-chains are embryonic: only 10 percent of the rural fisheries’ labor is employed in processing and marketing. This indicates substantial opportunities for post-harvest value-addition.

35. The sector faces several threats. Weak management of the important shrimp fisheries combined with rising fuel prices and reduced demand for high-value shrimp means the sector’s economic performance has declined in recent years. The number of artisanal fishers involved in marine fisheries doubled from 2002 to 2007 which represents an increase in utilization of fisheries resources by the communities that could eventually lead to overexploitation of fisheries. Declining terms of trade, low, or negligible domestic value addition to fish products, and recent outbreaks of farmed shrimp diseases all contribute to weak sector growth. An unattractive business climate including poor access to investment capital and credit has meant low private sector investment. With high interest rates and a weak network of rural and micro-credit organizations, financing sustainable fisheries and aquaculture remains challenging.

36. The Ministry of Fisheries (*Ministério das Pescas*, MP, or Ministry) has overall responsibility for fisheries and works through a range of subsidiary institutions, including those dedicated to small-scale fisheries, aquaculture, research, fish quality, sector finance and fisheries administration. Equity in joint venture shrimp companies and other investments are held by a state company (Emopesca E.E.) while strategic port infrastructure is vested in four financially-autonomous port companies under the Ministry. A number of industry associations represent the private sector in a well-established formal dialogue.

37. The Fisheries Master Plan was formally launched in December 2010 and articulates the strategic plan of the government for the sector. It is closely aligned with the *PARP* and the Government’s 5-year Plan (*Plano Quinquenal do Governo*). Food security is its first priority, followed by poverty reduction and improved balance of payments. Aquaculture and improved human and institutional capacity are seen as important means to these ends. It also provides long-term quantitative targets for the fisheries sector’s contribution to the national objectives and is based largely on a series of sub-sectoral strategic plans (e.g., shrimp, small-scale fisheries, and aquaculture). The targets for 2019 include a 3-kg increase in per capita fish consumption (from 8 to 11 kg) based on national production; an increase of US\$100 million in net foreign exchange; and a massive increase in large- and small-scale aquaculture production to over 100,000 tons per year. While progress towards the production and economic targets is lagging, a series of reforms are under way. These include some separation of powers (i) over fisheries and aquaculture concessions, and (ii) with respect to enforcement. In addition, a new fisheries act enabling long-term (up to 15 years) fisheries concessions has been adopted.

## C. Tanzania

### *Country context*

38. The United Republic of Tanzania (URT or Tanzania) is the largest country in East Africa with an EEZ of 223,000 km<sup>2</sup>, or about 24 percent of the land area, a continental shelf of about 17,900 km<sup>2</sup> in area and from 6 to 80 km wide, and a 1,400 km coastline. URT is administered by a two-government system, namely the Government of the United Republic of Tanzania and the Revolutionary Government of Zanzibar. About 16 million people live on the coast and the coastal population is growing at a more rapid rate than the rest of the country.

39. The URT has experienced a high level of economic growth averaging about seven percent per annum over the past decade. Economic performance is driven mainly by growth in mining, telecommunications, tourism, and construction. Exports have grown by about 17 percent annually since 2005, with gold accounting for 40 percent of total merchandise exports. The services sector has grown at around 8 percent over the past decade, driven by growth in trade, transportation, and tourism. But agricultural productivity, a primary economic activity of about 80 percent of households, has not grown at the same rate, resulting in insignificant changes in rural poverty.

40. Despite the economy's growth, poverty remains prevalent, with rural poverty stagnant at around 40 percent since 2001, and unemployment becoming a concern with nearly 2.4 million unemployed people – most of them young – representing 10.7 percent of the total labor force. Tanzania ranks 145 out of 189 countries in the 2013 Doing Business Index.

### *Sectoral and Institutional Context*

41. Tanzania's small-scale fisheries account for 98 percent of total fish production, 1.3 percent of GDP and contribute up to 9.9 percent of fish exports, worth an estimated US\$147.6 million, the vast majority of which come from the lakes. While the contribution of small-scale fisheries to GDP may appear marginal, the sector is a vital source of food security, employment and income, and combined with agriculture serves as the mainstay of coastal livelihoods.

42. The small-scale fisheries sector is however constrained by inadequate infrastructure, including lack of capacity for processing, storage and transportation facilities. Post-harvest fish losses (quantity or value) due to lack of storage, processing and marketing facilities are estimated to be around 20 percent. Destructive fishing techniques, particularly dynamite fishing, constitute a major threat to small-scale fisheries and coastal tourism through degradation of reefs and critical habitats. Weaknesses in management and enforcement aggravate the current situation.

43. Some fisheries management, planning and oversight functions have been decentralized to the community level through Beach Management Units (BMUs) in Mainland and Village Fisheries Committees (VFCs) in Zanzibar. Such arrangements in principal empower local fishers to monitor and take responsibility for the management and development of local marine resources.

44. The URT has an important seaweed mariculture industry. In Zanzibar over 15,000 people, mainly women, earn a modest income from seaweed cultivation, producing around 5,000 tons (dry weight) per year. A range of value added products are produced but the income earned by growers is meager, as little as US\$0.10 per kg of the dried raw material. There is important potential for aquaculture (including mariculture) along the coast, provided the enabling

environment is in place.

45. As fisheries are not considered a Union matter, mainland Tanzania and Zanzibar manage their fisheries resources separately. The Deep Sea Fishing Authority (DSFA) is responsible for the management of fisheries in the country's EEZ, including for issuing tuna fishing licenses to foreign vessels. Overall policy in mainland fisheries has been guided by the National Fisheries Sector Policy and Strategy Statement since 1997, and in Zanzibar by the Fisheries Sector Policy of 2002.

46. The overall goal of the National Fisheries Policy is to promote conservation, development and sustainable management of fisheries resources for the benefit of present and future generations. The Fisheries Sector Development Program (FSDP) for the mainland has been designed to realize the objectives of Tanzania Development Vision 2025 and the National Fisheries Sector Policy. The overall goal of the FSDP is to develop a sustainable, competitive and more efficient fisheries and aquaculture industry that contributes to the improvement of the livelihoods of stakeholders and the national economy while preserving the environment. A number of other policy and planning instruments target marine and fisheries resources, including: the Tanzania Prawn Fishery Management Framework of 2004, the Zanzibar Environmental Policy of 1992, and the National Environment Policy of 1997.

47. The development of the fisheries sector faces a number of constraints, including: relatively weak legal and institutional frameworks, human capacity and infrastructure; suboptimal coordination between the mainland and Zanzibar legislations, policies and programs; limited knowledge of the environmental, social and economic state of the fisheries; challenging business climate and limited private investments; and inadequate maritime safety.

#### **D. Higher Level Objectives to which the Project Contributes**

48. The proposed Project is designed to contribute to the World Bank Group's corporate goals of ending extreme poverty and promoting shared prosperity in a sustainable fashion. It recognizes the importance of fisheries as a key contributor to food security and nutrition, safety net, and job creation for rural coastal populations of the SWIO, which are among the poorest and most vulnerable. Promoting sustainable use of fisheries, linking small-scale operators to extended value chains and better harnessing fisheries to national economies will ensure that the sector socio-economic benefits are better captured and their distributive feature is optimized. This will contribute to boosting shared prosperity in the targeted countries and the SWIO region.

49. By supporting building competitiveness and employment and addressing vulnerability and resilience, with a foundation on governance and public sector capacity, the Project is in line with the World Bank's Africa Strategy. It is also fully consistent with the Regional Integration Assistance Strategy for Sub-Saharan Africa (RIAS), which emphasizes the importance of management of shared natural resources and the provision of regional public goods. It is also consistent with the GEF's International Waters Focal Area strategies and its IW-2 objective, namely to catalyze multi-state cooperation to rebuild marine fisheries and reduce pollution of coasts and Large Marine Ecosystems while considering climatic variability and change, and will coordinate with other GEF-funded UNDP and UNEP marine programs in the same area. It is further fully aligned with and will support the policy objectives of the Policy Framework and Reform Strategy for Fisheries and Aquaculture in Africa (African Union / New Partnership for Africa's Development). The Project activities will promote resilience to climate-induced risks

faced by highly vulnerable and important coastal and marine fisheries habitats, such as reefs and mangroves, and the communities that depend on them. The Project will enhance their adaptation to climate change by promoting sustainable fisheries management and activities focused on improving economic benefits of those fisheries, as well as through promoting sustainable conservation of critical habitats.

50. **Comoros.** The proposed Project is included in the 2014-2017 Country Partnership Strategy (CPS), which highlights the importance of developing the fisheries sector to contribute to growth and poverty reduction. Strengthening country capacity for effective governance of fisheries and aquaculture is an essential first step for a long-term fisheries strategy in Comoros and is fully aligned both with Comoros policies and the pillars of Bank support. The proposed Project is fully consistent with and supports the Poverty Reduction and Growth Strategy (PRGS), whose pillars are to: (i) stabilize the economy and lay the ground-work for strong equitable growth; (ii) strengthen key sectors by focusing on institution-building and ensuring a broader role for the private sector; (iii) strengthen governance and social cohesion; (iv) improve the health status of the general public; (v) promote education and vocational training with the aim of developing human capital; and (vi) promote environmental sustainability and civilian security.

51. **Mozambique.** The proposed Project is included in the 2012-2015 CPS. The high vulnerability and relative poverty of coastal and fishing communities is recognized in the PARP and their vulnerability to climate change is underscored in the National Adaptation Programme of Action (NAPA), which prioritizes actions on disaster risk, climate resilience, growth and poverty reduction. The vulnerability of these communities is also reflected in World Bank studies on climate change.

52. **Tanzania.** The Bank Group's 2012-2015 Country Assistance Strategy (CAS) and the CAS Progress of July 2014 support inclusive and sustainable, private sector-led growth, critical infrastructure and effective services, strengthened human capital and social safety nets, and accountability and governance. The Project addresses all four themes, focusing on the fisheries sector. It draws on the Bank's Africa Agriculture Strategy of increasing access to markets, to knowledge and improved management of natural resources and national food security. It also supports country's priorities identified in the National Strategy for Growth and Reduction of Poverty (NSGRP) as well as the Zanzibar National Strategy for Growth and Poverty Reduction which underscore the fisheries sector's importance to Tanzania's economy, employment, food security, and poverty reduction. The Strategy, prepared by the Government of Tanzania in 2010, focuses on outcomes in three broad clusters: (i) growth and reduction of income poverty, (ii) improvement of quality of life and social wellbeing, and (iii) good governance and accountability. It provides an outcome-based approach and emphasizes actions to stimulate the private sector's response, including addressing infrastructure and human resource capacity constraints, strengthening the business environment, and encouraging export diversification.

#### **IV. Project Development Objective**

##### **A. Project Development Objectives (PDO) and Global Environmental Objective (GEO)**

53. The Project Development Objective and Global Environmental Objective are to improve the management effectiveness of selected priority fisheries at regional, national and community level.

## **B. Project Beneficiaries**

54. The main Project beneficiaries are the coastal artisanal fishing communities of the SWIO region, with a focus on Comoros, Mozambique and Tanzania. Women are mostly engaged in processing and marketing, where they can make up about half of the workforce, but also have an important role in managing household finances, credit and savings, shore collection of marine organisms and seaweed aquaculture. These communities include subsistence fishers, households where fishing is a vital component of rural livelihoods, small-scale commercial fishers and fish and seaweed farmers.

55. The project will also target producer and professional organizations, industry or fisher associations and an expanding set of local community co-management institutions, to increase its impact.

56. Regional, national and local institutions in the fisheries sector and associated with the project will also benefit from improved capacity to formulate and analyze policy and to promote public-private coordination as a result of project-financed institutional development activities.

57. The private sector stakeholders, including enterprises engaged in large-scale fishing, or aquaculture, or providing services to the sector, foreign fishing fleets, foreign investors in fisheries and aquaculture and the tuna processing enterprises, are important regional players and they will benefit indirectly from the Project. Consumers will also indirectly benefit from the Project, particularly in coastal communities and in the island countries where fish is a vital component of a food security basket.

## **C. PDO-level Results Indicators**

58. The PDO-level Results Indicators of the Project will be as follows:

- a) Number of new SWIOFC country signatures to bilateral and/or multilateral agreements on fisheries;
- b) Number of national priority Fishery Management Plans (FMP) with measures to control fishing activity implemented<sup>10</sup>;
- c) Number of community-based management units achieving at least two performance targets<sup>11</sup>; and
- d) Number of direct project beneficiaries (of which % are women).

## **V. Project Description**

59. *Subsidiarity principle.* As described in section I, the challenges addressed by the Project are regional in nature. Addressing them requires action at the national level, which will yield important regional benefits, enhance country ownership and efficiency, and strengthen national institutions. Project implementation will follow a principle of subsidiarity, whereby only project activities that are transnational will be managed at the regional level through a regional body (component 1). Most of the activities will be implemented at the national level (components 2 and 3). The fourth component will support regional and national project management activities.

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<sup>10</sup> Cf. Annex 1 for more details.

<sup>11</sup> Cf. Annex 1 for more details.

Annex 2 describes the activities under each component in greater detail.

60. An improved management of the SWIO fisheries is critical to ensure their sustainable contribution to the region's economies and food security. This will be the focus of Component 2. Yet, the region's economies will only benefit from these better managed fisheries if they are better harnessed. Moreover, in a context of limited production growth perspectives, the development of the sector will have to focus on extending the value-chains. These aspects will be addressed in Component 3. The regional approach is essential to avoid negative externalities and to ensure that national efforts are not dissipated by others' actions. This is particularly true for transboundary fisheries, but also for the coordination of investments. Regional collaboration will also permit a higher level of regional integration of the value chains, as well as building a common voice in international fora. This regional integration will be promoted under Component 1. Activities under all three components will be implemented in parallel.

61. *Priority fisheries.* In each country, priority fisheries have been selected by the respective government to focus project interventions. This demand-driven selection was based on social, economic, nutrition and environmental criteria, as well as, in certain cases, the existence of an "Ecosystem Approach in Fisheries Management" (EAF) management plan for the fishery, prepared during SWIOFP. Priority fisheries are: (i) for Comoros: tuna, demersals, lobster and sea cucumber; (ii) for Mozambique: tuna, shrimp, demersals, deep-water crustaceans and small pelagics; and (iii) for Tanzania: tuna, octopus, shrimp, reef fish, small pelagics and mariculture.

#### A. Project Components<sup>12</sup>

62. **Component 1. Enhanced regional collaboration** (*Comoros, Kenya, Madagascar, Maldives, Mauritius, Mozambique, Seychelles, Somalia, South Africa, Tanzania, Yemen, France*<sup>13</sup> - IOC: US\$3.0 million IDA). All SWIOFC countries will participate in this first component, implemented by the IOC. It will support the provision of a regional public good through regional coordination and cooperation for the management and sustainable development of fisheries in the SWIO. Sub-component (1.1) (*Enhancing capacity for managing priority regional fisheries and challenges*) will support engagement with all SWIOFC countries to start developing a regional strategy to increase national and regional benefits from priority regional fisheries, collaboration on trans-boundary living marine resources, and address shared challenges. It will also support implementation of a core regional work plan toward implementing this strategy. Sub-component (1.2) (*Regional coordination and collaboration*) will support the further development and consolidation of institutional arrangements for regional fisheries collaboration, through the SWIOFC and the IOC. The sub-component will also support regional knowledge management and exchange.

63. **Component 2. Improved governance of priority fisheries** (*Comoros: US\$5.5 million IDA and US\$3.5 million GEF; Mozambique: US\$16.2 million IDA and US\$7.0 million GEF; Tanzania: US\$17.4 million IDA and US\$5.0 million GEF*). The component primarily targets policies, strategies, institutions and legal frameworks, and actions by the public sector necessary to improve priority fisheries management and performance, as well as regional marine environmental health and resilience to climate change. It will be backed by activities aimed at

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<sup>12</sup> Values include Project Preparation Advances (PPA) and contingencies. PPAs amount to US\$0.55 million for IOC, US\$0.60 million for Comoros, US\$1.275 million for Mozambique and US\$0.40 million for Tanzania.

<sup>13</sup> France would be a participating non-beneficiary country, i.e., it would not receive financing from the Project.

understanding the resource base, and building human and institutional capacity necessary to implement fisheries policies and management plans. Three closely-linked and mutually supportive activities, directed to both the public sector and coastal communities, are envisaged: (2.1) *Knowledge and management of priority fisheries*; (2.2) *Improving the performance of public institutions and assets*; and (2.3) *Information, communication and awareness*.

64. **Component 3. Increased economic benefits from priority fisheries** (*Comoros: US\$2.4 million IDA; Mozambique: US\$12.4 million IDA; Tanzania: US\$10.0 million IDA*). The component primarily targets increasing the value addition and diversifying fishers' livelihoods to reduce poverty and pressure on the region's fisheries, improving the regional business climate, enabling the private sector productivity and investment, and supporting public investments critical to a viable private sector. Measures decided by the co-management plans developed under component 2 will be implemented here, including compensation for potential access restrictions. The Project will support the following sub-components: (3.1) *Improved business and investment climate*; (3.2) *Expansion of opportunities for priority fisheries and value addition*; and (3.3) *Planning and investment in strategic infrastructure*.

65. **Component 4. Project management and coordination** (*IOC: US\$2.0 million IDA grant; Comoros: US\$1.6 million IDA; Mozambique: US\$1.3 million IDA; Tanzania: US\$3.5 million IDA*) will support regional Project coordination and implementation, country-level implementation and management, and monitoring and evaluation at regional and country level. It will operate through Regional and National Steering Committees (RSC/NSCs) and Regional and National Implementation Units (RIU/NIUs), through the following sub-components: (4.1) *Project management at regional level*; and (4.2) *Project management at country level (Comoros, Mozambique, and Tanzania)*.

## **B. Project financing**

66. *Secured Bank and GEF financing*. The Project will be financed through National and Regional IDA credits and grants (to Comoros, Mozambique and Tanzania) and a Regional IDA grant to the IOC for the benefit of the SWIOFC and its member countries. These funds will in turn leverage GEF grants to the three countries, drawing upon resources approved in November 2011 within the "Strategic Partnership for Sustainable Fisheries Management in the Large Marine Ecosystems in Africa"<sup>14</sup>. The total cost of the Project will be US\$91 million over 6 years (See Table 1 for details).

67. *Regional IDA*. The project satisfies the regional IDA access criteria: (i) it involves three countries; (ii) its benefits spill over country boundaries; (iii) all SWIOFC member countries have strongly pushed for a continuation of the regional approach, while showing strong ownership of the national investments; and (iv) the project, through continued support to the SWIOFC, provides a platform for a high-level of policy harmonization between countries and is part of a well-developed and broadly supported regional strategy. The IOC satisfies the technical criteria for accessing Regional IDA grants, as described in Annex 4.

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<sup>14</sup> The Project will be allocating at least 1% of the GEF IW grants towards supporting IW:LEARN activities, for instance producing Experience Note, Results Note and establishing a homepage following the IW:LEARN guidelines. Moreover, the project will participate in regional IW:LEARN activities and International Water Conferences during the project implementation.

68. *Additional secured parallel grant financing.* The Japan Social Development Fund (JSDF) has provided US\$1.9 million to Mozambique and US\$2.7 million to Comoros, and the Nordic Development Fund (NDF) US\$5.3 million (€4.0 million) to Mozambique directed mainly at sustainable community fisheries. The World Bank Development Grant Facility (DGF) has already provided US\$1.1 million for strengthening of regional fisheries management (funds managed by IOC). Countries and IOC will contribute around US\$3.1 million in-kind.

69. *Other potential parallel financing.* The Project in Mozambique will benefit from parallel financing from the French Development Agency (AFD) for approximately US\$25.7 million (€20.0 million). The AFD would finance: (i) infrastructure investments (i.e., port rehabilitation and aquaculture ponds); (ii) a research vessel and (iii) activities related to Monitoring, Control and Surveillance, and Fish Aggregating Devices (FAD). In addition, WWF’s marine program for East Africa will provide secured parallel financing of US\$2.2 million per year over an initial period of three years (i.e., US\$6.6 million). The funding will be directed primarily at co-management of small-scale fisheries and associated initiatives in marine protected areas, and activities on by-catch management, vulnerable species and regional collaboration on tuna, all of which is entirely complementary with Components 1 and 2.1. Additional grants from the NDF are also expected to further internalize the climate induced risks in Mozambique and Tanzania.

**Table 1: Financing summary (US\$ million)**

Countries/ regional institutions	National IDA	Regional IDA	GEF	Total
Comoros	1.2 <sup>g</sup>	8.3 <sup>g</sup>	3.5 <sup>g</sup>	13.0
Mozambique	18.3 <sup>g</sup>	11.7 <sup>c</sup>	7.0 <sup>g</sup>	37.0
Tanzania	17.1 <sup>c</sup>	13.9 <sup>c</sup>	5.0 <sup>g</sup>	36.0
Regional		5.0 <sup>g</sup>		5.0
<b>Total</b>	<b>36.6</b>	<b>38.9</b>	<b>15.5</b>	<b>91.0</b>

<sup>c</sup>:Credit;<sup>g</sup>: Grant

Countries/ regional institutions	Additional parallel financing <i>not</i> included in budget tables				Countries / IOC
	DGF	WWF	JSDF/NDF	AFD	
Comoros			2.7		0.8
Mozambique		3.1	7.2	25.7	1.0
Tanzania		1.5			1.0
SWIOFC & regional institutions	1.1	2.0			0.3
<b>Total</b>	<b>1.1</b>	<b>6.6</b>	<b>9.9</b>	<b>25.7</b>	<b>3.1</b>

### C. Lessons learned and reflected in the Project design

70. The Project draws on lessons learned from several national and regional projects<sup>15</sup>. These lessons include:

<sup>15</sup> These include Development Policy Loans in Peru and Gabon, the West Africa Regional Fisheries Project, the Lake Victoria Environmental Management Project, the South West Indian Ocean Fisheries Project, Tanzania’s MACEMP and Kenya Coastal Development Project (KCDP) projects and the Coastal Resources Management Project (COREMAP) in East Asia.



- Building a foundation of sustainable institutions, business enabling environment and human capacity is required before undertaking major reforms and investments;
- Operations in the fisheries sector involving social change and reforms require an extended time horizon, a high degree of flexibility, continuous support for progressive capacity-building and repeated financing to maximize impact, learning and sustainability.
- Given the nature of the fisheries sector, which addresses both coastal and offshore issues and involves a wide range of institutions, a phased approach is recommended for improved management. This lesson has been integrated in the design of the Project by including it in a multi-phase SOP approach;
- Local fisheries management has to be embedded in broad-based consultative processes to build the consensus and inclusion, and give voice to poorer stakeholders. In turn, this creates the flexibility and builds ownership necessary to maximize sustainability and impact of otherwise controversial conservation activities. In line with this lesson, the Project will support community-based fisheries management processes.
- Formally establishing and staffing a Monitoring and Evaluation (M&E) unit and setting up a well-functioning M&E system is fundamental; and
- Strong Bank investment in ongoing implementation support of such complex and innovative projects is critical for ensuring successful outcomes.

## **VI. Implementation**

### **A. Institutional and implementation arrangements**

71. The SWIOFC, as the regional fisheries body, is the existing platform for regional dialogue and cooperation on fisheries management and development. As such, it acted as the steering committee for the previous SWIOFP. The SWIOFC would be the ideal candidate to manage the Project but it currently lacks the capacity to do so: it is a relatively young institution with a small secretariat supported by FAO and limited financial autonomy. The IOC, being a regional leader in fisheries and marine environment with strong internal capacity for project management, and having successfully implemented regional Bank and other donor-funded projects, has been chosen by the member countries to support project implementation, until such time as this responsibility can be taken over by the SWIOFC.

72. The following regional implementation arrangements have been agreed upon: a Regional Implementing Unit (RIU), consisting of a regional project coordinator (RPC) housed under the SWIOFC<sup>16</sup> and a finance and procurement unit (FPU) housed within the IOC, will be responsible for regional component implementation and coordination. It will operate under the oversight of a Regional Project Steering Committee (RSC) composed of Fisheries Permanent Secretaries of all SWIOFC member countries. The FPU will be responsible for the administration of the regional project funds and related fiduciary aspects. This arrangement will provide for a forum for all SWIOFC member countries to participate in the discussion of regional issues. The FPU will also

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<sup>16</sup> Once the SWIOFC Secretariat has moved its headquarters from FAO regional headquarters in Zimbabwe to a dedicated office in Mozambique.

be mandated to provide technical assistance and backstopping to the national implementing agencies on fiduciary aspects.

73. At the national level, the Project will be implemented by the respective ministries/agencies with a mandate for fisheries management, through the establishment of (i) National Project Steering Committees (NSCs) and (ii) National Project Implementation Units (NIUs). The implementation arrangements are described in greater detail in Annex 3. Implementation capacity remains weak in most of the national fisheries agencies. However, in the three countries (Comoros, Mozambique and Tanzania), basic national-level implementation capacity has been established through recent or existing World Bank fisheries or coastal zone projects.

## **B. Results monitoring and evaluation**

74. The existing statistical systems are fragmented and of varying quality. This is largely due to weak human capacity and lack of investment in maintaining the dedicated data collection systems, software and human resources required. Baselines for this project have been established using the best existing information. These include information generated by country surveys, MACEMP, SWIOFP and Agulhas and Somali Current Large Marine Ecosystems (ASCLME) studies (e.g., governance, status of fish stocks), World Bank studies, studies undertaken by the SmartFish Program and a range of other sources (exports, fish food consumption, household income surveys, governance indicators, savings, credit and vessel registration records), and the financial reports of sector agencies.

75. Monitoring and evaluation of outcomes and results are a core part of the project design. The RIU and NIUs will collect and present data and reports for six-monthly reviews by the RSC and NSCs in conjunction with World Bank implementation support missions. Discussions during these missions related to institutional capacity building, financial viability, technical reviews and site visits will also provide effective means of monitoring progress.

76. Each RIU and NIU will appoint a dedicated Monitoring and Evaluation Specialist to regularly monitor the Project indicators. The M&E Specialist's role will not be limited to Project indicators however, and s/he will take an integral part in the development of the fisheries sector statistics in the country and the development of scientific, economic and social dashboards to support fisheries management and decisions related to the development of the fisheries sector. The data will be centralized at the SWIOFC and the IOC and will be available to all countries.

77. A first step in the M&E process will be to prepare and implement a fisheries information and statistics master plan to develop the core social, environmental and economic tracking modules to deliver the dashboard of indicators for the sector with emphasis on the social and economic targets (Project year 2). The second and concurrent step will be to link the dashboard to the performance indicators and deliverables of the dependent institutions, major projects and to milestones of the countries' sector plans, poverty reduction plans and other strategic instruments (Project year 4). The third step will be to link the dashboard to the Project, and national decision-making and management process (by end of Project).

## **C. Sustainability**

78. The core element of institutional sustainability will be capacity building coupled with the alignment of policies with investments and the tracking of impacts. Feedback through

participatory processes will guide adaptive management to respond to changing economic, social and environmental conditions. This approach will help align Project activities around a consensus vision, prioritize and sequence investments and establish a framework for progressive realization of higher level objectives, thus promote ownership and sustainability of Project achievements.

79. The Project will underwrite public sector financial sustainability by improving the effectiveness of the public institutions and by increasing private sector rents. Public finances will benefit from more cost-effective production, from public fiscal receipts from new and more profitable enterprises entering the economy, and by timely repayment of public investments supporting private sector productivity.

## VII. Key Risks and Mitigation Measures

### A. Risk Rating Summary Table

*Risk rating summary table*

<b>Risk Categories</b>	<b>Rating<sup>1</sup></b>
1. Political and governance	S
2. Macroeconomic	M
3. Sector strategies and policies	M
4. Technical design of project or program	M
5. Institutional capacity for implementation and sustainability	S
6. Fiduciary	S
7. Environment and social	M
8. Stakeholders	S
Overall	S

<sup>1</sup> M: Moderate; S: Substantial

### B. Overall Risk Rating Explanation

80. *Overall Risk Ratings.* The overall risk rating is **Substantial** due to potential risks associated with: (i) complex policy issues, including the management of reform processes; (ii) weak capacity of the participating governmental agencies, particularly with respect to Bank fiduciary and safeguard procedures, and the logistics and management challenges associated with the regional component; (iii) resistance of key public and private sector stakeholders to introduction of reforms, which may not provide equal or short-term benefits; (iv) difficulty in developing viable and functional production and value chain models and alternative livelihoods at different levels; (v) dependence on factors and conditions outside the control of the Project, in particular piracy threats in the region, credit institutions and foreign investment; (vi) the poor investment climate baseline; and (vii) high dependency of coastal fishing communities on the resource. The investments in capacity building and leadership, careful design of reform processes and use of development marketplaces and private sector innovation will mitigate these risks.

## VIII. Appraisal Summary

### A. Economic and Financial Analysis

80. *Development impact.* The magnitude and main types of expected benefits from the Project include improved and transparent resource assessment and access rules at national and regional levels; increased resource rent captured by public and private actors; improved income and safety for fishers and increased local, national and regional value added from post-harvest activities.

81. The Project cost overall, excluding in-kind contributions, is US\$91 million. The Project is assumed to halt the current trends of increased over-exploitation of selected coastal fish stocks and of marine ecosystems deterioration, through a regional coordination and improved management in each of the three countries (Comoros, Mozambique and Tanzania). Conservative assumptions lead to an estimated internal rate of return (IRR) of 5 percent after 5 years and 23 percent after 10 years without further investment.

82. The rate of return would be high (21 percent) for Component 3 investments, to strengthen private sector capacity and best practice, which also have the potential to bear sustainable economic activities. Relatively, Component 2 (to strengthen public sector capacity) would have the highest costs and lowest expected IRR (1 percent after 5 years). Investments to strengthen regional institutions and mechanisms and capacity for collective action (Component 1) are comparatively low, but have potential for additional high externalities to national economies if regional agreements are reached, that are not taken into account in the analysis: the three countries expect substantial benefits from a development of their private sector and improved coordination to develop and manage selected fisheries resources, in particular tuna. Details of the economic and financial analysis for Comoros, Mozambique and Tanzania are given in Annex 6 and a GEF-specific Incremental Cost Analysis is presented in Annex 7.

83. *Public rationale.* The activities proposed under the Project should be financed by the Government. Institutional reforms in the fisheries sector, strengthening of the enabling environment for private sector development and fostering coordination on regional issues can only happen through government action.

84. *Bank value-added.* The World Bank has a comparative advantage in financing the proposed Project: it has been at the forefront in supporting the development of the SWIO fisheries sector in the past decade, mainly through the successful implementation of the SWIOFP. The World Bank's convening power will also be a critical asset to the Project to foster cooperation across sectors and boundaries. In addition, the Bank's experience in developing and implementing similar operations in West Africa and the Pacific will bring significant value-added to the achievements of this Project.

### B. Technical

85. The proposed Project will resolve several critical technical challenges facing capture and culture fisheries. The nature of the technical solutions is well-known. The challenge is to design the most appropriate package for each country's unique circumstances and develop the necessary public-private consensus and financing. Building this blend of technical and financial interventions is a vital Project activity. New or revised fisheries policy instruments will be based on current analyses of best practices with respect to consensus-based fishing tenure and

concessions while implementation at local level would draw upon recent World Bank and International Fund for Agricultural Development (IFAD) and other partner experiences in decentralization and community driven development. The high-cost Monitoring, Control and Surveillance (MCS) activities will benefit from new technologies and timely regional information exchange and collaboration to increase cost effectiveness and deterrence, and draw upon recent Indian Ocean Commission regional experiences. The economic models and value chain analyses will inform policy and Project adaptation and reduce externalities and transaction costs.

86. Structuring private sector finance and credit facilitation and complementary public support presents the major technical challenge, because of the variety of production systems, timescales, differential access to credit, investment climate risks, and the diversity of stakeholders involved. The focus will be on using existing investors: supporting restructuring in the case of underperforming capture fisheries and building a critical mass of technical skills and services combined with investment fast-tracking in the case of aquaculture. Those existing operators which already have viable production units and guaranteed markets will be prioritized. The current rural/agricultural credit constraints will be expected to be largely resolved by the time major private investments would occur, i.e., during subsequent projects in the SOP, and the SOP would supplement these emerging solutions. The institutional architecture for regional collaboration on enforcement is already mapped out, through the IOC managed projects, and viable institutional and financing models can be adapted from regional collaboration in the Western Central Pacific tuna fisheries. The investments in capacity building, leadership, knowledge and educational networks will backstop adoption of relevant technologies and development of new niche markets and innovations.

### **C. Financial Management**

87. The World Bank's financial management team conducted financial management assessments of: the Directorate of Fisheries – (DGRH), in Comoros; the Ministry of Livestock Development and Fisheries (MLD) - Tanzania mainland, the Ministry of Fisheries and Livestock (MFL) - Zanzibar, and the DSFA - Tanzania, in Tanzania; the Ministry of Fisheries in Mozambique; and the IOC in Mauritius. Details of the assessments are included under Annex 3, including the action plans that show what the institutions should do to improve their financial management arrangements.

88. Risk mitigation measures include: (i) Recruitment of an Administrative and Financial Assistant prior to project effectiveness (Comoros, Mozambique and IOC) (completed); (ii) Customization of project chart of accounts within six months after credit effectiveness (Comoros and Tanzania) (underway); (iii) Creation of codes for each activity for inclusion in the IOC accounting system – SAGE Pastel (completed); and (iv) preparation of formats of unaudited interim financial reports (IFRs), and agreement on the formats with the Bank (completed).

89. The conclusion of the assessments is that the financial management arrangements in place meet the World Bank's minimum requirements under OP/BP10.00 and therefore are adequate to provide, with reasonable assurance, accurate and timely information on the status of the Project required by the World Bank. The overall Financial Management residual risk rating of the project is moderate for Comoros, Mozambique and Tanzania and low for IOC.

#### **D. Procurement**

90. Procurement will take place in accordance with Bank practices and as set out in the Project Operations Manuals which will be approved by the Bank. The following procurement, consultant and anti-corruption guidelines will apply to this project: a) “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); b) “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 and revised in July 2014 (“Procurement Guidelines”) and; c) “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 and revised in July 2014 (“Consultant Guidelines”).

91. Weaknesses in procurement capacity (URT, Comoros, Mozambique, and IOC) and lack of experience of World Bank processes (Comoros, Mozambique) will be offset through technical support from an experienced consultant or by placement of a dedicated procurement officer with experience in World Bank procedures in NIUs as necessary, and in the FPU housed in the IOC to supervise and manage the procurement process. The procurement officers will be backstopped by close supervision through the implementation support missions. Additional technical assistance will be provided with respect to major procurements (such as for infrastructure, or to design the modalities for credit facilitation). Procurement arrangements are further detailed in Annex 3.

#### **E. Social (including Safeguards)**

92. The social objectives for capture fisheries target increased employment, local fish food security and subsistence livelihoods. Pursuing social objectives rather than financial optimization often means the fisheries operate at Maximum Sustainable Yield (MSY) with low net financial returns from harvesting. However other substantial benefits, including post-harvest incomes, food supply, job creation and other economic activity, accrue along the value-chain. Given limited fish resources and trends towards modernization of fishing operations, returns to labor and capital will decrease unless the unit value of the catch increases. The sustainable community fisheries activities, including the creation of alternative livelihoods, address this threat and provide a pro-poor axis for the Project. Although an imperfect measure of wellbeing, the income and employment indicator is intended to specifically track the social dimension.

93. In several beneficiary countries, close to three quarters of the working age population are employed in fisheries and agriculture and less than 15 percent have a formal salaried job. Policies contributing to job creation thus have important impact on poverty reduction. The Project will support inclusive growth by improving access to credit and promoting more efficient use of fishery resources, strengthening the legal and institutional framework for fisheries and aquaculture concessions, public private partnerships, and critical infrastructure rehabilitation. All such actions contribute to an environment more conducive to business activity and job creation, a necessary condition to further reduce poverty in the beneficiary countries.

94. The Project will make specific provisions for enforcement of access restrictions in some fishing grounds, through community co-management or possibly support to Marine Protected Areas. This triggers the Involuntary Resettlement safeguard policy (OP/BP 4.12) and Process Frameworks (PF) acceptable to the Bank have been prepared in all three countries. Public

consultations were held and information disclosed, and appropriate grievance-handling procedures and arrangements are in place. The Project will ensure access to training and leadership development by women. The respective PFs have been disclosed in Comoros on August 6, 2014, in Mozambique on August 7, 2014, in Tanzania on August 22, 2014 and published by InfoShop on August 22, 2014. More details are given in Annex 3.

#### **F. Environment (including Safeguards)**

95. The Project is expected to have a substantial positive impact not only directly on the marine and coastal environment but on the institutional stewards and the users of the coastal natural resources. It will establish practices for the sustainable and profitable use of marine and coastal fisheries resources and contribute directly to the adaptive capacity of the coastal communities, many of which are in the front line of climate change. The core natural resource governance foundation of the Project is expected to ensure conformity with safeguard policies triggered.

96. The proposed project is considered Category B (partial assessment) with regard to potential environmental and social impacts. Regarding applicable safeguard policies, Environmental Assessment (OP/BP 4.01) is triggered as the project may have small-scale, localized negative impacts stemming from limited infrastructure investments (such as renovation or expansion of existing landing sites, markets or office building). Likewise Natural Habitats (OP/BP 4.04) is triggered as the project is expected to have impacts on the coastal and marine environment, though globally positive thanks to support for improved management of the resources contained therein. While no procurement of pesticides or pesticide application is currently envisaged for Bank-funded project activities, it is possible that aquaculture activities supported through the Project in Tanzania may choose to use aquatic herbicides or antibiotics. The Pest Management (OP 4.09) policy is therefore also triggered. Environmental and Social Management Frameworks (ESMF) have been prepared in the three countries, providing screening procedures for environmental and social impacts and outlining proposed mitigation measures. Public consultations were held and information disclosed, and appropriate grievance-handling procedures and arrangements for monitoring environmental management plans implementation are in place. The respective ESMFs have been disclosed in Comoros on August 6, 2014, in Mozambique on August 7, 2014, in Tanzania on August 22, 2014 and published by InfoShop on August 22, 2014.

97. The application of Physical Cultural Resources (OP 4.11) and Pest Management (OP 4.09) are addressed through the Environmental and Social Assessment process. The regionally agreed Ecosystem Approach to Fisheries scorecard will be used as a specific metric to track the environmental performance of the Project. Project preparation activities include the development of an Environmental and Social Impact Assessment. More details are given in Annex 3.

#### **G. Other Safeguard Policies**

98. *Disputed areas (OP/BP 7.60)*. The Government of Comoros confirmed that no project activity would take place in disputed areas and that national maritime activities would be restricted to the technical zone agreed under the Regional Fisheries Surveillance Plan of the Indian Ocean Commission and under the fisheries agreement signed with the European Union. In consultation with the World Bank Legal Department, it has therefore been decided that policy OP/BP 7.60 is not triggered.

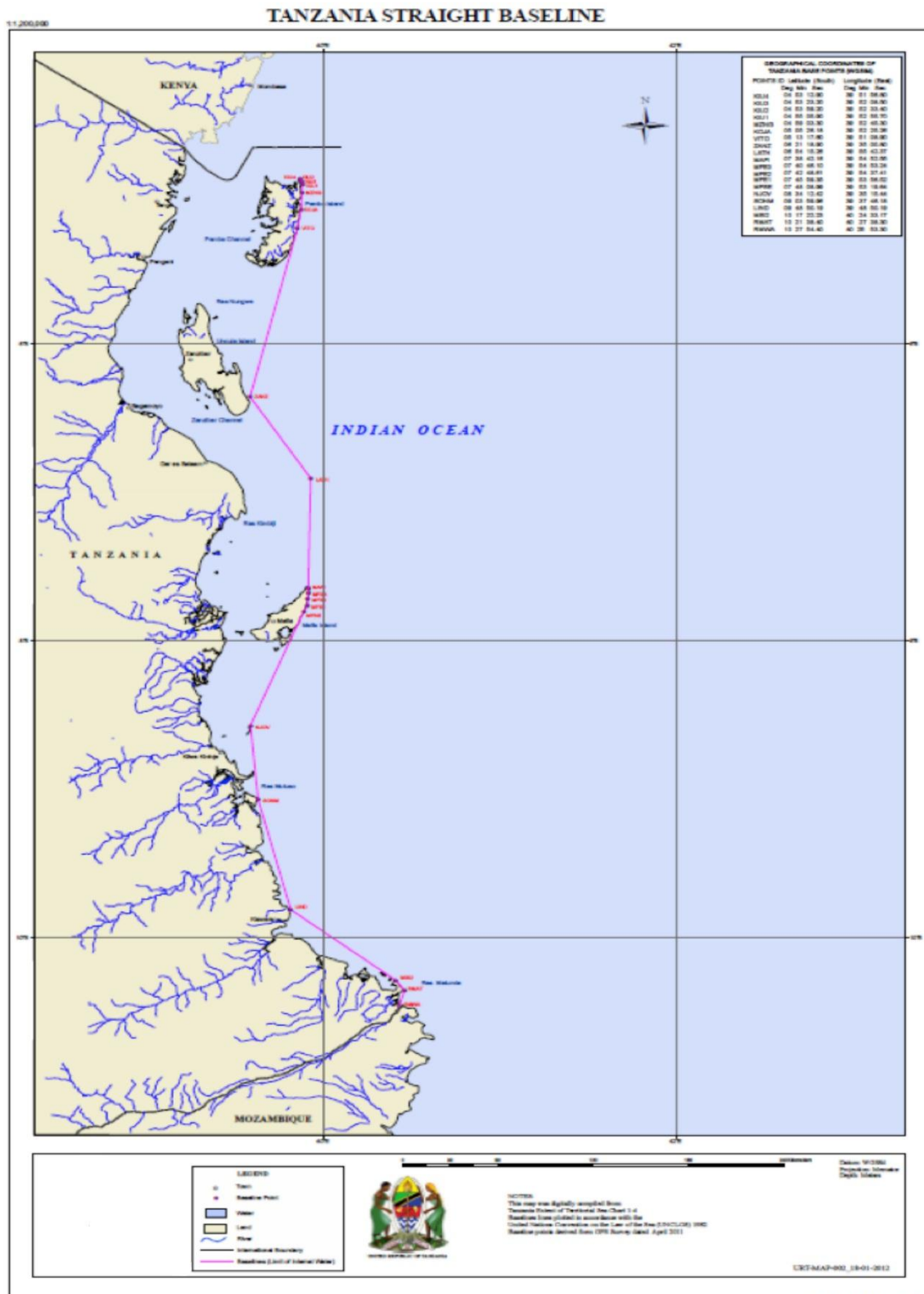
99. *Borrower’s Responsibilities Regarding the United Nations Convention on the Law of the Sea.* The World Bank’s OP 4.01 addresses project activities and their relation to international treaties and agreements. In order to be eligible for Bank financing for fisheries enforcement, the fisheries legislation of a country should be compatible with the United Nations Convention on the Law of the Sea (UNCLOS) particularly Article 73, whereby any foreign vessels and crews detained in the Exclusive Economic Zone will be immediately released upon posting a reasonable bond, and the flag state of the vessel is immediately notified. All three SWIOFish1 countries have signed and ratified UNCLOS, and as part of project preparation, the Bank undertook a review of their fisheries legislation. The Governments of Mozambique and Comoros confirmed surveillance activities in the EEZ financed under the project would comply with UNCLOS and in particular its Article 73. They informed the Bank on the measures they would take to ensure compliance of their fisheries legal framework with UNCLOS. The Government of the United Republic of Tanzania and the Bank have agreed that project support for the enforcement activities would be limited only to the “Internal Waters”, i.e., on the landward-side of the straight baselines from which the Exclusive Economic Zone and the Territorial Sea is measured as depicted in Figure 1 below.

*Applicable safeguard policies*

<b>Safeguard Policies</b>	<b>Yes</b>	<b>No</b>
Environmental Assessment (OP/BP 4.01)	X	
Natural Habitats (OP/BP 4.04)	X	
Forests (OP/BP 4.36)		X
Pest Management (OP 4.09)	X	
Physical Cultural Resources (OP/BP 4.11)	X	
Indigenous Peoples (OP/BP 4.10)		X
Involuntary Resettlement (OP/BP 4.12)	X	
Safety of Dams (OP/BP 4.37)		X
Projects on International Waterways (OP/BP 7.50)		X
Projects in Disputed Areas (OP/BP 7.60)		X



Figure 1: Tanzania's Straight Baseline Indicating the Limit of Internal Waters



## Annex 1. Results Framework and Monitoring

Country: Africa

First South West Indian Ocean Fisheries Governance and Shared Growth Project – SWIOFish1 (P132123/P132029)

<b>Project Development Objective / Global Environmental Objective (PDO/GEO):</b>												
<b>To improve the management effectiveness of selected priority fisheries at regional, national and community level.</b>												
PDO Level Results Indicators	Core	Unit of Measure	Baseline	Cumulative Target Values						Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR1	YR2	YR3	YR4	YR5	YR6			
<b>1 (Regional Level)</b> Number of new SWIOFC member country signatures to bilateral and/or multilateral agreements on fisheries		Number	0	0	2	2	4	4	6	Annual	Signatures to protocols	Fisheries administration/ NIU / RIU/ SWIOFC / IOC
<b>2 (National Level)</b> Number of priority Fishery Management Plans (FMP) with measures to control fishing activity implemented <sup>(1)</sup>		Number										
<b>2.1. Comoros:</b> EAF demersal fisheries management plan		Number	0	0	0	0	1	1	1	Annual	Annual Min. and project reports; registers	DGRH
<b>2.2. Mozambique:</b> Management plans for demersal line fisheries, coastal shrimp, and deep-sea crustaceans		Number	0	0	0	0	1	2	3	Annual	Project reports	MinPesca
<b>2.3. Tanzania:</b> Management plans for tuna/tunalike fish, octopus, reef fish, small pelagic, prawns, mariculture		Number	0	0	0	0	0	0	1	Annual	District reports	NIU
<b>3 (Community level)</b> Number of community-based management units achieving at least 2 performance targets <sup>(2)</sup>												

<b>3.1 Comoros</b>		Number	0	0	0	1	2	4	6	Annual	Annual Min. and project reports; registers	DGRH
<b>3.2 Mozambique</b>		Number	0	0	0	5	10	20	30	Annual	Annual Min. and project reports; registers	MinPesca
<b>3.3 Tanzania</b>		Number	0	0	0	1	2	4	7	Annual	Frame surveys, district reports	NIU
<b>4 Number of direct project beneficiaries (of whom % are females)</b>												
<b>4.1 Comoros</b>	C	Number (%)	0	0	1,500	3,000	5,500	8,000	10,000 (27%)	Semi-annual	Annual Min. and project reports	DGRH
<b>4.2 Mozambique</b>	C	Number (%)	0	0	6,000	15,000	30,000	50,000	60,000 (10%)	Semi-annual	Annual Min. and project reports	MinPescas
<b>4.3 Tanzania</b>	C	Number (%)	0	0	7,500	17,000	32,000	52,000	65,000 (50%)	Semi-annual	Project progress reports	NIU
<b>4.4 Regional</b>	C	Number (%)	0	5	10	20	30	40	50 (30%)	Semi-annual	Project reports	IOC / SWIOFC
<b>Intermediate Results and Intermediate Results Indicators</b>												
<b><i>Component 1: Enhanced regional collaboration</i></b>												
<b>1.1. Minimum Terms &amp; Conditions (MTC) for access to tuna fishery agreed at technical regional level.</b>		Y/N	N	N	N	N	N	Y	Y	Annual	SWIOFC reports; Records of Tuna WG meetings	SWIOFC / RIU
<b>1.2. SWIOFC sustainable regional financing mechanism agreed.</b>		Y/N	N	N	N	N	Y	Y	Y	Annual	SWIOFC reports	SWIOFC / RIU
<b><i>Component 2: Improved Governance of Priority Fisheries</i></b>												
<b>2.1. Fisheries Information System (FIS) / Dashboards operational</b>												
<b>2.1.1. Comoros: Dashboard in place and made public with regularly updated data</b>		Y/N	N	N	N	N	Y	Y	Y	Annual	Website / newspaper	DGRH

<b>2.1.2. Mozambique:</b> Dashboard in place and made public with regularly updated data		Y/N	N	N	N	Y	Y	Y	Y	Annual	Website / newspaper	MinPesca
<b>2.1.3. Tanzania:</b> Fisheries Information System publishes data regularly with updated data.		Y/N	N	N	N	Y	Y	Y	Y	Annual	Progress reports	MLFD/DFSA
<b>2.2. At least one key policy or legal instrument for fishery management developed or updated for each country</b>												
<b>2.2.1. Comoros:</b> Fisheries law application texts adopted ( <i>Arrêtés d'application</i> )		Y/N	N	N	N	Y	Y	Y	Y	Annual	Application texts adopted	DGRH
<b>2.2.2. Mozambique:</b> (i) Mid-term review of the Fisheries Master Plan and update		Y/N	N	N	N	Y	Y	Y	Y	Annual	Reports / Master Plan	MinPesca
(ii) Aquaculture strategy reviewed and updated		Y/N	N	N	N	N	Y	Y	Y	Annual	Strategy	MinPesca
<b>2.2.3. Tanzania:</b> Fisheries Act revised, consulted and submitted to cabinet		Y/N	N	N	N	N (Revised)	N (Consulted)	N (Approved)	Y	Annual	Progress report	NIU/MLFD
<b>2.3. Control of fishing activity</b>												
<b>2.3.1. Comoros:</b> Vessels inspected, as a percentage of the motorized fleet		%	2%	2%	2%	4%	6%	8%	10%	Annual	CNCSP inspection reports	CNCSP/DGRH
<b>2.3.2. Mozambique:</b> Serious infractions committed by licensed fishing unit as a proportion of licensed fishing unit controls		%	44%	60%	60%	50%	40%	40%	35%	Annual	ADNAP, DNFP	MinPesca
<b>2.3.3. Tanzania:</b> % of noncompliance incidences as per patrol effort		%	80%	80%	75%	70%	65%	60%	50%	Annual	Progress reports	NIU/MLFD
<b><i>Component 3: Increased economic benefits from priority fisheries</i></b>												
<b>3.1. Number of target community individuals participating in value-chain enhancement through project initiatives</b>												
<b>3.1.1. Comoros:</b> Number of value-chain operators benefitting from business and		Number	0	0	50	125	250	400	600	Annual	Progress report	DGRH/ENP

value-chain development training												
<b>3.1.2. Mozambique:</b> Participants in Rotating Saving and Credit Scheme (PCR) cycles.	Number	0	0	200	400	800	1,200	1,800	Annual	Progress report	MinPesca	
<b>3.1.3. Tanzania:</b> Village Savings Loan Scheme recipients	Number	0	0	300	700	1,100	1,600	2,200	Annual	Enterprise survey	NIU/MLFD/Districts	
<b>3.2. Operational fisheries infrastructure</b>												
<b>3.2.1. Comoros:</b> Number of operational fisheries infrastructure	Number	2 <sup>17</sup>		2		4		8	Bi-annual	Infrastructure diagnostic	DGRH	
<b>3.2.2. Mozambique:</b> Fishing ports managed by the autonomous fishing port authority	Y/N	N	N	N	Y	Y	Y	Y	Annual	Project report	MinPesca	
<b>3.2.3. Tanzania:</b> Operationalized <sup>(3)</sup> business plans for MACEMP built landing sites	Number	0	0	0	0	1	2	3	Annual	Progress reports	NIU	
<b>3.3. At least one target fishery value chain enhanced per country</b>												
<b>3.3.1. Comoros:</b> Fish export from Comoros	Y/N	N	N	N	N	N	Y	Y	Annual	Customs / national statistics	DGRH	
<b>3.3.2. Mozambique:</b> Tuna exports from Mozambique	Y/N	N	N	N	Y	Y	Y	Y	Annual	DNEPP	MinPesca	
<b>3.3.3. Tanzania:</b> At least one recommendation is implemented for each priority fish value chain study for economic benefits	Number	0	0	0	0	1	2	3	Annual	Project progress report	NIU	
<b>Component 4: Project Management and Coordination</b>												
<b>4.1 Number of semi-annual Project Progress reports submitted</b>	Number	0	8	16	24	32	40	48	Annual	Project progress reports	NIUs/RIU	

<sup>17</sup> Mission de diagnostic de fonctionnement des chambres froides villageoise, d'évaluation des capacités de stockage et de leur système de gestion, DNRH, janvier 2012. Out of 19 infrastructure only 2 are fully operational and in use

**(1) Implementation of measures to control fishing activity will be measured by:**

1. Fishing units<sup>18</sup> registered and licensed as per law in targeted countries;
2. Fishing units operating in targeted fisheries are regularly inspected;
3. A satellite based fishing vessel monitoring system is operational; and
4. A fisheries monitoring center is equipped and functional in targeted countries.

**(2) Performance Targets for each country are defined as follows**

**Comoros:**

1. Agreement between administration and communities on Community Management Plans in place (baseline: 0)
2. Island co-management meeting held at least twice a year
3. At least 85% of vessels, static gears and aquaculture operations registered for each CMU (% of frame survey), as per fisheries law provisions
4. At least 50% of vessels, static gears and aquaculture operations licensed for each CMU as per law (% of registered vessels, static gears and aquaculture operations), as per fisheries law provisions (against a baseline of 0%)

**Mozambique:**

1. Community Management Agreement between administration (ADNAP, SDAE, etc.) and CMU (*Conselho Comunitário de Pesca - CCP*) in place (baseline: 0)
2. CMU (CCP) participates in district Co-management Committee (*Comité de Cogestão – CCG*) meetings at least twice a year
3. At least 80% of vessels, static gears and commercial aquaculture operations registered (*matricula/registro*) for each CMU (% of frame survey: fishing activity census 2012 / aquaculture: baseline during first year of project), as per fisheries law provisions (against a baseline of 54%)
4. At least 74% of fishing units (gears), static gears and aquaculture operations licensed for each CMU as per law (% of frame survey: fishing activity census 2012 / aquaculture: baseline during first year of project) (against a global baseline of 44%), as per fisheries law provisions.

**Tanzania:**

**a) Zanzibar:**

1. At least 80% of vessels (inclusive of vessel gears) and fishers licensed by MCAs with endorsement of CMU (Zanzibar Village Fisheries Committee) (% of frame survey every 2 years) – baseline will be done in YR1
2. MCA management plans that incorporate management measures for at least two priority fisheries (octopus, reef fish, small pelagic) ready for implementation. Readiness is defined as: (i) formal acceptance by >50% of CMUs of the management plan; (ii) formal endorsement by CMUs (>50% where relevant) of by-laws or regulations that enforce management plan measures, by EOP
3. MCAs collect at least 80% of revenues necessary to cover the annual workplan budget by EOP
4. Area closure measures are implemented

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<sup>18</sup> Comoros: All motorized vessels; Mozambique: vessels above 10 meters in length and fishing gears; Tanzania: > 11 meters

***b) Mainland:***

- 1.** At least 50% of vessels < 10 meters (inclusive of vessel gears) and fishers licensed by districts with endorsement of CMU [Beach Management Units] (% of frame survey every 2 years) – baseline will be done in YR1
- 2.** CFMA management plans incorporate management measures for at least two priority fishery (octopus, reef fish, small pelagic, prawns) ready for implementation. Readiness is defined as follows: (i) formal acceptance by >50% of BMUs of the management plan; (ii) formal endorsement by BMUs (>50% where relevant) of by-laws or regulations that enforce management plan measures, by EOP
- 3.** BMUs within a CFMA collectively raise at least 50 % of revenues necessary to cover annual BMU workplan budgets by EOP
- 4.** Area closure measures are implemented

<sup>(3)</sup> Operational is defined as each major landing sites built by MACEMP have power, gas, water, necessary equipment, business plan, staff and funds to operate and other infrastructure essential for functional fishery management.

## Annex 2: Detailed Project Description

### First South West Indian Ocean Fisheries Governance and Shared Growth Project – SWIOFish1 (P132123/P132029)

#### I. Project Development Objective and Global Environment Objective

The Project Development Objective and Global Environment Objective of the First South West Indian Ocean Fisheries Governance and Shared Growth Project (SWIOFish1) are to improve the management effectiveness of selected priority fisheries at regional, national and community level.

#### II. Project Description<sup>19</sup>

The Project includes the following components and sub-components, the details of which vary by country. All SWIOFC member countries will participate in Component 1, while Comoros, Mozambique and Tanzania will implement country-level activities which have been tailored to their specific needs (Component 2 and 3). The Project has four components: three operational components and a fourth Project management component.

- **Component 1. Enhanced regional collaboration.** The component will support regional coordination and cooperation on the management and sustainable development of fisheries in the South West Indian Ocean (SWIO).
- **Component 2. Improved governance of priority fisheries.** Sustainable use of fisheries resources is fundamental to improved economic outcomes. Component 2 targets public policies, strategies and investments necessary to improve fisheries management and performance, and regional marine environmental health.
- **Component 3. Increased economic benefits from priority fisheries.** The component primarily targets diversifying fishers' livelihoods to reduce poverty and pressure on the region's fisheries, improving the regional business climate, enabling the private sector productivity and investment, and supporting public investments critical to a viable private sector.
- **Component 4. Project management and coordination.** Component 4 will support project implementation, coordination, monitoring and evaluation at regional and country levels.

*Priority fisheries.* In each country, priority fisheries have been selected by the respective government to focus project interventions. This demand-driven selection was based on social, economic, nutrition and environmental criteria, as well as, in certain cases, the existence of an “Ecosystem Approach in Fisheries management” (EAF) management plan for the fishery, prepared during SWIOFP. Priority fisheries are: (i) for Comoros: tuna, demersal, lobster and sea

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<sup>19</sup> Values include Project Preparation Advances (PPA) and contingencies. PPAs amount to US\$0.55 million for IOC, US\$0.60 million for Comoros, US\$1.275 million for Mozambique and US\$0.40 million for Tanzania.



cucumber; (ii) for Mozambique: tuna, shrimp, demersals, deep-water crustaceans and small pelagics; and (iii) for Tanzania: tuna, octopus, shrimp, reef fish, small pelagics and mariculture.

Each fishery was chosen for different social, economic, nutrition and environmental reasons: (i) regional tuna fisheries to generate increased public revenues and incorporate greater portions of the value chain into the local economy; (ii) national industrial shrimp and deep water crustaceans fisheries to generate increased local economic benefits; and (iii) coastal fisheries (e.g. small pelagics, demersal finfish) aiming to generate maximum production volumes for food security and rural livelihoods and (iv) specific fisheries to address environmental and livelihoods issues (sea cucumber, octopus, reef fisheries). All priority fisheries face environmental degradation, and ensuring the sustainable exploitation of the related resource will be at the core of the project.

*Human and institutional capacity development.* This is a cross-cutting theme in all components and will have a strong gender dimension as women can contribute more than half the labor force along the value chain. It will deliver on three broad fronts: (i) policy analysis capacity and instruments; (ii) implementation and management capability for governance and enterprises; and (iii) private sector investment analysis and management capability. The theme will target not only those directly engaged in the sector, but others whose performance is critical to the success of the sector.

*Subsidiarity principle.* The challenges addressed by the Project are regional in nature. Addressing them requires action at the national level, which will yield important regional benefits, enhance country ownership and efficiency, and strengthen national institutions. Project implementation will follow a principle of subsidiarity, whereby only project activities that are transnational will be managed at the regional level through a regional body (component 1). Most of the activities will be implemented at the national level (components 2 and 3). The fourth component will support regional and national project management activities.

### **Component 1. Enhanced regional collaboration**

*(IOC: US\$3.0 million IDA grant)*

All SWIOFC countries (Comoros, Kenya, Madagascar, Mauritius, Mozambique, Seychelles, Somalia, South Africa, Tanzania, Yemen, Maldives, and France<sup>20</sup>) will participate in this first component, which will support the provision of a regional public good through regional coordination and cooperation for the management and sustainable development of fisheries in the SWIO. Component 1 will be financed from a regional IDA grant, which will be administered by the Indian Ocean Commission (IOC). In addition several other existing and pipeline projects will complement the regional activities. These include SmartFish2 (a European Commission-financed regional fisheries program, which includes support to the IOC-managed Regional Fisheries Surveillance Plan or PRSP<sup>21</sup>), and parallel funding provided largely through NGOs, in particular the WWF.

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<sup>20</sup> France would be a participating non-beneficiary country i.e., not receiving financing from the Project.

<sup>21</sup> *Plan Régional de Surveillance des Pêches*

**Sub-component 1.1. Enhancing capacity for managing priority regional fisheries and challenges** (*IOC: US\$1.4 million IDA*)

Sub-component 1.1 will support engagement with all SWIOFC countries to start developing a regional strategy to increase national and regional benefits from priority regional fisheries, collaborating on trans-boundary living marine resources, and addressing shared challenges. It will also support preparation and assist in the implementation of a core regional work plan toward implementing this strategy. This will include the development of common regional Minimum Terms and Conditions (MTCs) of access to the tuna fisheries as a foundation for increasing coastal state benefits from the tuna fisheries.

It will also include improved regional Monitoring, Control and Surveillance (MCS) through the establishment and upgrading of regional fisheries monitoring, control and surveillance capability. In that context, efforts by Somalia to bring its maritime boundaries and fisheries legislation into conformity with international law, and prepare the country's future participation in regional MCS activities, will be supported.

**Sub-component 1.2. Regional coordination and collaboration** (*IOC: US\$1.6 million IDA*)

Sub-component 1.2 will provide for the development and consolidation of sustainable institutional arrangements for regional fisheries collaboration, through *inter alia* the IOC and the SWIOFC. It will finance SWIOFC sessions and inter-sessions, preparation of the SWIOFC transition to a management body, development of a sustainable financing mechanism for the SWIOFC work program, and preparation of common policy positions in international fora.

The sub-component will also support regional knowledge management and capacity development, through regional technical and scientific services, including centralization of fisheries data (national dashboards), development of knowledge systems, knowledge exchanges, and coordination for joint research cruises.

**Component 2. Improved governance of priority fisheries**

*(Comoros: US\$5.5 million IDA and US\$3.5 million GEF; Mozambique: US\$16.2 million IDA and US\$7.0 million GEF; Tanzania: US\$17.4 million IDA and US\$5.0 million GEF)*

The component primarily targets public policies, strategies and investments necessary to improve fisheries management and performance, and regional marine environmental health and resilience to climate change. It will be backed by activities aimed at understanding the resource base and building human and institutional capacity to implement the policies and plans. Three closely linked and mutually supportive activities are envisaged, detailed below.

**Sub-component 2.1. Knowledge and management of priority fisheries** (Comoros: US\$4.7 million IDA and US\$3.0 million GEF; Mozambique: US\$12.8 million IDA and US\$5.5 million GEF; Tanzania: US\$15.56 million IDA and US\$4.49 million GEF)

Recognizing strong limitations in the fisheries public management and knowledge, sub-component 2.1 will support their strengthening in the three countries. It will focus on: (i) Strengthening the policy, institutional and regulatory framework for management of priority fisheries; (ii) Strengthening research to determine stock status and factors affecting status; (iii) Strengthening statistics and Fisheries Information System (FIS) based on regional requirements, to improve data quality for reporting on fisheries performance; (iv) Strengthening the management, planning and implementation capacity, including co-management at the community-level; and (v) Strengthening cost-effective monitoring, control and surveillance (MCS) capability. In Tanzania, all enforcement related activities to be financed under the project (including patrols) will be limited to Internal Waters, i.e. in the water mass on the landward side of the straight baselines from which the Exclusive Economic Zone is measured.

**Sub-component 2.2. Improving the performance of public institutions and assets** (Comoros: US\$0.5 million IDA and US\$0.3 million GEF; Mozambique: US\$3.2 million IDA and US\$1.4 million GEF; Tanzania: US\$1.8 million IDA and US\$0.5 million GEF)

Sub-component 2.2 will aim at placing public institutions and assets on an economically and financially sound and cost-effective basis, with particular reference to basic fisheries services and infrastructure, and improved information for policies and decisions. It will include both infrastructure (e.g., offices) and institutional development that specifically enhance the management of selected priority fisheries. The activities will provide capacity development and leadership training for both public and private actors and ensure linkages to other major initiatives such as on tourism, competitiveness and direct foreign investment. The investments will include short, medium and long-term training, leadership training, technical assistance, goods and workshops.

**Sub-component 2.3. Information, communication and awareness** (Comoros: US\$0.3 million IDA and US\$0.2 million GEF; Mozambique: US\$0.2 million IDA and US\$0.1 million GEF; Tanzania: US\$0.04 million IDA and US\$0.01 million GEF)

Sub-component 2.3 will track the progress of the sector towards achieving its national policy and planning goals and will provide a basis for adaptive management and adjustment of policies and programs. It will establish economic management and monitoring of fisheries using a results-based approach directed at specific measurable governance, economic and environmental outcomes. In particular, it will help establish a fisheries sector dashboard that will be a key tool for the monitoring and evaluation of this project, and of the national and regional fisheries management. It will also support communication on the countries' fisheries status and management, as well as efforts to increase public awareness of economic, social, and environmental importance of priority fisheries and marine habitats, including the impacts of illegal fishing.

### **Component 3. Increased economic benefits from priority fisheries**

*(Comoros: US\$2.4 million IDA; Mozambique: US\$12.5 million IDA; Tanzania: US\$10.1 million IDA)*

The component primarily targets increasing the value addition and diversifying fishers' livelihoods to reduce poverty and pressure on the region's fisheries, improving the regional business climate, enabling the private sector productivity and investment, and supporting public investments critical to a viable private sector. Measures decided by the co-management plans developed under component 2 will be implemented here, including compensation for potential access restrictions.<sup>22</sup>

As an engine of growth, the private sector is constrained by several factors including: a weak investment and business climate and, in some cases, misdirected state supports and incentives and pervasive corruption. Small and medium enterprises (SMEs) or individual sellers may lose or waste more than 25 percent of catches, or catch value after landing. These losses can often be attributed to degraded critical infrastructure and services, such as fishing ports, cold chains, roads, or sanitary control services. Component 3 will also make public investments to facilitate and support private investments in sustainable fisheries and aquaculture by preparing the analyses, organizing the financing and improving the sector investment climate. Large infrastructure (such as fishing ports, or roads) could be potentially financed under subsequent phases, once viability is demonstrated and financing is available.

**Sub-component 3.1. Improved business and investment climate** (Comoros: US\$0.6 million IDA; Mozambique: US\$2.9 million IDA; Tanzania: US\$0.7 million IDA)

Sub-component 3.1 will undertake the analyses required to identify and address the critical constraints to business and trade and develop an action program to improve the fisheries business opportunities and investment climate. Activities will include: (i) baseline surveys and diagnostics of value chains and private sector investments; (ii) needs and economic/financial viability assessments of specific strategies or investments; (iii) capacity development and leadership training, in particular within businesses and communities, and with a specific focus on women; and (iv) support to the emergence of producers regional networks and fora. In Tanzania, it will also support public-private dialogue for Tanzanian coastal fisheries.

**Sub-component 3.2. Expansion of opportunities for priority fisheries and value addition** (Comoros: US\$1.0 million IDA; Mozambique: US\$7.3 million IDA; Tanzania: US\$8.0 million IDA)

Sub-component 3.2 will support livelihoods diversification to reduce the pressure on the resource and reduce poverty, and compensate fishers for potential fishing restriction agreed under co-management arrangements. It will support the implementation of the fisheries management plan

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<sup>22</sup> The project, under the co-management plans, will not preempt any decision from the consultative process and it will be the community responsibility in relationships with local and fisheries authorities and other stakeholders to decide the management tools to apply.

by promoting more sustainable practices and proving alternative to destructive ones, as agreed under co-management arrangements.

More broadly, it aims at increasing the local benefits from priority fisheries by implementing the actions to improve business opportunities identified in sub-component 3.1. It will support entrepreneurs, entrepreneur groups and women's groups to develop these business opportunities and entire value chains, through facilitated access to financing (including provision of small initial capital grants in Tanzania), targeted education, advisory services, streamlining of administrative services and linkages to other projects.

**Sub-component 3.3. Planning and investment in strategic infrastructure** (Comoros: US\$0.8 million IDA; Mozambique: US\$2.3 million IDA; Tanzania: US\$1.4 million IDA).

Sub-component 3.3 will follow the same diversification and compensation approach as sub-component 3.2, with a focus on infrastructure. It will support community selected investments in productive infrastructure and essential social infrastructure that are not covered by other projects, and where the community provides in-kind contributions (labor, construction material). Their scale will remain limited, and the infrastructure will comprise landing sites, fish markets, waste treatment facilities, and social facilities for fishers, operators and women groups. It will also support economic analysis and detailed feasibility studies for larger bankable infrastructure projects that would subsequently be likely to successfully raise financing from public, private and/or international donor sources, including strategic fishing port, fleet development, landing facilities, and fish chilling facilities.

#### **Component 4. Project Management and Coordination**

*(IOC: US\$2.0 million IDA; Comoros: US\$1.6 million IDA; Mozambique: US\$1.3 million IDA; Tanzania: US\$3.5 million IDA)*

Component 4 will support project implementation, coordination, monitoring and evaluation at regional and country levels. It will operate through Regional and National Steering Committees (RSC/NSCs) and Regional and National Implementation Units (RIU/NIUs) at regional and country levels respectively.

**Sub-component 4.1. Project management at regional level** *(IOC: US\$2.0 million IDA grant)*.

A Regional Implementation Unit (RIU) will be responsible for regional component implementation and coordination, operating under the oversight of the established SWIOFish Regional Project Steering Committee (RSC). A Finance and Procurement Unit (FPU) housed in the Indian Ocean Commission (IOC) will be responsible for the administration of the regional project funds and related fiduciary aspects. Given that these institutions will benefit all SWIOFC member countries (and not just Comoros, Mozambique and Tanzania, who will benefit from national IDA allocation under the Project), the costs associated with management and coordination at regional level will be supported by a Regional IDA grant. Activities supported include monitoring and evaluation, audits, mid-term and final evaluation reports, and costs associated with core operational functions, as well as regional project coordination. Component 1 and sub-component 4.1 will be the two components implemented by the IOC.

**Sub-component 4.2. Project management at country level** (*Comoros: US\$1.6 million IDA; Mozambique: US\$1.3 million IDA; Tanzania: US\$3.5 million IDA*).

The subcomponent will support the countries' National Project Implementation Units (NIUs)<sup>23</sup> and National Steering Committees (NSC). Activities supported include monitoring and evaluation, audits, mid-term and final evaluation reports, and costs associated with core operational functions.

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<sup>23</sup> In Tanzania, the project will support three national project implementation units: one for mainland, one for Zanzibar, and one for the jointly-managed Deep Sea Fisheries Authority (see Annex 3).

## **Annex 3: Implementation Arrangements**

### **First South West Indian Ocean Fisheries Governance and Shared Growth Project – SWIOFish1 (P132123/P132029)**

#### **I. Project Administration Mechanisms**

##### **A. Regional Implementation Arrangements**

1. SWIOFish1's regional implementation arrangements will comprise a Regional Steering Committee (RSC) and a Regional Implementation Unit (RIU).
2. The RSC will be the Project's overall policy-setting and decision-making body. It will be embedded in the SWIOFC (as a subsidiary body), which will also function as its Secretariat. RSC membership will be open to all SWIOFC countries, allowing them to jointly discuss regional fisheries issues from the project start onwards. Member countries will be represented at the level of Permanent Secretary of the ministry responsible for fisheries. In addition, representatives of relevant regional organizations, including NGOs and organizations representing the small-scale fisheries sector, will be invited and encouraged to contribute to the discussions as observers.
3. The RIU will support the RSC, as its executive arm, and will be responsible for the implementation and coordination of the regional component. It will be headed by a Regional Project Coordinator (RPC), hosted by the Indian Ocean Commission (IOC) and then by the SWIOFC Office once transferred from Harare (Zimbabwe) to Maputo (Mozambique).
4. The RIU will comprise a Finance and Procurement Unit (FPU) in charge of financial management and procurement, M&E and auditing embedded into the Indian Ocean Commission. The FPU will be responsible for the administration of the regional IDA grant and related fiduciary aspects.
5. This arrangement will provide for a forum for all SWIOFC member countries to participate in the discussion of regional issues. It will also take advantage of IOC experience in (i) implementing donor-funded projects, including those of the World Bank and the GEF, particularly with regard to procurement and financial management, and (ii) coordinating Regional Economic Commissions' activities.
6. The FPU will also be mandated to provide technical assistance and backstopping to the national implementing agencies on fiduciary aspects.
7. In addition to guidance from the RSC and directions from the RIU, implementation of the SWIOFish regional component will be based on a set of manuals and plans, such as a Regional Project Operations Manual, specifying administrative and financial procedures and rules, a Regional Project Implementation Plan and a Regional Project Expenditure Plan. All manuals and plans will be approved by the Bank by Project effectiveness.

##### **B. National Implementation Arrangements**

8. At the national level, the ministry with a mandate for fisheries management will implement the Project through a Lead Agency to be defined for each participating country. In

line with the regional institutional arrangements of the Project, the Lead Agency will establish a National Steering Committee (NSC) and a National Implementation Unit (or units<sup>24</sup>; NIU).

9. The tasks of the NSC will be: (i) to provide overall policy guidance and decision-making on all issues relating to the Project; (ii) to facilitate coordination among the relevant agencies; and (iii) to review and approve annual work and expenditure plans. The decision on NSC composition and the characteristics of its meetings will be country specific and left to the Lead Agency. The World Bank and representatives of co-financing entities may be invited to participate as observers. The ministry responsible for fisheries will chair the NSC, and the National Project Coordinator (NPC) will be its Secretary. The NSC will meet twice a year or as needed.

10. The National Implementation Unit (NIU) will be responsible for the coordination of Project implementation, for project administration, procurement, financial management and control (including audits), monitoring and evaluation, supervising compliance with safeguards policies and technical support to activity implementation at national level. In addition, it will provide the Secretariat for the NSC. Composition of NIU and status of its staff (civil servants or consultants) will be country specific. It will be expected that the integration of the NIU in the relevant government agency will lead to strengthening of its existing management capacities, the streamlining of processes and the reduction of transaction costs.

### **C. Country-specific Institutional Arrangements**

#### ***Comoros***

11. The National Directorate for Fisheries (*Direction Générale des Ressources Halieutiques – DGRH*) of the Ministry of Production, Environment, Energy, Industry and Craft (*Ministère de la Production, de l'Environnement, de l'Energie, de l'Industrie et de l'Artisanat – MPEEIA*) will be the Lead Agency, which will establish the national Steering Committee (NSC) (*Comité National de Pilotage – CNP*) and will host the National Implementation Unit (NIU) (*Unité Nationale de Gestion du Projet – UGP*).

12. The NSC will be chaired by the General Secretariat of the MPEEIA (*Secrétariat Général du MPEEIA*), and will comprise representatives of the ministries of Finance, Interior, Defense, Transport, Provincial Affairs (*Commissariat en charge de la Pêche des Iles Autonomes*) as needed. In addition to its regular membership, the NSC will have representatives from fishing communities of each of the three islands, and civil society organizations, including women groups, as observers.

13. The NIU will comprise a Project Coordinator (*Coordinateur du Projet*), an Administrative and Financial Officer (*Responsable Administratif et Financier*), an Accounting Assistant (*Assistant Comptable*), an Administrative and Financial Assistant (*Assistant Administratif et Financier*), a Procurement Specialist (*Responsable en Passation de Marchés*), an Environmental and Social Specialist (*Responsable Environnemental et Social*), and a Monitoring and Evaluation and Communication Specialist (*Responsable en Suivi, Evaluation et Communication*). With the exception of the Coordinator, project staff will be shared with the Coastal Resources Co-management for Sustainable Livelihood Development Project (*Projet de*

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<sup>24</sup> Ibid



*Cogestion des Ressources Côtières pour une Subsistance Durable – CoReCSuD*). This arrangement will be evaluated during the first year of implementation.

14. The NIU will monitor the provision and utilization of funds across a chart of accounts approved by the Bank and in line with the Project Operations Manual developed for the Comoros. The NIU will prepare financial reports for the DGRH, which will be submitted to the Comorian NSC and the World Bank. The financial monitoring of the Project will be the responsibility of the DGRH, which will submit quarterly reports to the Ministry of Finance. The payment schedule will follow the World Bank's disbursement procedures. IDA and GEF funds will be deposited in separate accounts (in Comoros Francs, KMF) at the Comoros Central Bank (*Banque Centrale des Comores*). Account movements will need double signatures, and the signatories of the accounts will be the Director of DGRH or his substitute, and the Project Coordinator or his substitute.

15. In the context of island autonomy, the NIU will recruit three additional Coordinators (*Coordinateurs locaux*), each assisted by an Administrative and Financial Assistant (*Secrétaire Comptable*), to assist with Project implementation on the three islands. They will be based in the Provincial Affairs Offices in charge of fisheries and their activities coordinated by the NIU based at the DGRH. Subsidiary project accounts will be opened in a commercial bank in each of the islands. The organization of the IFAD-funded National Program for Sustainable Human Development (*Programme National de Développement Humain Durable*) provides a simple and proven model for decentralized Project implementation that could be followed. The Provincial Affairs Offices will provide a letter based on an amount specified in the annual work plan, which will trigger transfers to the accounts on island level. Weaknesses in Project implementation capacity, particularly on island level, will be addressed through provision of additional support staff and training as necessary.

16. Partner institutions will recruit additional technical staff necessary (such as data collectors and others) or make use of existing staff for Project implementation. Institutions such as the National Fisheries School (*Ecole Nationale des Pêches – ENP*), the National Fisheries Control and Surveillance Centre (*Centre National de Contrôle et Surveillance des Pêches - CNCSP*), or the National Office of Quality Control and Certification of Fishery Products (*Office National de Contrôle Qualité et de Certification des Produits Halieutiques*) under the supervision of MPEEIA are autonomous entities. Partnership agreements will therefore be signed with DGRH. They will describe in detail the responsibilities and duties of each party and the deliverables in the Project. Activities and budgets will be detailed in annual work plans and may be revised as necessary.

17. For activities to be conducted by departments or services that are not part of MPEEIA, such as the Directorate General of Maritime Transport, the Directorate General of Civil Defense, or the Comorian Coast Guard, the Project will establish a framework agreement with the national directorate of the ministry concerned, which may commit its services at island level. As part of this agreement, both parties will sign contracts for the provision of specific services for planned activities to be carried out. It should be noted that special conditions apply to fisheries surveillance activities to ensure their civil character and consistent with the objectives of the Project.

## *Mozambique*

18. The Ministry of Fisheries (*Ministério das Pescas - MP*) will be responsible for Project implementation and designated the National Directorate of Fisheries Economics and Policy (*Direcção Nacional de Economia e Políticas Pesqueiras – DNEPP*) as Lead Agency. The Lead Agency will provide for the establishment of a National Steering Committee (NSC), and a National Implementation Unit (NIU).

19. The NSC will maintain oversight and provide guidance to project implementation in association with World Bank implementation support. It will comprise representatives of the Ministry of Fisheries, the Ministry of Planning and Development, the Ministry of Finance, the Bank of Mozambique, and apex fisheries professional organizations. Observers will be invited on an ad-hoc basis. The NSC will liaise with the Ministry of Fisheries' Consultative Council (*Conselho Consultivo*), an inter-ministerial coordination mechanism: the National Project Coordinator (NPC) will present the debates and decisions of the NSC meetings and regular reports on Project implementation. This will ensure linkages with the implementation of the country's Fisheries Master Plan for the period 2010-2019 (*Plano Director das Pescas – PDP II*). The NIU will provide the secretariat for the NSC.

20. The Lead Agency will coordinate Project activities to be executed by all implementing agencies, through a National Implementation Unit (NIU), to be integrated in the directorate. The other implementing agencies for the project are departments directly under the Ministry of Fisheries<sup>25</sup> as well as other, subordinate and autonomous institutions under the Ministry of Fisheries<sup>26</sup>. The NIU will have a core team comprising: (i) a National Project Coordinator; (ii) a Procurement Specialist; (iii) a Financial Management Specialist; (iv) an M&E and Environmental and Social Specialist; and (v) support staff (Administrative and Financial Assistant). The NPC and the Administrative and Financial Assistant will be consultants, and the NPC will be contracted using AFD funds. Other staff will be from the Ministry and will be provided with training as needed. The NIU will also benefit from ad hoc technical assistance, as needs arise.

21. Each of the implementing agencies collaborating in project implementation will appoint a Project Focal Point. All Project Focal Points will jointly form a technical advisory group to the NIU. The minutes of the technical advisory group's deliberations will be provided to the NSC and the Consultative Council. The implementing agencies under the MP will liaise with the NIU to ensure efficient procurement and avoid duplication of effort in terms of administration and logistics. At the provincial level the activities will be part of a common integrated approach by

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<sup>25</sup> Such as the Department of Cooperation (*Departamento de Cooperação - DC*), the National Directorate of Fisheries Economics and Policy (*Direcção Nacional de Economia e Políticas Pesqueiras - DNEPP*), the National Directorate of Fisheries Enforcement (*Direcção Nacional de Fiscalização da Pesca - DNFP*), the Department of Fisheries Technology and Equipment (*Departamento de Tecnologia e Equipamento de Pesca - DTEP*), the Department of Administration and Finance (*Departamento de Administração e Finanças – DAF*), and the Procurement Unit (*Unidade Gestora e Executora das Aquisições – UGEA*).

<sup>26</sup> Including the National Fisheries Administration (*Administração Nacional das Pescas - ADNAP*), the National Fisheries Research Institute (*Instituto Nacional de Investigação Pesqueira - IIP*), the National Institute of Small-Scale Fisheries Development (*Instituto Nacional de Desenvolvimento da Pesca de Pequena Escala - IDPPE*), the National Institute of Aquaculture Development (*Instituto Nacional de Desenvolvimento da Aquacultura - INAQUA*), the National Institute of Fish Inspection (*Instituto Nacional de Inspeção do Pescado - INIP*), the Fisheries Promotion Fund (*Fundo de Fomento Pesqueiro - FFP*), and the fishing port management bodies.

the MP's decentralized implementing agencies, under the leadership and supervision of the Provincial Fisheries Directorate (*Direcção Provincial das Pescas*).

22. In line with SWIOFish's overall institutional arrangements, financial management, including accounting, reporting, and auditing functions will be centralized at the NIU. The NIU will consolidate the Project financial reports and submit them to the NSC, for submission to the World Bank as part of Project progress reports. The World Bank will deposit its IDA and GEF funds in specific Designated Accounts (DA) at the Bank of Mozambique. Based on the cash needs and approved budgets of the Project, funds will be transferred into a government Single Treasury Account (*Conta Única do Tesouro - CUT*). Subject to the overall control of the NIU and satisfactory fiduciary provisions, some funds would be used directly by the implementing agencies, as they are all connected to the government IFMIS, e-Sistafe. Ministry of finance will release funds to the implementing agencies based on an authorization from the Ministry of Fisheries.

### ***Tanzania***

23. The Ministry of Livestock and Fisheries Development in Mainland Tanzania, the Ministry of Livestock and Fisheries in Zanzibar, and the Deep Sea Fishing Authority (DSFA) will be joint lead agencies and have overall responsibility for Project implementation. The National Project Steering Committee (NSC) will be composed of the permanent secretaries responsible for fisheries, finance, and local administration from mainland Tanzania and from Zanzibar. As mentioned, the NSC will be responsible for: (i) providing overall policy guidance on all issues relating to the project; (ii) facilitating coordination among the relevant agencies; and (iii) reviewing and approving annual work plans and budgets in association with Bank supervision. The meetings will alternate between Zanzibar and mainland. The Secretariat will be provided by the Project Implementation Unit under the supervision of the Director of either mainland or Zanzibar. Meeting costs will be drawn from respective budgets.

24. Technical Committees (one each for mainland and Zanzibar) composed of directors of key participating institutions (e.g., DSFA, Fisheries Development, Marine Resources, Aquaculture, TAFIRI, FETA, MPRU, Local Government) as well as private sector representatives (from the tourism and fisheries sectors) will advise on all project operations work plans, budgets, and annual progress and performance reports prior to submission to the NSC. Technical Committees would meet quarterly (mainland, Zanzibar) with at least one joint meeting per year. Separate IDA and GEF special accounts will be opened for each lead agency and according to the agreed Project budgets 60% of the total funds allocated to Components 2 and 3 will be allocated to mainland Tanzania and 40% to Zanzibar.

25. The three implementing entities (Ministry of Livestock and Fisheries Development (mainland), Ministry of Livestock and Fisheries (Zanzibar) and the Deep Sea Fishing Authority) will each establish a Project Implementation Unit (PIU), responsible for overall project implementation and administration. Each PIU will be adequately staffed to ensure effective and timely execution of project activities. Key positions include: (i) project coordinators; (ii) FM specialists; (iii) procurement specialists; and (iv) M&E specialists. In addition, mainland and Zanzibar will have: (v) private sector development specialists; (vi) co-management specialists; (vii) safeguards specialists; and (viii) communications specialists. In addition, both Ministries will identify focal points for overseeing activities related to MCS within Internal Waters, research, fisheries information/statistics, each priority fisheries. In addition, experts would be

engaged to provide periodic technical support throughout the project duration in key areas (e.g., planning/M&E, fisheries information systems and data management, fisheries research and application to management, fisheries co-management, MCS (dynamite fishing - for mainland only); Access2Finance; and of NGOs to support co-management.

26. *Local Government Authority (LGA) Level - District Fisheries Co-Management Working Group (DFCWG).* In the mainland, the project will support the establishment of temporary DFCWGs during the course of the project aimed at: (i) promoting development of fisheries co-management in the district; (ii) facilitating coordination and link between the District Council, District management team (including the Natural Resources and Environment Committee); Beach Management Units (BMUs), and Fisheries Development Division; and (iii) supporting (BMU) institutional and regulatory development. Specifically, the DFCWG would:

- Develop sustainable revenue collection and financing for BMUs
- Review and approve CFMA management plans;
- Support registration of BMUs;
- Review by-laws for approval by the District Council; and
- Resolve conflicts relevant to fisheries co-management.

27. Members of the DFCWG will be specified in the Project Implementation Manual but are likely to include.

- District Council Chair
- District Councillors from coastal wards
- District Executive Director
- Representatives of the District Natural Resources and Environment Committee
- All Chairs of BMUs in the District
- Village Chairmen of coastal villages
- Representatives of NGOs and private sector, where relevant
- Marine park manager (when applicable)
- District Fisheries Officer
- Fisheries Co-management officer from Ministry of Livestock & Fisheries Development

28. The Fisheries Scientific Advisory Group would provide advice on the overall research program. Specifically it would:

- Review and approve ToRs for research initiatives under SWIOFish
- Review ToRs for selection of research institution and students
- Oversee and approve integrated research plan
- Monitor progress of implementation of research initiatives and advise PIUs and NTC in relation to that
- Review and approve fisheries policy and management briefs to advise fisheries management decision making.

29. The Advisory Group would be comprised of representatives of Fisheries Division/ Department of MLFDs & DSFA, and research institutions (TAFIRI, IMS, SUZA, and DSFA), and have a minimum of two meetings a year.

## **II. Financial management**

### ***Overall Financial Management assessment***

30. A financial management assessment was undertaken in order to evaluate the adequacy of the project arrangements in accordance with meeting the Bank's minimum requirements in OP/BP 10.00. The assessment covered various implementing entities in the four countries that shall implement the regional SWIOFish1 project: Comoros, Mozambique, Tanzania and Indian Ocean Commission in Mauritius. The entities include: the Directorate of Fisheries in Comoros, Ministry of Fisheries in Mozambique, Ministry of Livestock and Fisheries Development (mainland), Ministry of Livestock and Fisheries (Zanzibar), and Deep Sea Fishing Authority in Tanzania. The assessment complied with the Financial Management Manual for World Bank-Financed Investment Operations that became effective on March 1, 2010, as well as with Bank Financial Management Assessment and Risk Rating Principles. Based on the assessment, the overall financial management was assessed to be adequate and risk rating was assessed as low for IOC and moderate for agencies in Comoros, Mozambique and Tanzania.

### ***Financial Management Arrangements for the Project:***

31. The assessed implementing agencies will have the responsibility of financial management arrangements of components that they are responsible for implementing. Project implementation will be fully integrated into the respective countries/institutional financial management systems. The specific arrangements are as follows.

### ***Staffing***

32. *Comoros and Mozambique:* The project appointed a Financial Management Specialist who possesses the relevant qualifications and the requisite experience with regard to the Bank Financial Management requirements or those of similar development partners. In Comoros, an Administrative and Financial Assistant will also be recruited. The World Bank team shall conduct training on World Bank FM and Disbursements requirements for the appointed staff.

33. *Tanzania:* The current staff shall continue to conduct the financial management roles. However, the Project staff will receive training from the World Bank Financial Management Specialist to strengthen their skills during project implementation.

34. *IOC:* The Administrative and Finance division at IOC shall be responsible of financial management responsibilities. The Head is suitably qualified and have vast experience on Bank procedures gained in administering past 4 projects (3 closed and one active project) and in participating in Bank training sessions. To successfully administer the FM responsibilities, IOC will appoint a Financial and Administrative Assistant to be responsible of this project. The existing accountants shall train him/her on Bank requirements.

### ***Budgeting arrangements***

35. Project budget preparation, approval, and monitoring will follow the implementing agencies procedures. The management of the agencies will regularly monitor execution of the budget by comparing planned to actual expenditures on monthly and quarterly basis. In addition, the Project Steering Committees will be responsible for project annual budget approval and monitoring of budget execution. The Project budget can be reviewed on a semi-annual basis. In

each agency, project activity codes will be created and used to record the activity budgets and actual expenditures.

### ***Internal controls***

36. All the assessed implementing agencies indicated having adequate internal controls with segregation of accounting functions. The Bank procurement procedures shall be applied to procure services and goods funded by proceeds from IDA/GEF.

37. *Comoros*: The project will put in place an internal control system so as to ensure the preparation of accounting records, the approval of transactions and the orderly management of financial resources and assets. The project will adopt the financial procedures manual currently used for the existing Bank-funded CoReCSuD project which will be regularly reviewed to ensure continued relevance over the project life.

38. *Tanzania*: Internal control systems of MLFD and MFL and DSFA documented in the Public Finance Acts 2004 (Mainland Tanzania), 2005 (Zanzibar), and its regulations and DSFA financial manual respectively shall be applied.

39. *Mozambique*: The national internal controls procedures used in the institutions' day-to-day operations and defined on the *Manual de Administração Financeira* (MAF) shall be applied.

40. *IOC*: The IOC shall apply the internal controls set out in the Financial and Procurement Regulations Manual. The manual sets out internal control procedures: segregation of duties, approval procedures and limits, assets management and safeguard etc. The internal control requirements in the manual are commonly acceptable by all donor agencies and hence are applied in all IOC transactions (including project transactions). The IOC management shall revise the Financial and Procurement Procedures Manual (*Manuel des Procédures de Gestion Administrative et Financière des Projets*) to ensure that it adequately provides procedures for management of staff imprest, an area where internal audit had reported as having implementation weaknesses.

### ***Internal auditing:***

41. *Comoros*: The Inspectorate General of Finances will perform internal audit reviews on a periodic basis to provide objective assurance over the project operations. The internal audit reports will be submitted to the Project Steering Committee for follow up of remedial actions. Copies of the reports shall be submitted to the World Bank.

42. *Tanzania*: The national audit offices in both Mainland and Zanzibar will perform annual project audits. Internal project audits are also undertaken quarterly by the two Ministries. The internal auditors already have experience on Bank procedures. The existing Audit Committee will provide an oversight role over financial matters affecting the project. Its major role will include following up on implementation of internal and external audit queries. Copies of the audit reports shall be submitted to the World Bank.

43. *Mozambique*: The *Inspecção Geral das Pescas* and *Inspecção Geral das Finanças* will be responsible for conducting independent, objective internal audit/inspections and share the report with the World Bank at least twice per year.

44. *IOC*: The IOC Internal Audit Unit shall be required to perform two internal audit reviews per year during the project implementation period to provide objective assurance on functioning

of internal controls – copies of the report shall be submitted to the World Bank.

### ***Accounting arrangements***

#### *Accounting software:*

45. *Tanzania:* MLF and MLFD and DSFA will use ‘Quick Book’ accounting software.
46. *Comoros:* The project will customize the existing TOM<sup>2</sup>PRO accounting software to handle Project financial information management needs within six months after grant effectiveness.
47. *Mozambique:* The Ministry of Fisheries will make use of the government’s own IFMIS e-SISTAFE for summarizing its transactions. It will register the project’s budget at *Direcção Nacional do Orçamento* to be able to make use of the system.
48. *IOC:* SAGE Pastel accounting system shall be used to record and timely issue reports on Secretariat and project transactions. IOC is transitioning from SARA accounting system which has been assessed to be ineffective and not meeting IOC requirements. To accurately present and timely record and issue reports on the SWIOFish1 project, management shall create specific project codes (classified per component/activity) in SAGE Pastel system i.e. in the chart of accounts.

#### *Accounting basis*

49. All the implementing agencies will use cash basis accounting, in line with International Public Sector Accounting Standards (IPSAS) to prepare annual financial statements.

### ***Financial reports***

50. To monitor project implementation, all the implementing agencies shall prepare and submit the following two reports:
51. *Interim Financial Reports (IFRs):* The contents of the IFR will include (i) financial report narrative summary; (ii) a statement of sources and uses of funds by disbursement component/activity, showing for the period and cumulatively, actual and planned cash receipts and payments; and (iii) designated account activity statement with cash forecast for the ensuing two reporting periods. The IFRs should be prepared on a quarterly basis and submitted to the Bank within 45 days of the end of the reporting period. The IFR should be accompanied by substantive progress report and procurement reports for all components. The format and content of interim financial reports was agreed upon with World Bank before negotiations.

### ***External Auditing arrangements and submission of audited annual financial statements***

52. All annual financial statements from the implementing agencies shall be subject to audit. The audits shall be done in terms of International Standards of Auditing. The audited financial statements, audit report and management letter shall be submitted to the World Bank within 6 months after implementing agency year end. Audit reports will be publically disclosed by IDA in accordance with the World Bank’s disclosure policy. The external auditors shall be:
53. *Comoros:* DGRH will procure the services of a private audit firm that is acceptable to the Bank to undertake the external audit.

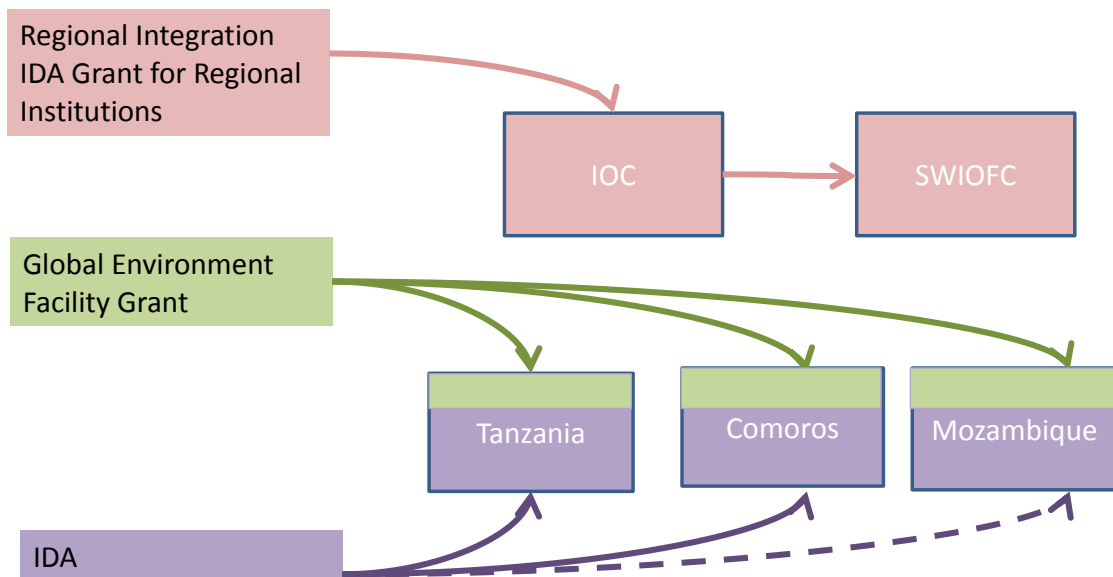
54. *Tanzania*: Separate audits will be done for each implementing entity i.e. MLF, MLFD and DSFA. The National Audit offices under supervision of Controller and Auditor Generals (CAGs) Mainland Tanzania and Zanzibar shall conduct the audit. At the discretion of the CAG, the audit may be subcontracted to a firm of private auditors, with the final report being issued by the Auditor General. The private firms to be sub-contracted should be among those that are acceptable to IDA. In case the audit is subcontracted to a firm of private auditors, IDA funding may be used to pay the cost of the audit.

55. *Mozambique*: The *Tribunal Administrativo* (TA), which is constitutionally mandated to audit all government funds, shall conduct the project audit.

56. *IOC*: a private audit firm acceptable to the Bank shall be contracted – using the procurement procedures – to conduct the audit of the project. Ideally, the audit firm should be the same one that shall be engaged to conduct audit of IOC financials.

*Flow of funds*

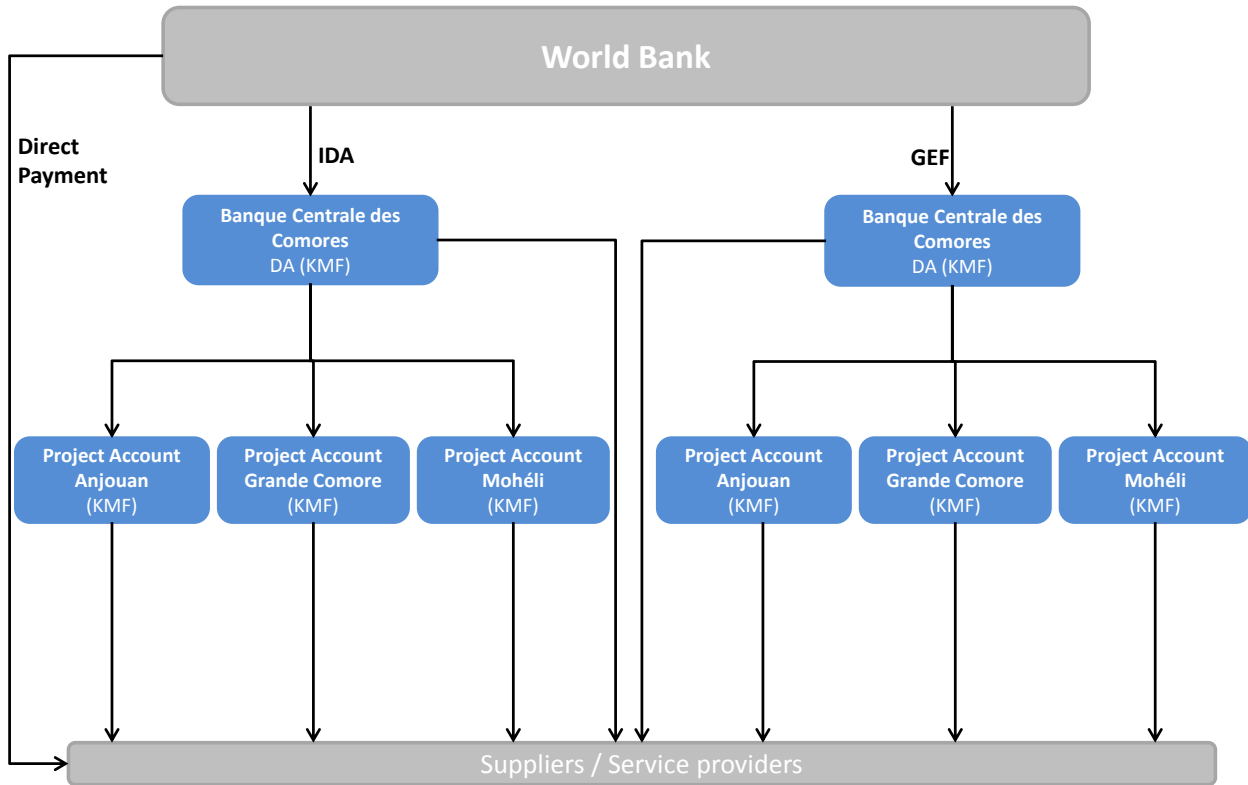
### SWIOFish1 – Flow of Funds



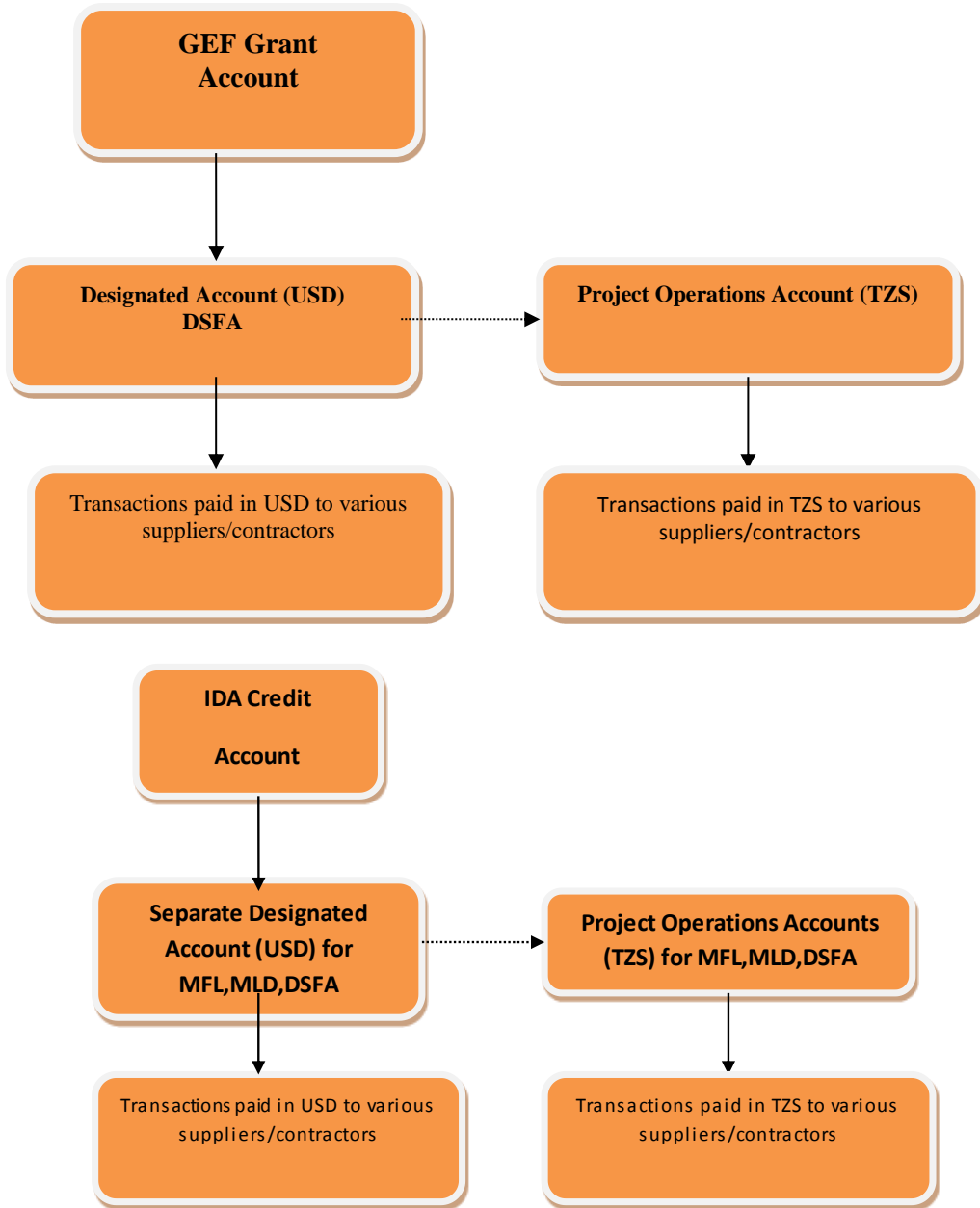
- IDA Regional Integration Grant: Legal Agreement between WB and IOC.
- GEF Grants: Legal Agreement between WB and each of the three recipient countries.
- IDA Grant/Credit (as per country eligibility): Legal agreements between WB and each of the three recipient countries.



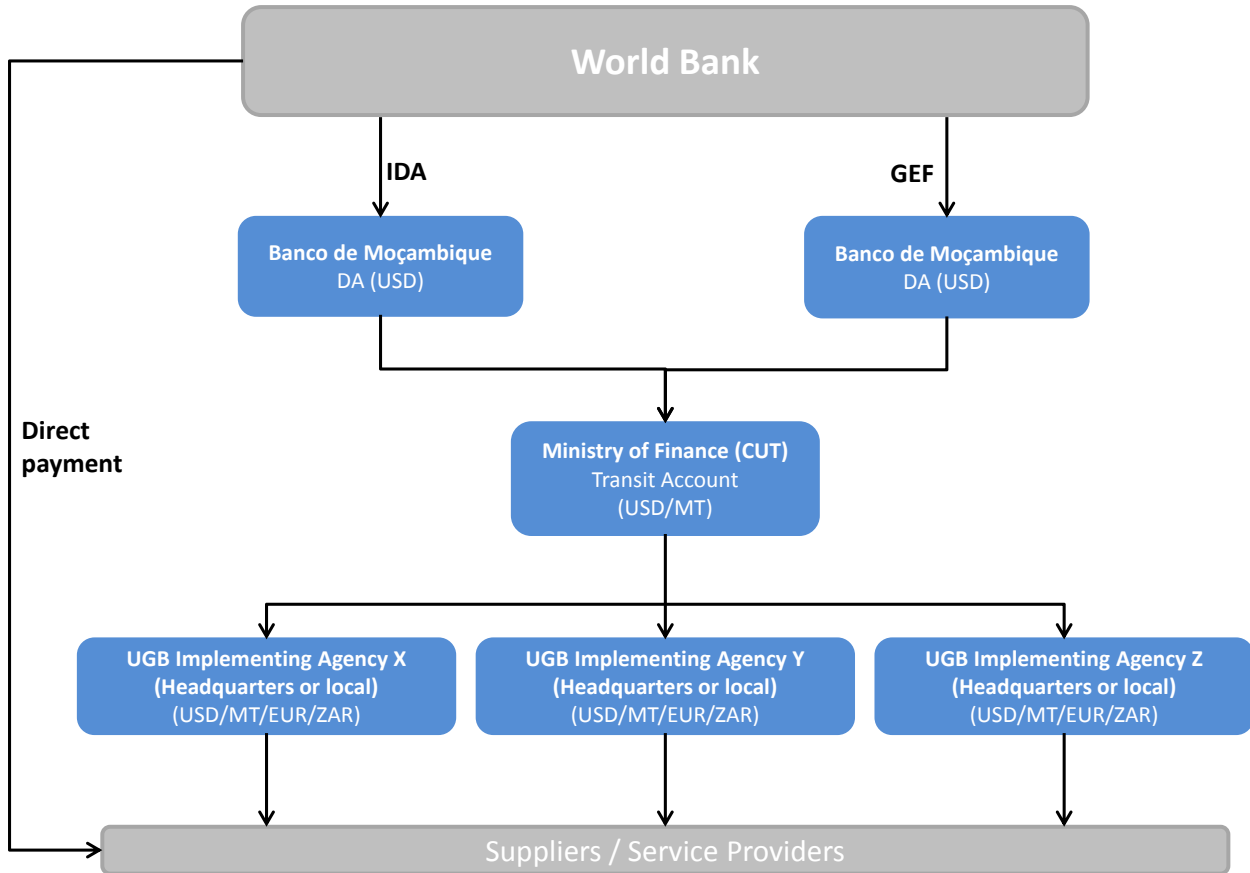
57. **Comoros.** DGRH will open two Designated Accounts (DA) denominated in Comorian Francs (KMF) at the Central Bank of Comoros to enable payment of eligible project expenditure. Advances to the DA will be made on a monthly basis against withdrawal applications supported by Statements of Expenditures (SOE) or other documents as specified in the Disbursement Letter (DL). The project funds will also follow the national procedures for funds flow, as per the funds flow diagram.



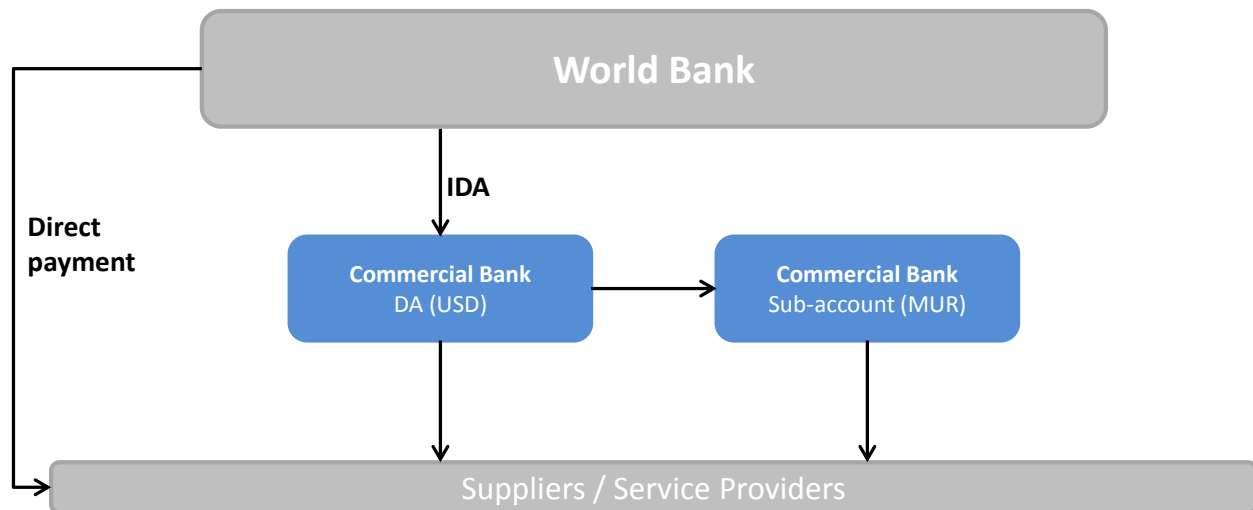
58. **Tanzania.** . There will be three Designated Accounts opened for IDA funds (one each for MLFD, MLF and DSFA) and one Designated Account opened for GEF funds (operated by DSFA). The Designated Accounts will be denominated in United States Dollars. Four project operations accounts will also be opened denominated in Tanzania Shillings. The funds flow diagram in this case will be as follows:



59. *Mozambique.* The project will operate two separate Designated Accounts managed by the Ministry of Fisheries. As all the beneficiary institutions within the project are connected to the government IFMIS, and single treasury account, the project funds will also follow the national procedures for funds flow, as per the funds flow diagram.



60. **IOC.** A Designated Account denominated in US\$ and to be managed by the IOC will be opened in a local commercial bank under terms and conditions acceptable to the Bank. Disbursements from the Bank will be deposited into the DA. A sub-account, denominated in Mauritius Rupees, will be opened in the same local commercial bank, for local currency payments. The flow of funds from the grant is presented as follows:



61. All implementing entities will have to submit the signatories to the Designated Account and Project Accounts to the Bank as well as the bank account details between the signing and effectiveness of the project.

***Disbursement arrangements – All implementing agencies***

62. The project may use any of the following methods to disburse the grant proceeds (i) advance method; (ii) direct payment to a third party; (iii) special commitment to pay amounts to a third party in respect of expenditure to be financed out of the grant proceeds, upon the request and under terms and conditions in finance agreement; and (iv) reimbursement procedure where the Bank would reimburse the expenditures eligible for financing that the implementing agency has pre-financed from its own resources.

63. Transaction disbursement documentation shall be followed during the project implementation. Under the transaction-based procedure, the required supporting documentation will be summary reports, records and the SOE. All SOEs supporting documentation will be kept by the implementing agencies. They shall be available for review by Bank implementation support missions and internal and external auditors. The agencies shall be encouraged to register the project in the Bank Client Connection to facilitate ease processing of withdrawal requests.

64. Disbursement of Funds to Service Providers, Contractors and Suppliers: the implementing agencies will make payments to service providers, contractors and suppliers of goods and services for specified eligible activities under the grant. Such payments will be made on the basis of the terms and conditions of each contract.

65. The credit will disburse 100 percent of eligible expenditures (inclusive of taxes). The

proceeds of the credit/grant have been allocated as follows:

**Comoros**

Category	Amount of the Grant/Credit allocated (USD million)	Percentage of expenditures to be financed from IDA	Percentage of expenditures to be financed from GEF
(1) Goods, non-consulting services, consultants' services, Operating Costs and Training for Components 1 and 4.1 of the Project	-	-	-
(2) Works, goods, non-consulting services, consultants' services, Operating Costs and Training for Component 2 of the project.	8.48	59%	41%
(3) Goods, non-consulting services, consultants' services, Operating Costs and Training for Components 3 and 4.2 of the Project	3.92	100%	-
(4) Refund of Preparation Advance	0.60	100%	-
<b>Total Amount</b>	<b>13</b>	<b>73%</b>	<b>27%</b>

**Mozambique**

Category	Amount of the Grant/Credit allocated (USD million)	Percentage of expenditures to be financed from IDA Credit	Percentage of expenditures to be financed from IDA Grant	Percentage of expenditures to be financed from GEF
(1) Goods, non-consulting services, consultants' services, Operating Costs and Training for Components 1 and 4.1 of the Project	0	-	-	-
(2) Works, goods, non-consulting services, consultants' services, Operating Costs and Training for Component 2 of the project, excluding port state measures and enforcement patrols.	17.825	23%	45%	32%
(3) Goods, non-consulting services,	4.1	23%	45%	32%

consultants' services, Operating Costs and Training for port state measures and enforcement patrols under Component 2 of the Project				
(4) Goods, non-consulting services, consultants' services, Operating Costs and Training for Components 3 and 4.2 of the Project	13.8	39%	61%	-
(5) Refund of Preparation Advance	1.275	100%	-	-
<b>Total Amount</b>	<b>37</b>	<b>32%</b>	<b>49%</b>	<b>19%</b>

### *Tanzania*

Category	Amount of the Grant/Credit allocated (USD million)	Percentage of expenditures to be financed from IDA	Percentage of expenditures to be financed from GEF
(1) Goods, non-consulting services, consultants' services, Operating Costs and Training for Components 1 and 4.1 of the Project	0	-	-
(2) Works, goods, non-consulting services, consultants' services, Operating Costs and Training for Component 2 of the Project (excluding non-works activities related to tuna and tuna-like fisheries, enforcement in the Exclusive Economic Zone, and IW:LEARN)	22.1	100%	-
(3) Goods, non-consulting services, consultants' services, Operating Costs and Training for activities under Component 2 of the Project related to tuna and tuna-like fisheries (excluding activities related to enforcement in the Exclusive Economic Zone) and IW:LEARN	3.82	-	100%
(4) Goods, non-consulting services. Consultants' services, Operating Costs and Training for	7.8	100%	-

Component 3 of the Project (excluding grants for Village Savings and Loan Program), and Component 4.2			
(6) Grants for Village Savings and Loan Program under Component 3.2 of the Project	0.7	100%	-
(7) Unallocated	1.18		100%
(8) Refund of Preparation Advance	0.4	100%	-
<b>Total Amount</b>	<b>36</b>	<b>86%</b>	<b>14%</b>

*Indian Ocean Commission*

Category	Amount of the Grant allocated (USD million)	Percentage of expenditures to be financed from IDA
(1) Goods, non-consulting services, consultants' services, Operating Costs and Training for the Project	4.45	100%
(2) Refund of Preparation Advance	0.55	100%
<b>Total Amount</b>	<b>5</b>	<b>100%</b>

### ***Financial Management Action Plan***

66. The Financial Management Action Plan described below has been developed to mitigate the overall financial management risks.

<b>Issue</b>	<b>Remedial action recommended</b>	<b>Responsible entity</b>	<b>Completion date</b>	<b>Conditions</b>
Accounting system	Purchase of Quickbook software customized for project needs and customization of project chart of accounts	DSFA, MLF, MLFD Tanzania	Within six months after credit effectiveness	No
	Customization of the existing TOM <sup>2</sup> PRO software to cater for the SWIOFish accounting	DGRH Comoros	Within six months after credit effectiveness	
	Project codes to be created and incorporated in SAGE Pastel Accounting System to enable detailed recording and reporting project transactions	IOC – Admin and Finance Division	Done	
Internal controls	Revise the Finance and Procurement Procedures Manual ( <i>Manuel des Procédures de Gestion Administrative et Financière des Projets</i> ) to strengthen controls on staff imprest.	IOC – Admin and Finance Division	Done	No
External auditing	Recruit an external auditor – private firm – to conduct the audit in compliance with terms of reference setting out the audit scope and reporting requirements to be prepared by the IOC management.	IOC – Admin and Finance Division	Within three months after effectiveness	No
External auditing	Recruit an external auditor – private firm – to conduct the audit in compliance with terms of reference setting out the audit scope and reporting requirements to be prepared by the DGRH Comoros.	DGRH Comoros	Within six months after effectiveness	No
External auditing	Agreement of terms of reference for external auditors.	DSFA/MLF/MLFD and IDA	Done	No



Issue	Remedial action recommended	Responsible entity	Completion date	Conditions
Reporting	Prepare formats of unaudited interim financial reports (IFRs) that will be used for the project and agree the formats with IDA.	DSFA/MLF/MLF D Finance units IOC DGRH Comoros	Done	No
Staffing	Recruit an Administrative and Financial Assistant	DGRH Comoros IOC	Done	Effectiveness Condition

### *Implementation support plan*

67. Since the risk of the project is considered to be moderate and low, only one mission will be carried out per year during the implementation period of the project. The mission objective will be to ensure that strong financial management systems are maintained for the project throughout its life.

68. In addition, the Bank FMS will review quarterly IFRs as soon as they are submitted, internal audit reports, the annual audit reports and follow up on issues and recommendations raised by external auditors and the task team leader.

### *Conclusion of the assessment*

69. The conclusion of the assessment is that the financial management arrangements in place meet the World Bank's minimum requirements under OP/BP10.00, and therefore are adequate to provide, with reasonable assurance, accurate and timely information on the status of the Project required by the World Bank. The overall Financial Management residual risk rating of the Project is **moderate** for Comoros, Tanzania and Mozambique and **low** for IOC.

### III. Procurement

#### A. Comoros

##### *General*

70. Procurement activities under the Comoros components of the South West Indian Ocean Fisheries Governance and Shared Growth Project will be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works and Non Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011, revised in July 1<sup>st</sup>,2014 (Procurement Guidelines); "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011, revised in July 1<sup>st</sup>,2014 (Consultant Guidelines); "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and the provisions stipulated in the Grant Agreement.

71. The Government of Union of Comoros has proposed to delegate procurement responsibilities to an existing project implementation unit within the DGRH (*Direction Générale des Ressources Halieutiques*), which has one year experience in implementing a Bank / JSDF project (CoReCSuD, P125301). The existing procurement manual of the agency was approved by the Bank and will be updated to reflect specific project needs. The agency set up the preliminary procurement plan for the first eighteen months of project implementation.

##### *Advertising Procedure*

72. General Procurement Notice, Specific Procurement Notices, Requests for Expression of Interest and results of the evaluation and contracts award should be published in accordance with advertising provisions in the Guidelines. The borrower will keep a list of received responses from potential bidders interested in the contracts.

73. Short lists of consultants for services estimated to cost less than US\$200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines, if a sufficient number of qualified individuals or firms are available. However, if foreign firms express interest, they will not be excluded from consideration.

**Procurement of consulting services other than consulting services covered by Consultant Guidelines.** Least Cost Selection (LCS) or shopping will be used.

74. *Assessment of the Agency's Capacity to Implement Procurement.* A procurement capacity assessment for the DGRH has been carried out during the Project preparation. The assessment reviewed the organizational structure for implementing the project, procurement procedures, staffing and the interaction between the PIU and the other institutions involved in the implementation of the project. The agency is staffed by a Project Coordinator, an accountant, and a procurement assistant and support staff. This PIU (mainly the project Coordinator) is actually in charge of the on-going Bank financed project and for the preparation of the Project under the PPA.

75. The key issues and risks concerning procurement for implementation of the project have been identified and the measure proposed to strengthen the procurement team during

implementation of the Project will be: (i) to up-date the project operations manual to reflect project specificity; (ii) to arrange specific procurement training related to the Project activities for the procurement officer and (iii) to provide a half-day session to update PIU staff knowledge on Selection of Individual Consultants. Table 3.1 outlines the procurement risk assessment and corresponding risk mitigation measures.

**Table 3.1. Procurement Risk Assessment and Risk Mitigation**

<b>Designation</b>	<b>Concerns</b>	<b>Risk mitigation</b>	<b>Due date</b>
Establishment of TORs and technical specifications	Interpretation and formatting of documents coming from technical units	Technical assistance with Communication expertise for DGRH Liaison with other institutions such as IOC to have existing TORs	Before project implementation
Project management	Lack of clarity on roles and responsibilities for the new project	Project operations manual to be updated and training to be held at all levels	At effectiveness

76. **Frequency of procurement reviews and supervision.** Bank's prior and post reviews will be carried out on the basis of thresholds indicated in the following table. The Bank will conduct six-monthly supervision missions and annual Post Procurement Reviews (PPR); with the ratio of post review at least 1 to 5 contracts.

77. The overall project risk for procurement in Comoros was assessed as **high**, but with mitigation measures highlighted in the table 3.1 above, the residual risk will be reduced to substantial.

**Procurement and selection review thresholds**

<b>Expenditure Category</b>	<b>Contract Value (Threshold) (US\$)</b>	<b>Procurement Method</b>	<b>Contract Subject to Prior Review</b>
1. works	≥5,000,000	ICB	All
	<5,000,000	NCB	First 2 contracts
	<50,000	Shopping	The first two contracts
	No threshold	Direct contracting	All
2. Goods	≥500,000	ICB	All
	<500,000	NCB	The first 2 contracts
	<50,000	Shopping	The first two contracts
	No threshold	Direct contracting	All
3. Consulting Firms	≥200,000	QCBS; LCS; FBS	All contracts
	<200,000	QCBS; LCS; CQS	The first two contracts

Individuals	≥100,000	comparison of 3 CVs	All contracts
	<100,000	comparison of 3 CVs	The first two contracts
Firms & Individuals	No threshold	Single Source	All
All Terms of reference regardless of the value of the contract are subject to prior review			

78. All trainings, terms of reference of contracts estimated to more than US\$10,000, and all amendments of contracts raising the initial contract value by more than 15 percent of original amount or above the prior review thresholds will be subject to IDA’s prior review. All contracts not submitted for prior review will be submitted to IDA for post review in accordance with the provisions of paragraph 5 of Annex 1 of the Bank’s Consultant Selection Guidelines and Bank’s Procurement Guidelines.

79. **Procurement Plan.** All procurement activities will be carried out in accordance with approved original or updated procurement plans. The Procurement Plans will be updated at least annually or as required to reflect the actual project implementation needs and capacity improvements. All procurement plans should be published at national level and on the Bank website according to the Guidelines. As part of the negotiation package, a draft procurement plan for 18 months was approved.

80. **Procurement Filing.** Procurement documents must be maintained in the project files and archived in the safe place until at least two years after the closing date of the project. Staff recruited into the procurement unit within the PIU will be responsible for the filing of procurement documents.

## B. Mozambique

81. Procurement activities under the Mozambique components of the South West Indian Ocean Fisheries Governance and Shared Growth Project will be carried out in accordance with the World Bank’s "Guidelines: Procurement of Goods, Works and Non Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 and revised in July 2014 (Procurement Guidelines); "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 and revised in July 2014 (Consultant Guidelines); “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and the provisions stipulated in the Grant Agreement.

82. The Ministry of Fisheries (*Ministério das Pescas*) in Mozambique will be responsible for Project implementation. Within the Ministry, an NIU will be created and will comprise a Procurement Specialist. He/She will primarily be seconded from the Ministry’s UGEA (*Unidade Gestora e Executora das Aquisições*), the Ministry procuring Unit, and supported during the initial 18 months of the Project by a Procurement Consultant, in view of the limited experience of the Ministry in Bank fiduciary requirements.

83. An assessment of the capacity for the Ministry of Fisheries’ UGEA to implement the proposed project was carried out during project preparation. The assessment reviewed the

organizational structure, functions, staff skills and experiences, and adequacy for implementation of the project. The procurement capacity assessment has revealed that the MP or its officers do not possess prior knowledge in procurement under World Bank procedures. Furthermore, the UGEA's experience in Government's own procurement is limited to modest value contracts, mainly under Goods. Substantially enhancement of the capacity of the Ministry staff is required to adequately implement the envisaged activities under the project. Training in the region has been advised, however, the recruitment of a procurement consultant proficient in Bank fiduciary requirement is advisable for at least the initial 18 months of the Project. The role of the procurement consultant should include capacity building to MP personnel in World Bank procedures.

84. During project preparation it has been discussed and agreed that the NIU will be the sole unit responsible for managing procurement activities for and on behalf of all the beneficiary agencies. The other agencies shall be responsible for drafting the Terms of Reference and Technical Specifications, as the case may be, and be responsible for carrying out the evaluation and drafting of reports for the procurement of goods and selection of consultant under their respective agencies and for their contract monitoring, during implementation.

85. The overall project risk for procurement in Mozambique was assessed as **substantial**, but with mitigation measures outlined in the table below, the residual risk will be reduced to moderate.

*Overall Project Risks*

Risk	Action	Timeframe	Responsibility
Lack of a system for processing contracts	Establish a Procurement Management Unit to manage the procurement activities	Done	MP
Inadequate procurement staff with knowledge in procurement under World Bank procedures	Recruit additional procurement consultant to work with the Procurement Management Unit (UGEA)	Within sixty (60) days after Effectiveness	MP
Inadequate system for Project Implementation	Prepare a Procurement Manual as part of the Project Operations Manual  Establish a proper procurement records filing system	By Effectiveness  During Project Implementation	MP  MP

86. **Frequency of Procurement Supervision:** In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the Implementing Agency recommends one supervision mission every six months and to carry out post review of procurement actions at least once per year.

87. Contracts for goods estimated to cost US\$500,000 and above equivalent per contract and all direct contracting will be subject to prior review by the Bank or as detailed in the

Procurement Plan. No Works are envisaged under the Project.

88. Consultancy services estimated to cost US\$200,000 and above equivalent per contract for firms and US\$100,000 and above equivalent per contract for Individuals; and all single source selection of consultants will be subject to prior review by the Bank or as detailed in the Procurement Plan.

89. **Shortlists composed entirely of national consultants:** Short-lists for consultancy services for contracts estimated to cost less than US\$200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

90. **Advertising:** Consultancy services for contracts estimated to cost US\$300,000 and above equivalent per contract shall be advertised in the UNDB on-line in addition to advertising in the national newspaper of wide circulation and/or regional newspaper in accordance with the provisions of paragraph 2.5 of the Consultant Guidelines.

***Thresholds for Procurement Methods and Prior Review***

91. Thresholds for procurement methods and for prior review are presented below:

<b>Expenditure Category</b>	<b>Contract Value Threshold (US\$)</b>	<b>Procurement/ Selection Method</b>	<b>Contracts Subject to Prior Review</b>
<b>Goods</b>	≥3,000,000	ICB	All
	≥ 500,000 - 3,000,000	NCB	All
	< 500,000	NCB	None (Post Review)
	<75,000	Shopping	None (Post review)
	All values	Direct Contracting	All
<b>Consulting Services - Firms</b>	≥ 300,000	QCBS/ Other (LCS)	All
	≥200,000 - 300,000	CQS/ Other (QCBS/LCS)	All
	< 200,000	CQS/ Other (QCBS/LCS)	None (Post Review)
	All values	SSS	All
<b>Consulting Services – Individuals (IC)</b>	≥100,000	IC – Qualification	All
	<100,000	IC – Qualification	None (Post review)
	All Values	IC – SSS	All
All Terms of reference regardless of the value of the contract are subject to prior review			

### **C. Tanzania**

92. Procurement activities for the South West Indian Ocean Fisheries Governance and Shared Growth Project in Tanzania will be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works and Non Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 and revised in July 2014 (Procurement Guidelines); "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 and revised in July 2014 (Consultant Guidelines); "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and the provisions stipulated in the Grant Agreement.

93. The Ministry of Livestock and Fisheries Development in Mainland Tanzania, the Ministry of Livestock and Fisheries in Zanzibar and the Deep Sea Fishing Authority will be the agencies to be responsible for Project implementation. The activities of the project will be monitored by the National Project Steering Committee (NSC) to be composed of the Permanent Secretaries responsible for fisheries, finance, environment and local administration from mainland Tanzania and from Zanzibar and the permanent secretary of the Vice President's Office. A Technical Committee composed of directors of key ministries and institutions as well as private sector representatives will advise on all Project operations, work plans, budgets, and annual progress and performance reports prior to submission to the NSC. The Deep Sea Fishing Authority (DSFA) will participate in the NSC.

94. An assessment of the capacity for the Ministry of Livestock and Fisheries Development in Mainland Tanzania, the Ministry of Livestock and Fisheries in Zanzibar and the Deep Sea Fishing Authority, the agencies to be responsible for the implementation of procurement activities under the project was carried out in April 2014. The assessment reviewed the organizational structure, functions, staff skills and experiences, and adequacy for implementation of the project. The procurement capacity assessment has revealed some capacity in the two Ministries to implement procurement activities under the project. The Ministry of Fisheries and Livestock Development in Mainland Tanzania and to some extent, the Ministry of Livestock and Fisheries in Zanzibar were involved in the implementation of the Marine and Coastal Environmental Management Project (MACEMP) and therefore the Procurement Management Units of these ministries have some knowledge in procurement under World Bank procedures. However, most of the current staff have not been involved in procurement under World Bank procedures. Therefore, training will be required for those staff who did not participate in the implementation of the MACEMP in order to enhance their knowledge in procurement under World Bank procedures.

95. The Deep Sea Fishing Authority has just been established and is in the process of establishing the systems for conducting procurement. The Authority has recruited a Procurement Officer and is in the process of establishing the Tender Board and the Procurement Management Unit. It is anticipated that the establishment of these organs will have been finalized soon to enable the Deep Sea Fishing Authority be responsible for procurement activities for the components related to the Authority under the project.

96. The overall project risk for procurement was assessed **high**, but with mitigation measures outlined in the table below, the residual risk will be reduced to substantial.

**Overall Project Risks**

<b>Risk</b>	<b>Action</b>	<b>Timeframe</b>	<b>Responsibility</b>
Lack of a system for processing contracts	1. Establish a Tender Board in line with the requirements of the Public Procurement Act of 2005 and its Regulations	Done	DSFA
	2. Establish a Procurement Management Unit to manage the procurement activities	Done	DSFA
Inadequate procurement staff with knowledge in procurement under World Bank procedures	1. Recruit additional procurement staff to work with the Procurement Management Unit	During Project Implementation	DSFA
	2. Provide basic and advanced procurement training to procurement staff	During Project Implementation	MFLD/MLF/DSFA
Inadequate system for filling and keeping of procurement records	Establish a proper procurement records filing system	During Project Implementation	MLF/DSFA

97. **Frequency of Procurement implementation support:** In addition to the prior review to be carried out from Bank offices, the capacity assessment of the Implementing Agency recommends one mission every six months to visit the field to carry out post review of procurement actions.

98. Contracts for goods estimated to cost US\$500,000 and above equivalent per contract, for works estimated to cost US\$5 million and above equivalent per contract, and all direct contracting will be subject to prior review by the Bank.

99. Consultancy services estimated to cost US\$200,000 and above equivalent per contract for firms and US\$100,000 and above equivalent per contract for Individuals; and all single source selection of consultants will be subject to prior review by the Bank.

100. **Shortlists composed entirely of national consultants:** Short-lists for consultancy services for contracts estimated to cost less than US\$300,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

101. **Advertising:** Consultancy services for contracts estimated to cost US\$300,000 and above equivalent per contract shall be advertised in the UNDB on-line in addition to advertising in the national newspaper of wide circulation and/or regional newspaper in accordance with the provisions of paragraph 2.5 of the Consultant Guidelines.



**Thresholds for Procurement and Review Methods**

<b>Expenditure Category</b>	<b>Contract Value Threshold (US\$)</b>	<b>Procurement/ Selection Method</b>	<b>Contracts Subject to Prior Review</b>
<b>Works</b>	≥15,000,000	ICB	All
	<15,000,000 > 5,000,000	NCB	All
	<5,000,000	NCB	None (Post Review)
	<200,000	Shopping	None (Post review)
	All values	Direct Contracting	All
<b>Goods</b>	≥3,000,000	ICB	All
	<3,000,000 ≥ 500,000	NCB	All
	< 500,000	NCB	None (Post Review)
	<100,000	Shopping	None (Post review)
	All values	Direct Contracting	All
<b>Consulting Services - Firms<sup>1</sup></b>	≥ 300,000	QCBS/ Other <sup>2</sup> (QBS/FBS/ LCS)	All
	≤ 300,000 ≥200,000	CQS/ Other <sup>2</sup> (QCBS/QBS/ FBS/LCS)	All
	< 200,000	CQS/ Other <sup>2</sup> (QCBS/QBS/ FBS/LCS)	None (Post Review)
	All values	SSS	All
<b>Consulting Services – Individuals (IC)</b>	≥100,000	IC – Qualification	All
	<100,000	IC – Qualification	None (Post review)
	All Values	IC – SSS	All
All Terms of reference regardless of the value of the contract are subject to prior review			

**D. Indian Ocean Commission**

102. Procurement activities for the South West Indian Ocean Fisheries Governance and Shared Growth Program will be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works and Non Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 and revised in July 2014 (Procurement Guidelines); "Guidelines: Selection and Employment of Consultants under IBRD

Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 and revised in July 2014 (Consultant Guidelines); "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and the provisions stipulated in the Grant Agreement.

103. The Indian Ocean Commission (IOC) will be the agency to be responsible for Regional component implementation and coordination until such time as this responsibility is taken over by the SWIOFC once based in Maputo.

104. A procurement capacity assessment of IOC was conducted in July 2014. The assessment reviewed the organizational structure, functions, staff skills and experiences, and adequacy for implementation of the project. The procurement capacity assessment review of IOC has concluded that IOC generally has experience in various donors' procedures including the Bank and therefore has the capacity to implement procurement activities for the proposed project. The procurement and contract service of IOC, in charge of the procurement of fourteen projects from five donors, is staffed with experienced and proficient staff, one head of the service and one assistant. It is proposed that an additional procurement assistant, fully dedicated to the proposed project, could be added to support the team if the need arises during project implementation.

105. Although, the procurement staff of IOC has experience in Bank procedures, additional training will be provided to ensure that the procurement officers and other IOC staff likely to be involved in the proposed SWIOFish1 project are entirely familiar with Bank procurement guidelines and procedures. Continuous handholding support from Bank procurement specialist will be provided all through the project implementation.

106. IOC has its own administrative and procurement manual which is clear and transparent. However, procurement arrangement, methods and reviews in conformity with Bank guidelines to be used under the proposed project shall be detailed in the project operational manual. An 18 months procurement plan for the SWIOFish1 proposed project was approved the Bank.

107. The overall project risk for procurement was assessed **moderate**, but with mitigation measures outlined in the table below, the residual risk will be reduced to **low**.

### Overall Project Risks

Risk	Action	Timeframe	Responsibility
Risk of confusion on procurement processes due to the existence of multiple procedures from multiple donors.	Provide refreshment procurement training on Bank procedures to IOC procurement staff and other IOC staff involved in the management of the project	Done	WB

108. **Frequency of Procurement Supervision:** In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the IOC recommends one supervision mission six months after effectiveness and then annually, to visit the field to carry out post review of procurement actions.

109. Consultancy services estimated to cost US\$200,000 and above equivalent per contract for firms and US\$100,000 and above equivalent per contract for Individuals; and all single source selection of consultants would be subject to prior review by the Bank.

110. **Advertising:** Consultancy services for contracts estimated to cost US\$300,000 and above equivalent per contract shall be advertised in the UNDB on-line in addition to advertising in the national newspaper of wide circulation and/or regional newspaper in accordance with the provisions of paragraph 2.5 of the Consultant Guidelines.

**Thresholds for Procurement Methods and Prior Review:**

111. Thresholds for procurement methods and for prior review are presented below:

***Thresholds for Procurement and Review Methods***

<b>Expenditure Category</b>	<b>Contract Value Threshold (US\$)</b>	<b>Procurement/ Selection Method</b>	<b>Contracts Subject to Prior Review</b>
<b>Goods</b>	≥3,000,000	ICB	All
	<3,000,000 ≥ 500,000	ICB	All
	< 500,000	ICB	None (Post Review)
	<100,000	Shopping	None (Post review)
	All values	Direct Contracting	All
<b>Consulting Services - Firms<sup>1</sup></b>	≥ 300,000	QCBS/ Other <sup>2</sup> (QBS/FBS/ LCS)	All
	≤ 300,000 ≥200,000	CQS/ Other <sup>2</sup> (QCBS/QBS/ FBS/LCS)	All
	< 200,000	CQS/ Other <sup>2</sup> (QCBS/QBS/ FBS/LCS)	None (Post Review)
	All values	SSS	All
<b>Consulting Services – Individuals (IC)</b>	≥100,000	IC – Qualification	All
	<100,000	IC – Qualification	None (Post review)
	All Values	IC – SSS	All
All Terms of reference regardless of the value of the contract are subject to prior review			

#### **IV. Environmental and Social (including Safeguards)**

112. Given the project objectives of improving governance in the fisheries management sector through better data collection, sectoral governance and institutional reform, stronger enforcement of conservation measures, and renewed emphasis on co-management strategies, the overall environmental and social impacts of the project are expected to be positive. However, the proposed sub-projects on the construction/expansion/rehabilitation of fisheries infrastructures (landing sites, markets, office buildings) and the potential use of aquatic herbicides or antibiotics could generate some minor adverse environmental and social impacts. Draft Environmental and Social Assessments (ESA) prepared by the respective Governments of the three countries pursuant to OP4.01 confirm that large-scale, significant and/or- irreversible environmental impacts are not expected.

113. The ESA documents, however, do point out that some potential negative small-scale and localized environmental and social impacts from project investments may occur, and which should be taken care of in the design of the project and its implementation arrangements. These negative impacts include seasonal, temporary or permanent access restrictions that may be implemented for certain fisheries or in specific geographic locations, short-term reduction in income to artisanal fisheries engaged in illegal or unsustainable fishing activities due to strengthened fisheries Monitoring, Control and Surveillance, and localized environmental and possible social impacts from infrastructure rehabilitation, upgrading or construction such as air, soil and water pollution, loss of vegetation, coastal erosion, increase in HIV AIDS and safety (accidents on the work camps).

114. Given that any adverse environmental and social impacts from implementation of the proposed project are generally expected to be site-specific, not significant, and not irreversible, this project has been designated as a Category 'B' Partial Assessment. The project has triggered the following Safeguards policies: OP/BP 4.01 (Environmental Assessment); OP/BP 4.04 (Natural Habitats); OP/BP 4.09 (Pest Management); OP/BP 4.11 (Physical Cultural Resources); and OP/BP 4.12 (Involuntary Resettlement). Because the exact nature and location of investments may not be determined up front, i.e. prior to appraisal, the respective governments prepared and consulted upon an Environmental and Social Management Framework (ESMF) and a Process Framework (PF).

115. The ESMFs provide environmental and social screening form that will be applied by qualified personnel, precisely Environmental and Social Focal Points, in each participating country task-team, at the planning stage of future investments. They also provide for the methodology to follow when planning for investments that could have a negative environmental or social impact. They also summarize the grievance redress mechanism fleshed out in the PFs.

116. The project is not expected to involve land acquisition leading to involuntary resettlement of project affected persons (PAPs), as project infrastructure would take place on already existing sites. However, the project proposes to strengthen the effective management and protection of natural resources in near-shore or off-shore waters as well as potentially expand areas under protection. These access restrictions, be it seasonal, temporary or permanent, may provide some prospect for negative impacts on livelihoods for some individuals in some coastal communities, at least in the short-term. Therefore, PFs have been developed for each of the three participating countries, and extensively consulted upon to ensure people views and concerns are fully taken into consideration in the final project design.

117. The PFs establish a process whereby individuals, households or communities who may lose some or all of their livelihoods from fishing or fisheries-related activities, as a result of project investments, are able to participate in a process to minimize such negative impact on project affected communities livelihood and living condition, precisely by (i) designing the fisheries resource restrictions; (ii) determining measures necessary to restore or improve their livelihood conditions, and (iii) implementing and monitoring relevant project activities. The PFs include institutional arrangements, capacity building, grievance redress mechanism and an estimated budget for PF implementation. Special attention will be given to women, youth and other vulnerable groups whose livelihood are intrinsically linked to the fishing activities. The PFs prepared by the 3 countries have been deemed acceptable by the World Bank.

118. The grievance redress mechanisms are detailed in each PF. The PFs list preventative measures to be applied to avoid exacerbation of conflicts: awareness-raising and regular information about project activities, participatory and inclusive co-management processes, consultations and negotiations with PAPs, training in conflict management, community empowerment. The actual grievance and conflict redress mechanisms list different levels of resolution: local community mechanisms are to be used to provide a first level of listening and informal consultation. If unsuccessful, or outside of the scope of the community leadership, the grievance is transmitted to higher administrative levels. Informal settlement is always preferred. If unsuccessful, the formal settlement process is detailed in the PF. PFs provide for the constitution of grievance committees, and detail the different steps to be followed in grievance and redress processes: documentation of the grievance, resolution procedure at the first administrative level, and resolution procedures at the higher levels if unsuccessful. Clear timelines and responsibilities are stated to ensure timely resolution of conflicts.

## V. Monitoring and Evaluation

119. Monitoring and evaluation of outcomes and results are a core part of the project design. The RIU and NIUs will collect and present data and reports for six-monthly reviews by the RSC and NSCs in conjunction with World Bank implementation support missions. Each RIU and NIU will have a dedicated Monitoring and Evaluation Specialist to regularly monitor the indicators of the project. Her or his role will not be limited to project indicators however, and the specialist will take an integral part in the development of the fisheries sector statistics in the country and the development of scientific, economic and social dashboards to support fisheries management and decisions related to the development of the fisheries sector. The data will be centralized at the SWIOFC and the IOC and will be available to all countries.

120. The existing statistical systems are fragmented and of varying quality. This is largely due to inadequate human capacity and insufficient investment in maintaining the dedicated data collection systems, software and human resources required. Project preparation advances (PPAs) are being used to determine target fisheries and communities for intervention and, for each sub-component, establish baseline indicator values. Baselines have been established using existing but fragmented information. These include information generated by country surveys, MACEMP, SWIOFP and Agulhas and Somali Current Large Marine Ecosystems (ASCLME) studies (e.g., governance, status of fish stocks), World Bank studies, studies undertaken by the SmartFish Program and a range of other sources (exports, fish food consumption, household income surveys, governance indicators, savings, credit and vessel registration records), and the financial reports of sector agencies.

121. The outcomes of the Project will be tracked through the enhanced fisheries statistical system developed to populate the Dashboard. The M&E functions will be embedded in the Dashboard activities. These activities will in turn be mainstreamed into the improved statistical systems. The M&E activities will in all cases be part of improved knowledge and information systems required to manage the sector while simultaneously serving the needs of the Project. The outputs from the specific activities in each country will be monitored through the M&E capability provided in the country NIUs in accordance with specific targets and timetables approved by the NSC. Indicative targets are provided in the country-level Result Frameworks (Annex 1).

122. In addition to conventional recording and analysis of capture fishery and aquaculture production, catch per unit of effort, imports, exports, and fish prices, the dashboard will include close tracking of the economic performance of a representative sample of private sector operators and tracking of credit performance both by lenders and borrowers. Specific linkages will be made to higher level policy objectives through metrics on fish food supply, sector balance of payments and employment. The dashboard will enable timely assessment and adaptive management by the lead agencies and the Project. It will also enable oversight by the planning and finance ministries and the private sector. The dashboard will be complemented by transparency and anti-corruption targets based on a 'Fisheries Industry Transparency Initiative', the EAF scorecard used by SWIOFC and, possibly, Fisheries Performance Indicators under development in other World Bank projects.

123. Due caution will be exercised to balance the indicators and avoid the pitfalls of applying conventional economic and social indicators to the sector. Conventional fisheries sector GDP frequently does not include post-harvest activities and GDP fails to account for fish stock

depletion or ecosystem degradation. Similarly increased employment in capture fisheries may come at the expense of profitability and incomes as more fishers chase less fish with a higher cost per unit of catch. Where baselines are lacking the Project will develop the systems to assemble the baselines. Particular attention will be devoted to coherence and synergies with other information systems, such as ensuring fisheries related questions in household income and/or consumption surveys and proper specification of fish imports and exports.

**Annex 4. Eligibility Criteria for Access to IDA Grants by Regional Institutions**  
**(for the Regional Management Unit to be hosted within the Indian Ocean Commission)**

**First South West Indian Ocean Fisheries Governance and Shared Growth Project**  
**(P132123/P132029)**

<b>Eligibility Criteria</b>	<b>Commission de l’Océan Indien (COI) / Indian Ocean Commission (IOC)</b>
1. Recipient is a bona fide regional organization that has the legal status and fiduciary capacity to receive grant funding and the legal authority to carry out the activities financed.	The Indian Ocean Commission is an organization of South West Indian Ocean (SWIO) States to promote cooperation for the social and economic development within the SWIO region. The activities to be financed by the grant are covered under Article 1 of the IOC General Agreement (“ <i>Accord Général de Coopération entre les Etats membres de la COI</i> ”). The IOC has received World Bank financing before and has had a fiduciary assessment finding the organization capable of receiving IDA grant.
2. Recipient does not meet eligibility requirements to take on an IDA credit.	The IOC is a regional organization that is not owned by one particular country and hence does not meet the IDA requirement to take on IDA Credit. In addition the IOC has no independent stream of revenue to pay a Credit. The activities include regional coordination, capacity building and regional policy dialogue and development.
3. The costs and benefits of the activity to be financed with an IDA grant are not easily allocated to national programs.	The activities to be financed by the IDA grant will benefit all the countries of the SWIO and these benefits cannot be credited for specific countries. More specifically 8 of the 11 project participating countries, all members of the regional fisheries body, the South West Indian Ocean Fisheries Commission, will not benefit from national IDA or GEF financing and consequently will not be able to cover costs of their participation to the regional dialogue without the IDA grant.
4. The activities to be financed with an IDA grant are related to regional infrastructure development, institutional cooperation for economic integration, and coordinated interventions to provide regional public goods.	The IDA grant will support institution cooperation and coordinated intervention to sustainably manage fisheries, therefore providing regional public goods.
5. Grant co-financing for the activity is	No other development partner has grant co-



<p>not readily available from other development partners.</p>	<p>financing available for the specific activities to be covered by the IDA grant. Parallel grant co-financing is identified for complementary activities.</p>
<p>6. The regional entity is associated with an IDA-funded regional operation or otherwise supports the strategic objectives of IDA on regional integration.</p>	<p>The IOC will be hosting the Regional Management Unit of the South West Indian Ocean Fisheries Governance and Shared Growth Project, part of a Series of Projects, involving several SWIO countries that will access IDA financing. The \$5 million grant will complement IDA and GEF financing of \$86 million for Mozambique, Tanzania and Comoros.</p>

## **Annex 5. Implementation Support Plan**

### **First South West Indian Ocean Fisheries Governance and Shared Growth Project (P132123/P132029)**

#### ***Implementation support plan***

1. The Implementation Support Plan (ISP) describes how the World Bank will support the implementation of the risk mitigation measures and provide the technical advice necessary to facilitate achieving the Project Development and Global Environmental Objective (PDO/GEO) (linked to results/outcomes identified in the result framework). The ISP also identifies the minimum requirements to meet the World Bank's fiduciary obligations. The project implementation strategy is based on the following: (a) ensuring a high degree of quality at entry and implementation readiness of all project components; (b) focused technical, financial and procurement reviews by the World Banks; (c) close and constant focus on high risk areas such as quality and speed of procurement; and (d) close and continuous follow-up on issues highlighted during implementation support missions.

#### ***Team composition***

2. The implementation support team is expected to consist of: (i) one experienced Overall Task Team Leader (TTL) in charge of overall coordination of the Project investments within the South West Indian Ocean region; (ii) to the extent possible, National co-Task Team Leader/Implementation Support Consultant(s) will be based in each country, to represent the Bank and work with Governments as needed to support the implementation. In addition to this core implementation support team, country based fiduciary staff (procurement and financial management), as well as social and environmental staff will participate as full team members and be responsible for the implementation of project specific activities in their areas of expertise. The environmental and social specialists following the project will closely monitor the execution of the mitigation measures and safeguards documents. If required, Implementation Support Consultants will be hired on an ad-hoc basis to provide real-time technical assistance to Governments to support smooth implementation of the investment, where capacity is weak, without speaking formally for, or representing the World Bank.

#### ***Frequency of implementation support effort***

3. For each country, the objective will be to supplement the ongoing support provided by the National TTL and/or implementation support consultants, with up to two full implementation support missions of the wider team (including partners), as well as a quarterly virtual mission via audio/video to review progress in the annual work plan. Each country will submit an annual work plan, updated budget and procurement plan at the end of the calendar year, for World Bank non-objection for the following year.

#### ***Implementation support budget***

4. To ensure a strong and continuous implementation support effort, especially during the first two full years of implementation, a minimum of US\$518,000 per year implementation

support budget for project implementation will be required to cover all related fixed and variable costs. Table 5.1 provides the breakdown for the implementation support budget for the project.

**Table 5.1: Estimated Supervision Budget (Core Task Team) per year**

<b>Skills required</b>	<b>Fixed costs (US\$)</b>	<b>Variable costs (US\$)</b>	<b>Staff weeks</b>	<b>No. of trips</b>	<b>Observations</b>
Overall TTL	50,000	40,000	10	2	
National co-TTL	40,000 x 3	10,000 x 3	8 x 3	Field trips as required	Country office / sub-region based
Procurement	5,000 x 4	5,000 x 4	3 x 4	2 x 4	Country office / sub-region based
FM	2,500 x 4	2,500 x 4	1.5 x 4	1 x 4	Country office / sub-region based
Environmental safeguards	8,000 x 3	5,000 x 3	2 x 3	2 x 3	Sub-region based
Social safeguards	8,000 x 3	5,000 x 3	2 x 3	2 x 3	Sub-region based
Thematic specialists	25,000 x 4	10,000 x 4	5 x 4	2 x 4	
<b>Total</b>	<b>348,000</b>	<b>170,000</b>	<b>86</b>		

## **Annex 6. Economic and Financial Analysis**

### **First South West Indian Ocean Fisheries Governance and Shared Growth Project (P132123/P132029)**

#### **I. Baseline (without Project)**

1. Regional and national fisheries and marine ecosystems play a crucial role in the economic development of SWIO countries. Marine fisheries and aquaculture productions are worth some US\$296 million per year for 3 countries alone, contributing between 7 percent (see table 6.1) of GDP in Comoros and less than 1 percent in the United Republic of Tanzania (URT, Tanzania for short). In the three countries together, the sector employs more than one million people and a high proportion of the coastal population, often among the most vulnerable, marginalized and landless communities in the front line of climate change. Many women are involved in small-scale fisheries sector, mainly in fish processing, marketing and aquaculture. The sector is a major contributor to nutritional health and food security in the region, providing around 50 percent of animal protein intake in Comoros and 26 percent in Mozambique and Tanzania. The SWIO region's seafood exports (excluding South Africa) were valued at approximately US\$1.3 billion in 2008 (US\$1.9 billion in 2006), of which tuna and shrimp accounted for half. The three neighboring countries of Mozambique, Comoros and Tanzania have different macro-economic characteristics but share marine and coastal resources and ecosystems and face similar challenges.

**Table 6.1. Macro-economic and sector-specific indicators**

2008 – 2010	Comoros	Mozambique	URT	Totals
Land area (km <sup>2</sup> )	217	800,000	945,000	1,745,217
Coastline (km)	340	2,470	1,424	4,234
EEZ ('000 km <sup>2</sup> )	162	572	242	976
Continental shelf ('000 km <sup>2</sup> )	1	73	18	92
Mangroves (km <sup>2</sup> )	1	2,909	1,335	4,245
Coral reefs (km <sup>2</sup> )	430	1,860	3,580	5,870
Population (million)	0.74	23.40	36.00	60.14
Coastal population (million)	0.515	7.488	1.061	9.064
Fisheries production (US\$ million)	45	205	31	281
Mariculture (US\$ million)	7.6	6.7	0.8	15
Fisheries employment (million)	0.16	0.90	0.19	1.25
Wages to fishers (US\$ million)	4.14	108.23	2.18	114.55
Nb. Port/ coastal transport	4	10	5	19
GNI per capita (US\$)	750	440	520	1,710
HDI	0.429	0.327	0.690	
GDP (US\$ million)	618	12,827	23,333	36,778
Fisheries (% GDP)	7%	2%	<1%	9%
Coastal tourism (% GDP)	3%	6%	17%	11%
Coastal mining & energy (% GDP)	1%	2%	4%	3%

Collated and cross-checked from various sources, including 2011 28 ASCLME CBA Island States; 2012 Sumaila, R. Economic valuation of Agulhas and Somali Current Large Marine Ecosystem (ASCLME); Mangroves of East Africa, UNEP 2003; UNEP World Atlas of Coral reefs, 2001; <http://www.indexmundi.com> and 2012 HDI report, <http://hdr.undp.org/en/data/map/>

2. *Business as usual scenario.* The Business as usual scenario would continue to deliver benefits in the target countries, but the benefits would be considerably inferior to the potential benefits from strengthened national capacity and regional collaboration, and net benefits are likely to gradually erode. The ‘business as usual scenario’ would contribute only to limited regional benefits due to the variable national capacity constraints that limit national actions and to the lack of an action framework. The baseline scenario would incur costs and losses due to: (i) a continuing trend in coastal resource over-exploitation and habitat degradation driving losses of natural capital and ecosystem services, (ii) limited national information for policy, planning and decision making, (iii) sales and export of raw products with limited local value added, (v) inefficient and aging fleets, (vi) increased fishing pressure on near shore marine ecosystems and biodiversity, (vii) limited regional collective action or coordination with working groups operating in a reactive or ad hoc manner in the absence of a coherent long-term vision and process, and (viii) limited management of trans-boundary fish stocks reduced compliance with international regulations in national waters.

## II. Trends in the state of fish stocks, economic rents

3. The baseline assumes that improved fisheries management (Component 2) and greater involvement of communities and the private sector in fisheries co-management leading to

increased contribution to economies (Component 3) are necessary to prevent further loss of ecosystem services in each country. In all three countries, entire communities rely on the productivity of coral reefs (Comoros, Mozambique URT-Zanzibar) and/ or mangroves (Mozambique, URT-mainland), the Project would collaborate with ecosystem valuation initiatives<sup>27</sup> to obtain more precise biodiversity indicators alongside those for the production quantities and values in selected fisheries. Apart from benefits arising from improved management of tuna fisheries through IOTC, the Baseline “without Project” scenario is unlikely to contribute significant collective benefit, as activities of regional institutions (Component 1) would progress slowly to address priority issues and confront long-term financial sustainability challenges. Meanwhile, a continued decline in the state of national fish stocks and critical marine habitats would be likely.

### ***Baseline trends for EEZ and coastal fisheries***

4. *Baseline scenario.* For the three countries the baseline scenario assumes that the activities funded by the Project are necessary to reverse the current trend of increasing over-exploitation of coastal resources and loss of marine ecosystem services. An increasing number of coastal fisheries in SWIOFC<sup>28</sup> countries are either biologically fully- or over-exploited. Fully exploited fisheries in biological sense (i.e., at the “Maximum Sustainable Yield” or MSY fishing effort level) are found to be underperforming in economic terms although they may contribute important social benefits, suffering from excessive fleet size and poor return on capital: as fleet fishing effort increases, passed the “Maximum Economic Yield” fishing effort level, going toward the MSY fishing effort level, production costs increase faster than revenues and profit margins decrease. For overfished stocks, the baseline assumptions are that: (i) the number of fisheries underperforming in economic terms will continue to increase at a rate of 6 percent per year, following the trend observed between 2005 and 2009 (last data available in 2013, average increase for 107 stocks/ species groups) without the Project, and that (ii) as a result, SWIO coastal states would incur an annual loss of economic rent of US\$225 million (in 2008 US\$), proportionate to the gross value of catch estimated by the World Bank for world fisheries or 0.45 percent of US\$50 billion<sup>29</sup>. The working assumption is that project activities could prevent 10% of the rent loss through improved management, notably with the development of Ecosystem Approach Fisheries Management Plans (EA-FMP) and management systems, from Year 2. Assuming the three SWIOFish countries (Mozambique, Comoros and Tanzania) account for half of the SWIO fisheries first-sale value this would correspond to a loss in rents of US\$123 million (in 2008 dollars), which is close to the estimate of US\$146 million/year in 2008 dollars derived from an independent study<sup>30</sup> using a cost-benefit analysis (CBA) approach and the most recent available information, from 2009 and 2010.

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<sup>27</sup> See <http://teeboceans.org/>; [www.wavespartnership.org](http://www.wavespartnership.org).

<sup>28</sup> SWIOFC, Status of the Resources, Mahe Maldives 13-16 March 2011, 12p. SFS/DM/SWIOFC/09/ 3 F and E from <http://www.fao.org/fishery/rfb/swiofc/en#Org-EIMS>

<sup>29</sup> Kelleher K, Wouldmann R, Arnason R. 2009 The Sunken Billions: The economic justification for fisheries reform. The International Bank for Reconstruction and Development / The World Bank: Economic data for 2004

<sup>30</sup> Derived from Sumaila, R. 2012. ASCLME Regional Cost-Benefit Economic Valuation, 28p. and Sumaila, 2012. Economic valuation of Agulhas and Somali Current Large Marine Ecosystem (ASCLME)

**Table 6.2. Trends in the status of main fisheries stocks in SWIO region 2005 to 2009**

Stock status		2005	2006	2007	2009
Considered economically* overfished	Recovering	1	2	3	4
	Depleted	5	8	7	12
	Overexploited	19	22	19	21
	Fully exploited	29	32	36	40
Not considered econ. overfished	Moderately	21	20	17	14
	Underexploited	24	16	18	9
<b>Percentage of economically overfished stocks</b>		<b>54</b>	<b>64</b>	<b>65</b>	<b>77</b>

\* Economically overfished corresponds to biologically fully exploited and over-exploited fisheries

5. The most commonly over-exploited fisheries are the near-shore, high value species, such as lobsters, sea cucumbers, shrimp, octopus, crab, snappers and groupers in the traditional and artisanal fisheries. These fisheries also have the greatest potential for rapid improvement from a combination of national and community-led co-management. Many of these high-value species are short-lived (1 to 3 years) and yields could be improved within the life of the first phase of the Project. Although production could decrease during the initial years of stock recovery, in many cases the income of the private sector and fisheries households could be maintained, or increased through improved quality, prices and local valued added (Component 3). The baseline scenario assumes that all Project activities are necessary to reverse the trend of over-exploitation of coastal resources.

6. The most recent resource assessments from IOTC (2011<sup>31</sup>) show that most migratory tuna and tuna-like species are not overfished or currently subject to overfishing, apart from: (i) SWIO swordfish (*X. gladius*), currently overfished; (ii) marlins and sailfish for which MSY are not known; (iii) the Indian Ocean albacore tuna (*T. alalunga*), which is subject to overfishing; and (iv) the unknown status of neretic (coastal) tuna species. IOTC data show a steady decrease in quantities (not price) produced in WIO region since 2006, explained in part by piracy problems that have closed large areas to fishing. These fisheries are bringing substantial revenue to SWIO coastal states through foreign fishing agreements, licensing revenue and, to a lesser extent, national and regional value added. Recent studies<sup>32</sup> suggest considerable potential for increased revenues from these fisheries, which were worth US\$250 million (at first sale) in 2009 with half entering the economies of coastal states or US\$7 million for Comoros, Mozambique and Tanzania. Project activities at national and regional level are designed to improve on the reporting, management and to increase national value of coastal and offshore tuna fisheries, including from improved enforcement and minimum terms and conditions of licensing for foreign vessels. The IRR makes the assumptions that the capture of additional revenue could be increased by 50% from the current baseline by Year 5.

<sup>31</sup> see <http://www.iotc.org/>

<sup>32</sup> Barnes, C. and Mfodwo K., 2012. A market price valuation of tuna resources in the Western Indian Ocean – an indicative regional and country/EEZ perspective, WWF.

### *Ecosystem services*

7. Sustainable development of fisheries and aquaculture in the SWIO region is supported by coastal ecosystems and biodiversity of great richness and unique world value. However, the scarcity of economic valuations at national and regional levels limits the scope and precision in the CBA analysis and preparation of environmental accounts<sup>33</sup>. The baseline “without Project” scenario uses a recent CBA valuation for direct services (food, raw and ornamental material extraction) and indirect services (regulating, cultural – including tourism and recreation, and supporting), provided particularly by mangrove and coral reef habitats. These services are estimated to be worth a total economic value (NPV aggregated net income discounted over time assuming a discount rate of 3 percent over 30 years) in excess of US\$206 billion for the island states of Comoros, Seychelles, Mauritius and Madagascar<sup>34</sup>, which have the only data in the region. The baseline scenario assumes a very conservative value of US\$50 million for each of the three countries (Comoros, Mozambique and Tanzania).

**Table 6.3. Economic valuation of coastal ecosystems services in Comoros (other Island countries for illustrative purpose only, US\$ million)**

Services	Comoros	Seychelles	Madagascar	Mauritius	Total	%
<b>Direct: Provision Services</b>						
Fisheries	44	4,185	4,172	184	8,585	4.15%
Ornamental resources	17	911	48	292	1,268	0.61%
Raw materials	1	10	41	3	55	0.03%
<b>Indirect: Regulation services</b>						
Shoreline protection	1	13	7	32	53	0.03%
Disturbance regulation	7	109	463	33	612	0.30%
Climate regulation	546	2,105	2,897	1,083	6,631	3.21%
<b>Cultural &amp; recreational services</b>	234	1,847	2,479	3,091	7,651	3.70%
<b>Supporting services</b>						
Nutrient cycling	2,934	10,503	28,888	3,895	46,220	22.36%
Maintenance of genetic diversity	11,173	43,911	57,942	22,605	135,631	65.62%
<b>Total</b>	<b>14,957</b>	<b>63,594</b>	<b>96,937</b>	<b>31,218</b>	<b>206,706</b>	<b>100%</b>

From ASCLME, 2012. CBA Island States, report 28.

8. The provision of fisheries resources as a direct ecosystem service is already accounted for

<sup>33</sup> UN/FAO, 2004. Handbook of National Accounting – Integrated Environmental and Economic Accounting for Fisheries. Studies in Methods, Series F, No.97 (ST/ESA/STAT/SER.F/97); and EC, FAO, IMF, OECD, UN, WB, 2012. System of Environmental-Economic Accounting, Central Framework, 331p.

<sup>34</sup> ASCLME, 2012. Rakotobe Andriamanganiaina T., CBA Island States, report 28.



in terms of the landed value of the catch. Its capital value is estimated at less than 5 percent of the total marine ecosystem NPV (Table 6.3), compared with nutrient cycling services (22 percent) provided by the open ocean, mangroves and estuaries, and the global benefit from maintenance of genetic diversity (66 percent) largely provided by coral reef and mangrove habitats. The NPV – capital value - of US\$62.6 million for the maintenance of genetic biodiversity is estimated from the surface area of coral reefs and mangrove habitats - both of crucial importance to fisheries and tourism in the region. An NPV of US\$136 billion corresponds to annual ecosystem services provided by coral reefs and mangroves of US\$7 billion per year for 4 countries, which would correspond to US\$33 billion for Comoros and Tanzania. A high proportion of this ecosystem services valuation is derived from valuation of the area of living coral reef. However, the degradation of substantial areas of SWIO coral reefs due to coral bleaching, destructive fishing and other causes suggests that this valuation may require adjustment.

### III. Project costs

9. The Project financing summary is provided in Table 6.4 for the three countries and the regional component. The SWIOFish provisional budget is US\$91 million without national and other co-financing, which currently amounts to another US\$36 million. Project costs were estimated at 2013 prices. Some of the modalities for additional grants and parallel sources of funding are not finalized, so these are not included in the economic analysis.

**Table 6.4. SWIOFish summary of financing (US\$ million)**

<b>Countries</b>	<b>IDA</b>	<b>GEF Grants</b>	<b>Total</b>
Regional	5.00		5.00
Comoros	9.50	3.50	13.00
Tanzania	31.00	5.00	36.00
Mozambique	30.00	7.00	37.00
<b>Total</b>	<b>75.50</b>	<b>15.50</b>	<b>91.00</b>

### IV. Project benefits – 5 and 10 year horizons

10. The Project is designed to be adaptive. Its operational Components 1 to 3 would include substantial investment in critical capacity strengthening, technical and managerial support and for targeted fisheries led by public service agencies, and by the private sector and coastal communities that would be identified in the PPA phase. It would pave the way to major infrastructure investments and as a result the economic and financial appraisals do not fully capture the extended benefits expected from the Project.

#### Basic assumptions

11. Three categories of benefits can be attributed to improved governance: (i) benefits from a recovery of coastal fisheries, (ii) benefits from improved information systems, and (iii) benefits from improved ecosystem services. An additional five categories of benefits can be attributed to

private sector activities: (i) improved incomes for traditional and artisanal fishers, (ii) increased value added to products along value chains, (iii) benefits from improved ecosystem services, (iv) benefits from modernized industrial and semi-industrial fleets, and (v) benefits of improved or new infrastructure. Regional activities would generate increased economic returns for each country and costs savings for the region through: (i) harmonized minimum terms and conditions of access reducing costs to both fleets and fisheries administrations; (ii) effort optimization, increased rents and license revenues; (iii) reduced illicit fishing activities and increased returns to legitimate operators; (iv) opportunities for investment and value added activities; and (v) joint positions on IOTC management measures leading to an equitable share of benefits for the coastal states. The preliminary economic analysis considers benefits from (i) recovery of coastal fisheries, (ii) income, food security and resilience of small-scale fisheries, (iii) increased local and national products quality and value added, (iv) some halted loss of ecosystem services, (v) increased rate of return (RoR) and gross value added (GVA) from distant tuna vessels, (vi) decreased illicit fisheries activities, and (vii) benefits from Regional collaboration, capacity building and collective action in fisheries other than tuna. The costs and benefits of possible investments in port and other infrastructure were left out until more precise information becomes available.

12. The returns expected for each operational component are based on the following basic assumptions:

- Each national or shared fishery identified for SWIOFish support would be described by quantified environmental, social and economic indicators (Component 2) determined during the project initial stage and shared across the region that would be monitored on an annual basis to allow adaptive management measures and maximize investment return;
- The Project is expected to stabilise or increase the sustainable production of key priority fisheries. The SWIOFP demonstrated that many fisheries such as for demersal species do not appear to be shared across the region and may be effectively managed at national level. However, recruitment for many invertebrate fisheries such as lobsters is shared between neighboring countries, and the most important fisheries for tuna and tuna-like species are shared across the region and beyond. For these resources to be managed sustainably, the regional scale is a necessity. In addition, coordination and standardization of data collection protocols, data format and database structures can easily save costs and help increase cooperation and understanding. Therefore the value added of a regional project is greater than the sum of its national projects parts.
- Furthermore, ex-post analyses of World Bank funded projects have shown high rates of return to investments in institutional strengthening and particularly to extension-related activities.

13. The magnitude and main types of expected benefits would depend on the priority fisheries supported by the Project and would include improved and transparent resource assessment and access rules at national and regional levels; increased resource rent captured by public and private actors; improved income and safety for fishworkers and increased local, national and regional value added from post-harvest activities. The assumptions specific to the economic appraisal are as follows:

- Economic distortions prevailing in developing countries, including overvalued exchange rates, tariffs and quantitative import restrictions, high commodity taxes, and a general

shortage of savings, particularly for public sector investment projects are included in Project costs. Foreign exchange, price and other contingencies would be indicated separately when final budgets are prepared at PPA stage.

- Even though a full CBA of the whole Project investment or detailed appraisals by country are not feasible at this initial stage, an economic Internal Rate of return (IRR) is estimated based on the following assumptions:
  - (i) The Internal Rate of Return (IRR) is computed for each expected result after 5 years and also 10 years when results of institutional strengthening and regional activities supported of are expected to show their full benefit.
  - (ii) Uncertainty is not detailed by Component or sub-component and cannot be usefully separated given the natural variability and uncertainty such as from market prices for input and outputs, piracy at sea or climate change. However a basic sensitivity analysis presents changes in IRR from increased costs and from decreased expected benefits.
  - (iii) The IRR estimation is made on the assumption of a constant economic performance projected from the baseline, and in several instances on the assumption that a decline could be reduced or halted rather than marine ecosystem production would be increased. Both options are conservative.
  - (iv) The Project investment Net Present Value (NPV), given as part of the sensitivity analysis, is calculated for discount rates of 10 percent and 13 percent to span current rates across Group 1 countries. The Project would bring both qualitative and quantitative benefits and the additional assumptions and expected benefits are given below for each of the three operational components.
  - (v) At this initial stage, the IRR estimation for the two countries in Group 1 (Comoros and Tanzania) cannot be detailed by component. Budgets need to be finalized and although some information is available for countries in the region, there is not enough detail for the two countries concerned. Therefore the IRR is computed overall. The description by component below provides a discussion of the assumptions made on the basis of data available for a sub-group of three countries most engaged in the project (Comoros, Tanzania and Mozambique).

### ***Component 1. Enhanced Regional Collaboration***

14. Activities under the Regional Component 1 would generate increased economic returns and costs savings for each country and the region. This would occur in several different ways: (i) Harmonized minimum terms and conditions of access (initially technical and potentially financial) would reduce costs to both fleets and fisheries administrations, enable standardized information exchange, enforcement protocols, observer coverage, port controls and catch reporting and cross-checking; (ii) Improved catch per unit effort information would lead to effort management, effort optimization, increased rents and license revenues; (iii) Enabling shared and cost effective enforcement would lead to reduced illicit fishing activities and increased returns to legitimate operators; (iv) Knowledge management and leadership training combined with regional transparency on licensing and enforcement processes through the SWIOFC would create the climate and opportunities for investment and value added activities, and (v) Improved implementation of IOTC resolutions would help rebuild stressed tuna stocks, while joint positions on IOTC management measures would ensure an equitable share of benefits for the coastal states.

15. A review of coastal state revenues from licenses for tuna and Highly Migratory Species fisheries shows that an increase in access fees from 5 percent to 7 percent of the gross value of the catch would generate additional revenue of US\$2.3 million per year, and from 7 percent to 10 percent, an additional US\$3.4 million per year above the baseline scenario. The “with Project” scenario assumes, for the purse seiners and longliners tuna fisheries, a combined access fee revenue and Gross Value Added (GVA, including increased national and regional employment on foreign tuna vessels) for the 3 countries.

16. A decrease in illicit fishing activities from improved and regionally coordinated monitoring, control and surveillance (MCS) activities would be mostly captured by increased license fees and rents in the tuna fisheries. Additional benefits, from up-to-date and reliable shared regional fisheries information system including production and value information, are expected (conservatively) starting in year 2, to increase the collective worth of the fisheries and mariculture sector by US\$1 million per year for all three countries.

17. Benefits derived from increased coordination and collective actions at regional level would be numerous for private business. Taking care to avoid double counting, benefits (and cost savings) from the development of regional brand and product standards, from regional marketing initiatives, regional representation at trade negotiations.

18. In sum, activities under Component 1 are estimated to generate national benefits that can clearly be attributed to specific regional activities once an M&E system is in place.

### ***Component 2. Improved governance of priority fisheries.***

19. Three types of benefit from improved governance are considered for the CBA in the first instance, (i) benefits from a recovery of coastal fisheries, (ii) benefits from improved information systems and (iii) benefits from improved ecosystem services.

20. Improved governance with staffed, trained and suitably equipped public services and a responsible private sector is considered essential for effective management of renewable resources and their ecosystems<sup>35</sup>. Component 2 would address the management of priority fisheries and coastal ecosystem services and establish a system for data collection and analyses aiming to provide realistic and up to date indicators (fisheries sector dashboard) of the economic and social characteristics of the sector in each country. These would provide a transparent and iterative basis for the formulation of future policy measures, such as changes in rent collection and major capital investments. Better information would also help reduce government spending and provide more effective government support, including avoiding the provision of subsidies that support inefficient and unsustainable production. These benefits are highly likely. In particular benefits from cost savings from regional collaboration on enforcement under Component 1 are likely to be substantial.

21. Improved and efficient public services are also essential to reduce ecosystem impacts of fishing activities. The Project is assumed to help present a loss of biodiversity services through activities under Component 2 such as fisheries spatial management planning and biodiversity protection and improved MCS. The other half is imputed to community and private sector

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<sup>35</sup> Gutiérrez, N. L., Hilborn, R. & Defeo, O. (2011) Leadership, social capital and incentives promote successful fisheries. *Nature*. Doi:10.1038/nature09689

initiatives under Component 1.

### ***Component 3. Increased economic benefits from priority fisheries***

22. Six categories of benefits accruing from Component 3 were considered for the CBA: (i) benefits from a recovery of coastal fisheries attributable to communities and the private sector, (ii) improved incomes for traditional and artisanal fishers, (iii) increased value added to products along value chains, (iv) benefits to the private sector and coastal communities from improved ecosystem services leading to increased fishers income, food security and resilience to climate change and natural disasters, (v) benefits from modernized industrial and semi-industrial fleets, and (vi) benefits of improved or new infrastructure.

23. Support to increase private sector technical and organizational capacity would deliver additional value added through higher quality products and reduced post-harvest losses. Value chain analyses of several near shore fisheries in the region show the potential for value added traditional products, for example, up to 400 percent for octopus in Rodrigues<sup>36</sup>. In addition to economic rent collected by various levels of government in the form of fishing and trading permits and local and national taxes, the income of fishers is highly dependent on the state of the resource. For example, even a partial resource recovery for sea cucumber in Madagascar could double the income of collectors on foot, divers and traders<sup>37</sup>. While labor is a production cost and fishers' income therefore cannot be counted as benefit in a standard CBA, the food provision and income from SWIO traditional, artisanal and subsistence fisheries are currently not well known and rarely accounted for, and would also need to be included in a modified CBA model. A conservative baseline assumption is that these benefits would be worth approximately US\$84 million per year for Comoros, Mozambique and Tanzania. The IRR assumption is that project activities could generate an additional US\$1 million per year, from Year 1, increasing to 5 percent by Year 5 to year 10. The progressive development of the countries' fisheries information systems under the proposed project would provide the required precision and tool to monitor these assumptions.

### ***Overall Project benefit***

24. A scenario for the baseline "without" and for the "with" Project can be developed for all activities excluding major infrastructure and/ or fleet rehabilitation, for which detailed economic justifications would need to be made during Phase 1 on a case-by-case basis. Conservative assumptions at all stages lead to an estimated IRR after 5 years of 4.5 percent, which is less than prevailing discount rates (between 7 percent and 13 percent) and relatively high given the Project investment in public service strengthening. The IRR estimated value is believed to reflect the current lack of information rather than low project expected benefits. The assumptions used at all stages are very conservative.

25. The rate of return would be likely to be highest from Component 3 investments to strengthen private sector capacity and contributions, which also have the potential to bear sustainable economic activities. Relatively, Component 2 would have the highest costs and lower expected IRR. Estimates cannot account for benefits from improved information and monitoring

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<sup>36</sup> Smartfish report SF/2012/18

<sup>37</sup> Andrianaivojaona, C. 2012. Value chain analysis for sea cucumber in Madagascar, Smartfish report SF/2012/25.

systems and are therefore conservative. For a relatively very low added cost investments to strengthen regional institutions (Component 1) would bring additional returns to the countries from the development of SWIO regional mechanisms, coordination and capacity for collective action that would decrease costs (for MCS and scientific research, component 2) and increase national management capacity and revenue collection revenue collection from shared resources.

26. The IRR estimated at the end of the project (5 years) is relatively low (4.5 percent), rising to 23% after 10 years without further investment.

27. *Fiscal.* The project is not expected to generate fiscal obligations from governments. By contrast, activities aiming to increase governments’ capacity to monitor and manage access to the resources in their EEZ have the potential to increase the “rent” that accrues from a more sustainable use of renewable resources. It is estimated that fiscal revenue from priority fisheries could be increased in the three countries, both as a result of better management from more efficient public sector services and from private sector operators paying fees for the use of co-managed infrastructures and services.

**Table 6.5. Economic Internal Rate of Rate and Sensitivity Analysis**

Scenarios	% or US\$ million	Total for Comoros, Mozambique and Tanzania
Investment costs (US\$ millions)		91
Base IRR (5 years)		5%
IRR (10 years)		23%
NPV (5 years) with discount rate:	10%	-US\$15
"	13%	-US\$22
IRR (5 years)	Costs +10%	2%
"	Costs +20%	-1%
"	Returns -10%	1%
"	Returns -20%	-2%

28. The choice of information and assumptions were set to provide conservative estimates of the Project IRR. Unfortunately, available economic data is very patchy and delicate to compare between the three countries, for Comoros in particular. However, the project is likely to have a high relative impact on the development of fisheries and aquaculture activities, in terms of institutional strengthening, sustainable marine fishing activities and their contribution to social and economic development. In each country, the project has specific activities for the collection of baseline information and monitoring of the project result.

### *Sensitivity analysis*

29. Conservative options were chosen throughout the analysis to obtain more robust estimates and avoid excessive detail in the absence of precise data. The overall IRR at year 5 is nearly 5% but not overly sensitive to a decrease in expected returns or to increased costs – a flat 10 percent or 20 percent change of annual estimates, leads to an estimated 3 to 6 percent decrease in economic return (IRR 5 years).

## **Annex 7. Incremental costs analysis**

### **First South West Indian Ocean Fisheries Governance and Shared Growth Project (P132123/P132029)**

#### **I. Project Objectives**

1. The South West Indian Ocean Fisheries Governance and Shared Growth Project (SWIOFish) aims at increasing the economic, social, and environmental benefits of SWIO countries from sustainable marine fisheries. A Series of Project (SOP) would establish a financing, coordinating and knowledge exchange mechanism and support a suite of mutually supporting regional and country-level activities over the medium- and long-term. Given the range of issues affecting countries of the SWIO region, the SOP activities would target core governance and productivity challenges, remove critical constraints to private investment and sustainable business, bring part of the ‘offshore fisheries economy’ within country economies and add value through regional collaboration.
2. The specific objectives of the first project (SWIOFish1) will be to improve the management effectiveness of selected priority fisheries at regional, national and community level, through (i) consolidating and strengthening regional cooperation on fisheries and marine resource management among the country members of the SWIOFC strengthening the capacity for fisheries’ economic governance; and (ii) harnessing fisheries to regional economy starting with Comoros, Mozambique and Tanzania. The primary country-level targets for the first phase are (i) the economic management of the most economically important fisheries, (ii) co-management of the small-scale fisheries and (iii) planning and/or implementing critical hard and soft infrastructure investments to increase contribution of fisheries to national economies. The project will build the capacity and leadership required.
3. A preliminary Incremental Costs Analysis (ICA) estimates that incremental costs at national levels (US\$15.5 million) would be eligible for GEF financing associated with focal area - Strategy for international waters OP-4.

#### **II. Rationale**

4. The rationale to support a regional fisheries project in the Southwest Indian Ocean stems from the need to improve fisheries governance in all coastal states around the Southwest Indian Ocean (SWIO). The SWIO has a number of trans-boundary fisheries for large pelagic (tuna and tuna-like) resources and other coastal resources that are shared between countries along the eastern coast of Africa (from Somalia in the North to South Africa in the South), and by the Small Island developing States of the SWIO. The range of some of these resources and vulnerable marine species such as turtles also extends to the high seas. Ten countries in the SWIO region (Comoros, Kenya, Madagascar, Mozambique, Mauritius, Tanzania, Seychelles, South Africa, Somalia, France in virtue of its outermost regions), with the assistance of the GEF-funded ASCLME and SWIOFP projects, prepared Transboundary Diagnostic Analysis and Strategic Action Programme analyses, which identified priority objectives, activities and outcomes aligned with the goals of the International Waters GEF focal area (component 2) and with global marine biodiversity conservation targets with the Regional GEF priorities

(component 1). All these countries, together with Yemen and Maldives, collaborate in the frame of the regional fisheries body, the South West Indian Ocean Fisheries Commission (SWIOFC).

### III. Status Quo

5. *Scope and Costs.* The Project baseline scenario will have a budget of US\$57.4 million<sup>38</sup> for Comoros, Mozambique, Tanzania and regional coordination, supporting activities organized under three operational and one project management component:

- (a) **Component 1. Enhanced regional collaboration.** Activities in this component aim to enhance regional public goods, in particular to support the active participation of all countries in the SWIO region to fisheries management, data sharing and analyses, and collective regional decisions, including for the countries that do not have national investment yet. No GEF financing will be applied as co-financing for this component.
- (b) **Component 2. Improved governance of priority fisheries.** This component will focus on improving policies, strategies, institutional mechanisms and actions by the public sector to improve fisheries performance and marine environmental health. Without GEF funds, activities relating to the monitoring and reporting of shared fisheries, especially large pelagic species caught in small-scale fisheries will be reduced in Comoros and Tanzania (URT, mainland and Zanzibar), as well as to mainstreaming biodiversity in fisheries management the three countries.
- (c) **Component 3. Increased economic benefits from priority fisheries.** This component will focus on increasing economic benefits generated by the private sector. No GEF financing will be applied as co-financing for this component.
- (d) **Component 4. Project management and coordination.** No GEF financing will be applied as co-financing for this component.

6. In the absence of GEF assistance, support to some component 2 key activities would be reduced for the three participating countries:

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<sup>38</sup> Total IDA financing is US\$75.5 million and other financing estimated to US\$45.6 million (not including GEF). For the purpose of Incremental Cost Reasoning, co-financing to complement GEF US\$15.5 million is limited to US\$57.4 million in conformity with the Strategic Partnership for Sustainable Fisheries Management in the Large Marine Ecosystems in Africa's Program Framework Document. The remaining IDA and AFD / WWF funding are expected to contribute to future planned engagements within the frame of the SWIOFish Series of Projects.



**Table 7.1. Project costs financing by expenditure account (Comoros, Mozambique, Tanzania and regional institutions) in US\$ million**

Sources and uses of funds	Co-financing for ICA baseline				Remaining co-financing		Total IDA&GEF	Grand total
	IDA	Countries & IOC, DGF, JSDF, NDF	GEF	Total	IDA	WWF, AFD		
Component 1. Enhanced regional collaboration	1.9	1.1	0.0	3.0	1.1	2.0	3.0	6.1
Component 2. Improved governance of priority fisheries	29.4	9.8	15.5	54.7	9.8	10.6	54.7	75.1
Component 3. Increased economic benefits from priority fisheries	6.9	0.0	0.0	6.9	18.1	19.2	25.0	44.2
Component 4. Project management and coordination	5.2	3.1	0.0	8.3	3.1	0.5	8.3	11.9
<b>Total (US\$ million)</b>	<b>43.4</b>	<b>14.0</b>	<b>15.5</b>	<b>72.9</b>	<b>32.1</b>	<b>32.3</b>	<b>91.0</b>	<b>137.3</b>

#### IV. GEF alternative

7. *Scope and Costs.* Implementation of the baseline scenario investment project would generate national benefits, some of which would extend across the region in the manner of the leadership role assumed by the Seychelles at the Indian Ocean Tuna Commission (IOTC, 2012) regarding the tuna species quota allocation keys for coastal states. However, in the absence of GEF assistance, the project would lack a third of its component 2 activities that strengthen national capacity to monitor and report fisheries impact and to devise and implement EAF management of priority fisheries, especially for tuna and tuna like species, and brings together national efforts in a coherent and collaborative strategy to advance conservation and sustainable use of fisheries, critical ecosystem and vulnerable biodiversity that do not come under the remit of IOTC.

8. The goal of the GEF International Waters focal area is to promote collective management for transboundary water systems and subsequent implementation of the full range of policy, legal, and institutional reforms and investments contributing to sustainable use and maintenance of ecosystem services. The countries in the SWIOFC region worked closely together in the SWIOFP to deliver a number of key national and regional outputs that make it possible to focus on management reforms and investments to ensure fisheries resource recovery and sustainable growth in regional value added and contribution to poverty reduction and food security.

9. For the three countries and regional institutions in the project, the total cost of the baseline scenario is estimated to be US\$57.4 million. The GEF alternative is estimated at US\$72.9 million. GEF would finance US\$15.5 million incremental costs to support national activities in Comoros (US\$3.5 million), Mozambique (US\$7.0 million) and Tanzania (US\$5.0 million). Resources essential to comply with the GEF's co-financing requirements and to support the complementary country-level actions that contribute directly to the outcomes would be financed through IDA and supplemented by a range of co-financing.

10. The Project and proposed regional component are fully consistent with the requirements

of the GEF Strategic Partnership<sup>39</sup> and International Waters envelope for co-financing.

11. *Benefits.* In addition to national benefits associated with the baseline scenario, global benefits of the GEF alternative are summarized below.

## V. Incremental cost matrix

<b>Component 1. Enhanced regional collaboration</b>			
Cost category	US\$ million	National benefit	Global Benefit
Baseline	3.0	SWIOFC countries dialogue reinforced	Contribution to regional initiatives
With GEF Alternative	3.0	Comoros, Mozambique and Tanzania have the means to contribute and guide regional fisheries management, data sharing and analyses, and collective regional decisions (supported by GEF under component 2 at country level based on the subsidiarity principle).	Effective collaboration between countries to increase benefits from sustainably managed priority fisheries and aquaculture, increase shared knowledge and decrease costs (supported by GEF under component 2 at country level based on the subsidiarity principle).
Incremental	0.0		

<b>Component 2. Improved governance of priority fisheries at national level</b>			
Cost category	US\$ million	National benefit	Global Benefit
Baseline	39.2	Capacity improved of public sector to manage priority fisheries and on the basis of timely, transparent and accurate information (FIS / dashboard)	Public sector capacity development on basis of shared experiences and common regional standards (Comoros, Mozambique and Tanzania)
With GEF Alternative	54.7	Baseline data collection and analysis capacity also strengthened	Improved data collection and reporting for coastal fisheries catch and effort, esp. juveniles of large pelagic species in all countries; EAF management plans developed/ updated/ implemented; law enforced; regional coordination and agreed approach (component 1) implemented at national level based on the subsidiarity principle
Incremental	15.5		

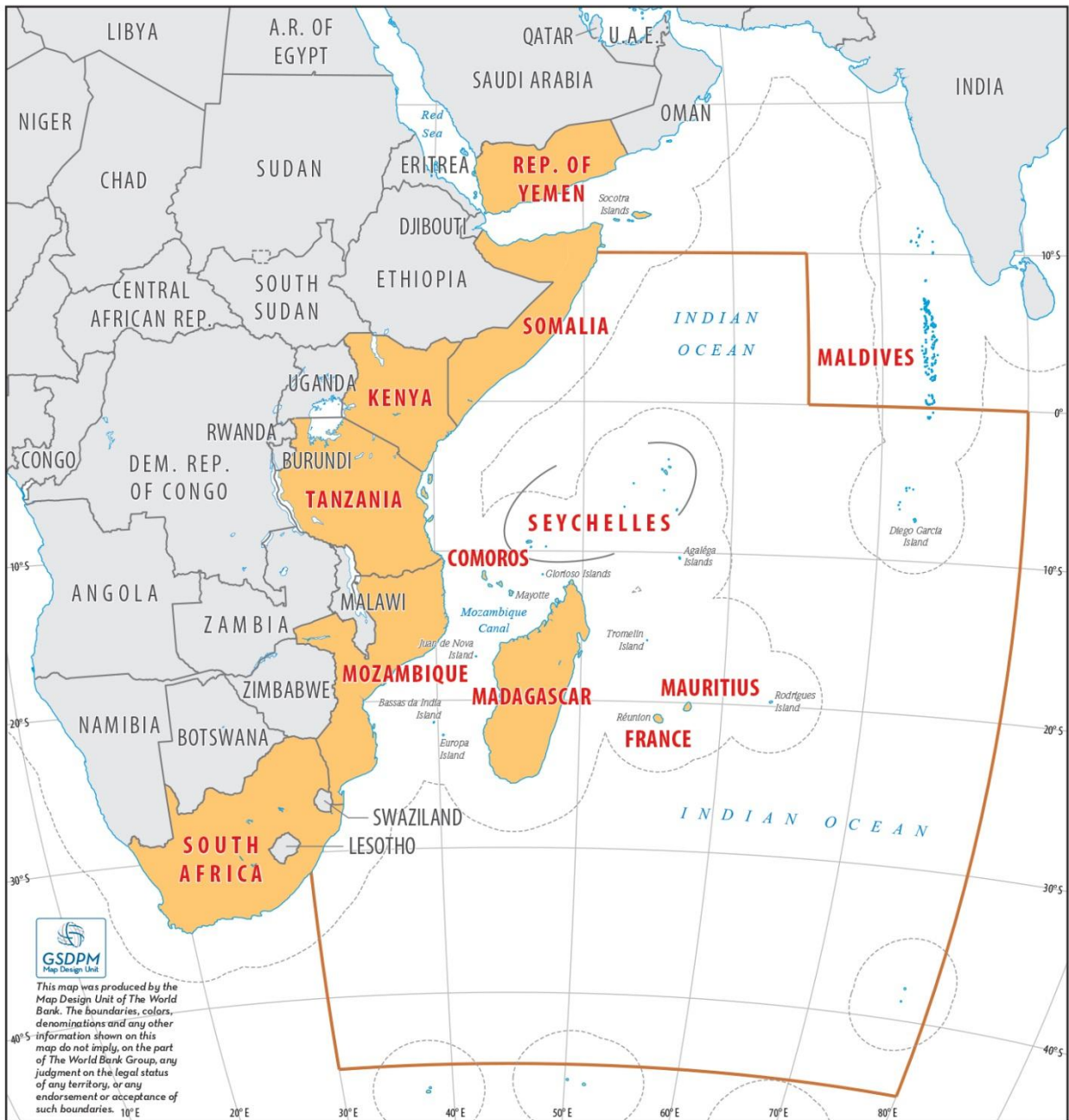
<sup>39</sup> P104225 - Strategic Partnership for Fisheries in Africa.

<b>Component 3. Increased economic benefits from priority fisheries</b>			
Cost category	US\$ million	National benefit	Global Benefit
Baseline	6.9	Private sector and communities technical and business development capacities improved	
With GEF Alternative	6.9		
Incremental	0.00		

<b>Component 4. Project management and coordination</b>			
Cost category	US\$ million	National benefit	Global Benefit
Baseline	8.3	Efficient project management	Coordinated implementation
With GEF Alternative	8.3		
Incremental	0.0		

# INDIAN OCEAN SOUTH WEST INDIAN OCEAN FISHERIES GOVERNANCE AND SHARED GROWTH PROJECT

- SOUTH WEST INDIAN OCEAN FISHERIES COMMISSION AREA OF COMPETENCE (SWIOFC)
- SOUTH WEST INDIAN OCEAN FISHERIES COMMISSION MEMBER COUNTRIES
- INTERNATIONAL BOUNDARIES
- - - - - EXTERNAL EEZ BOUNDARIES



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