



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 12-Jul-2022 | Report No: PIDC34429

**BASIC INFORMATION****A. Basic Project Data**

Country South Asia	Project ID P179242	Parent Project ID (if any)	Project Name Transforming Fisheries Sector Management in South-West Indian Ocean Region and Maldives Project (P179242)
Region SOUTH ASIA	Estimated Appraisal Date Jan 16, 2023	Estimated Board Date Apr 04, 2023	Practice Area (Lead) Environment, Natural Resources & the Blue Economy
Financing Instrument Investment Project Financing	Borrower(s) Republic of Maldives, South-West Indian Ocean Fisheries Commission	Implementing Agency Maldives Ministry of Fisheries, Marine Resources and Agriculture, South-West Indian Ocean Fisheries Commission Secretariat	

Proposed Development Objective(s)

To increase fisheries sector benefits with augmented cooperation in the South-West Indian Ocean region and transformed governance and business climate in Maldives

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	55.00
Total Financing	55.00
of which IBRD/IDA	55.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	55.00
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IDA Credit	27.50
IDA Grant	27.50

Environmental and Social Risk Classification

Moderate

Concept Review Decision

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Regional and Country Context

- Maldives and 11 other countries border the waters of the South-West Indian Ocean (SWIO)** – the island nations of Comoros, Madagascar, Mauritius and Seychelles; and seven mainland countries: France (La Réunion and other islands), Kenya, Mozambique, Somalia, South Africa, Tanzania and Yemen. Together these countries are members of the South-West Indian Ocean Fisheries Commission (SWIOFC), a regional fisheries body. The regional fish stocks are shared public assets, whose health and sustainability require regional coordination to limit the negative and enhance the positive externalities yielded by national activities. Conservation and sustainable harvesting of the regional public goods in particular, and the shared ecosystem in general are central to the economy of SWIO countries, especially the island countries.
- Fisheries, especially small-scale fisheries play a significant role for the livelihoods of an estimated 35 million people in the SWIO countries of whom 14.3 million people live in low elevation coastal areas, and 3.3 million persons are directly employed in marine fishing.** They are often among the most vulnerable communities with high exposure to climate change impacts. The fisheries sector is a major contributor to nutritional health and food security in the SWIO region, especially for poor coastal or remote island communities with limited alternatives to fish for animal protein, as well as essential nutrients, vitamins, minerals, and trace elements. Fisheries also accounts for a substantial part of Gross Domestic Product (GDP) of the SWIO countries. Seafood export from these countries was US\$2.73 billion in 2019 with Maldives contributing about 9 percent. However, despite relative success of a few countries including Maldives in creating domestic capabilities for fish processing, most SWIO countries lack enterprise development, value addition in the sector and underperform in terms of generating social and economic benefits.
- Maldives is an upper-middle-income country with a robust growth trajectory prior to the COVID-19 pandemic.** Annual real GDP growth averaged 5.7 percent from 2000 to 2019 and real GDP per capita rose from \$5,539 in 1995 to \$10,208 in 2019. The sustained growth has significantly reduced poverty and Maldives performs well on poverty outcomes compared to its small island peers. The economy is dependent on a small number of sectors. The successful development of high-end tourism has been the main driver of economic growth in Maldives. In 2019, tourism accounted for 25 percent of GDP, transport and communication for 13 percent, and construction and wholesale/retail trade each for 9 percent. The successful development of high-end tourism has been the main driver of economic growth in Maldives. However, the dependence on tourism makes the country highly vulnerable to macroeconomic and external shocks. The COVID-19 pandemic, for example, had a significant adverse impact on tourism and related sectors.



Sectoral and Institutional Context

6. **The SWIO Region is home to multiple fish species, yet pressure on fish stock has reached a high level, as many countries compete for the resources in the area.** Total annual fish landing by SWIO countries is about 4.6 million tonnes, dominated by South Africa, Tanzania, France, Mozambique, and Maldives. SWIO countries exported US\$ 406 million worth fish in 2019, mainly by Maldives and Seychelles. However, one third of the SWIO fish stocks are over-exploited or depleted (especially the high-value resources, such as shrimp, lobster, and sea cucumber), with around 40 percent being fully exploited. Critical ecosystems, already weakened by land-based activities and pollution are further endangered by loss of biodiversity, and destruction of coral reefs and mangroves.
7. **The fisheries sector in the SWIO is already largely regional, with each country's decision affecting activities of other countries.** Large national investments, such as ports, fishing fleets, or processing plants, are competing against each other for the same finite resource. Regional coordination and cooperation are 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 (e.g., monitoring, control and surveillance, and safety at sea), and their implementation, at the least, must be coordinated at a regional level. Finally, important common interests in research or capacity reinforcement could be best consolidated at the regional level to general economies of scale through the creation of joint program and south-south cooperation.
8. **The SWIO countries face common constraints about their fisheries sector: weak governance, weak institutional capacity, and a fragile business environment.** Regional platforms such as the Indian Ocean Tuna Commission (IOTC) and SWIOFC already exist and share their experience in implementing more sustainable and economically viable fisheries policies and practices. Greater regional cohesion will enhance the countries' ability to influence international agreements (e.g., recently approved Guidelines for Minimum Terms and Conditions (MTC) may be instrumental), which have significant impacts on the fisheries sector of the SWIO countries.
9. **World Bank Group (WBG) has supported SWIO countries by financing the multiple South-West Indian Ocean Fisheries Governance and Shared Growth (SWIOFish) series of projects (SOP) starting in 2015 and achieved noticeable improvement in coordination among SWIO countries and augmenting national capacities for management of respective fisheries stocks.** The SWIOFish1 Project (covering Comoros, Mozambique, Tanzania and the IOC) established SWIOFC regional consultation mechanisms and SWIOFC capacities for coordination with IOC/IOTC. During implementation of the project, the SWIOFC and its Statutory Bodies (the Scientific Committee, the Working Groups, the Task Forces) contributed to strengthened dialogue among countries and improved regional cooperation and signing of 24 cooperation agreements among members of the SWIOFC. The subsequent SWIOFish2 (covering Madagascar and the IOTC), SWIOFish3 (Seychelles) and SWIOFish4 (Maldives) projects helped reinforce and widen the SWIOFC collaboration across countries and stakeholders in the extended region, improve the management of selected fisheries at regional, national and community levels, and to increase access by targeted fishers to alternative livelihoods activities. In particular, the SWIOFish4 project in Maldives has achieved several positive milestones, including: (a) supporting notification of a modern and comprehensive Fisheries Act of 2019, followed up by sequential regulations and relevant management plans; (b) installation of world-class monitoring, control and surveillance systems; (c) becoming one of the few countries to successfully culture grouper fish at a commercial scale. SWIOFish4 in Maldives supplied impetus for regional cooperation through analytical backstopping and by hosting dialogue forums the 16 countries of the Indian Ocean region (G-16).
10. **Notwithstanding the progress so far, newer actions are needed at the SWIO region to ensure sustainability of fish stock, improve the fisheries sector economy, overcome the setback suffered due to COVID-19 pandemic, and transition towards a resilient sector economy.** The three main needs for improved management and governance of the fisheries sector in the SWIO countries are about:



- a) **The need to focus on reduction of destructive fishing methods to ease the ever-increasing stress on regionally shared resources.** The yellowfin tuna stock is already threatened, and the skipjack tuna is near full exploitation levels. This is where SWIOFish1 project supported augmentation of negotiation capacities of SWIO countries in regional forums such as the IOTC, where discussions on reduction of overall fishing effort is part of the larger international trade agenda. However, it is also clear that a substantial part of the fishing fleet in SWIO countries themselves employ destructive fishing methods, such as use of gill nets or bottom trawling. These destructive practices continue in absence of evidence or conviction that sustainable fishing methods are profitable. In contrast, Maldives continues with the traditional 'pole and line' method of fishing for skipjack tuna and employ 'handline' method for fishing of yellowfin tuna. These are among the best fishing methods, and in Maldives such fishing methods had been found commercially profitable. Adoption of these methods from Maldives by the SWIO countries would need an awareness campaign and skill transfer (i.e., training on traditional methods of fishing).
 - b) **The need to maximize economic and social benefits from coastal fishery resources.** Despite the apparent size of sector economies and export revenues, fisheries in SWIO region remain an under-performing sector. The race is for yet larger volumes of extraction of familiar species, but not about abstracting the higher values from the catch. Moreover, many coastal fish species are not in focus as understanding about their stock and maximum sustainable yield is limited. Only 10-25 percent of the sector's labor force are employed in processing and marketing, indicating substantial post-harvest economic opportunities. Benefits from semi-industrial and industrial fishing perform well below potential. The challenges are similar in Maldives, but the country had recently started focusing on reef fishes such as groupers and recreational fishery; prepared management plans and started implementing these plans. In addition, over the past 3 decades, Maldives have built a domestic industrial capacity in the fisheries sector: not dependent on foreign fishing fleet and revenue earned thereof. Some SWIO countries are interested and will benefit from collaboration with Maldives in setting up their own industrial fishing, processing and marketing capacities, so that a substantial portion of the poor fishing communities would have an opportunity of better employment and income.
 - c) **The need to create credit facilitation to address the prevailing weak investment and business climate, coupled with limited or underperforming infrastructure and services constraining private sector development in the fisheries sector in SWIO countries.** The business climate stays weak, with low private sector engagement available to finance sustainable fisheries and aquaculture in all SWIO countries, except Reunion (France). Although there is interest in expanding semi-industrial fisheries for high-value species, poor access to investment capital and credit is deterring private-sector investment. The SWIOFish2 and SWIOFish3 projects included support to certain value chains engaging with small-scale fisheries and preparing business plans for anchor enterprises in Mozambique, Tanzania, and Seychelles. However, investment in community-level infrastructure did not attract commercial financing. Maldives also has very constrained climate for private sector expansion, absence of adequate commercial credit, and the public finance is aimed to create assets and businesses such as ice plants, processing units, etc., without trying to leverage private investment. However, there are a few private sector firms in Maldives expanded their business in the past 15 years. These firms supply some motivation for small enterprises and start-ups to invest in the fisheries sector once credit facilitation is available.
5. **Women's participation in the fisheries sector is often unrecognized and underpaid in SWIO countries,** with a reported wage gap up to 40 percent, and 30-40 percent share of the sector workforce, even if almost always in small-scale household-level pre-processing and marketing. Anecdotal evidences suggest that in Maldives and other SWIO countries, women are exiting the fisheries sector as traditional home-based vocations are becoming less remunerative. The COVID-19 pandemic also dampened the traditional home-based fisheries businesses. In addition, interventions focusing on women are usually fragmented, and do not promote leadership, business skills, entrepreneurship, and ownership of assets by women. Typically, women in SWIO countries are not formally specialized in fisheries and targeted skills development programs are weak, even if in Maldives the contemporary



trends show increasing participation of women in management roles in the fisheries sector.

6. **Fisheries sector activities in SWIO region are extremely vulnerable to climate change and disaster events and are increasingly being affected.** Variation in weather conditions severely affect practices established by long tradition especially as the adaptation and coping abilities are constrained among the people involved due to historical disadvantages such as lack of rights to resources and land and widespread poverty. As a consequence of climate change, not only there are signs of faster depletion of fish stock in the Indian Ocean, but the unit cost of fishing is going up, especially for artisanal fishers who can least afford it. The sector infrastructure is facing severe impacts caused by increasing frequency and intensity of cyclones, storm surges and sea level rise. Increasing variations in climate and their associated ecological changes will further intensify the vulnerabilities of the fishing communities.
7. **Although adaptation and resilience to climate change induced impacts are their main concerns, all SWIO countries plan to lower greenhouse gas (GHG) emissions by 23-35 percent, apart from the ambitious plan in Maldives to reach net-zero emission by 2030.** Fisheries sector is a significant user of fossil fuel and transport services, which are in the core of the respective national plans to reduce GHG emissions. An analysis of the options and opportunities, as well as application of economic incentives for reduction in GHG emissions in fisheries in Maldives would boost adoption in other SWIOFish countries, and other small island developing states (SIDS).
8. **Priority challenges for Maldives are similar to challenges for the SWIO region and addressing these challenges in Maldives will create appropriate demonstration and impetus for improved management of fisheries resources in the SWIO region.** The Government sector policy and priorities are coherent with the SWIO regional priorities for sustainable management and governance of fisheries resources and include three priority needs: (i) sustenance of capture fishery at about 120,000 tons and maintaining an export of about 60 percent of the catch are important for the national income and welfare of fishers and their families; (ii) sustainability of live-bait and reef fishing, diversify into value-added products; and (iii) economic diversification into mariculture and associated integrated activities to be able to create substantive jobs, especially for women and youth, and absorb labour from (partial) shift away from capture fishery. However, while attempting the above, it is important to: (a) **promote innovation and resource-efficient technology, processes and decarbonization**; relevant technical skill development; and (b) **improving the enabling environment for private sector investment and partnerships** for both value chain development and the exploration of high-value niche export markets – to establish the “regionally appropriate” pathways for development and growth in the fisheries and allied sector that improves the income of people currently engaged in subsistence fishery activities.
11. **Sustenance, development, and growth in the fisheries sector in Maldives is closely linked to the SWIO regional agenda on conservation, shared vision for sustainable growth of the sector including diversification, and compliance to regional/international standards.** There are substantial benefits to Maldives from economies of scale offered by shared regional information infrastructure, technologies, and knowledge related to monitoring, control, and surveillance; safety at sea; and towards adaptation to impacts of climate change on the fisheries sector. In return, Maldives could offer several benefits to other SWIO, especially the small island countries. In the interconnected ecological region, every country could benefit by enhancing the positive externalities yielded by other countries’ national activities.

Relationship to CPF

12. **The proposed Project aligns with the Reducing Vulnerabilities and Building Resilience pillar under the World Bank’s approach on South Asia Regional Integration, Cooperation and Engagement (RICE).** Working with the regional organization SWIOFC on the regional fisheries agenda is also consistent with the RICE Approach in engaging regional organizations, building regional and national capacity and promoting regional solutions to cross-boundary issues.
13. **The World Bank Group Climate Change Action Plan South Asia Roadmap 2021-2025 presents guiding principles to**



increase climate ambition with prioritization of climate adaptation and resilience with private investment and mobilization, which are in line with the objective and conceptual design of the proposed project. The roadmap highlights the importance of diversification and climate proofing of fisheries through enhanced investment in marine and coastal zone protection and fisheries sector development.

14. **The proposed Project is consistent with and conforms to the priorities of the FY22-26 Country Partnership Framework (CPF) under preparation for the Republic of Maldives.** The draft CPF underlines the importance of scaling up the Sustainable Fisheries Resources Development. High-Level Outcome (HLO) 1 of the CPF is Upgraded Economic Competitiveness and Inclusion with the Objective 1 of Leveraging Natural Assets to Lift Growth aiming at enhancing Maldives competitiveness in the main drivers of growth, including fisheries, through expanding digital networks, linking them better to the local economy, and growing the private sector. The CPF highlights that the fisheries, the primary source of livelihood in many of the atolls, can offer a platform to help broad-based and inclusive growth.
15. **The proposed project also recognizes the key principle of the WBG's Green, Resilient and Inclusive Development (GRID) approach that development of fisheries sector is an opportunity to invest in options that create jobs, become growth enhancing and contribute to a better future** in Maldives and in SWIO region. Following the GRID approach, the project emphasizes critical transitions needed in the sector to ensure that activities pursued are ecologically sustainable and provide increased opportunities for women and adolescent girls in the remote islands.

C. Proposed Development Objective(s)

9. The proposed project development objective (PDO) is to increase fisheries sector benefits with augmented cooperation in the South-West Indian Ocean region and transformed governance and business climate in Maldives.

Key Results (From PCN)

16. The following will be used to measure achievement of the PDO.
 - a) Reduction in destructive fishing practices in SWIO region (percent)
 - b) Number of sustainable fisheries management plans adopted by SWIO countries (number)
 - c) Private capital mobilization in the fisheries sector directly supported by the Project in Maldives (US\$ million)
 - d) Beneficiaries of job-focused interventions in Maldives and SWIO region (CRI, disaggregated by male and female)

D. Concept Description

17. The project will have a regional benefit focus and the sets of activities will be delineated along such focus on explicit needs for activities shared by all SWIO countries, and activities undertaken in Maldives that provide regional benefits including bilateral benefits. Component 1 will be implemented by the SWIOFC, and all activities will be coordinated and agreed with member countries. Components 2 and 3 will be implemented in and by Maldives but with the aim to influence management of the fisheries sector in other SWIO countries. The distinction between Component 2 and Component 3 is about the role of the government: Component 2 focusses on public and regulatory functions that are needed, whereas Component 3 is about actions that are needed to incentivize the private sector to ensure sustainable growth, diversification and inclusion.
18. **Component 1: Coordinated Fisheries Sector Science and Management for the South-West Indian Ocean Region** (estimated Cost US\$12 million, to be implemented by SWIOFC). The intent of this Component is to consolidate and take forward the past works undertaken by SWIOFish1 project, enlarge the science program for the coastal fisheries resources which had not received sufficient attention but has substantial potential to create sustainable economic opportunities for each of the SWIO countries. The Component will include the following subcomponents.



- Subcomponent 1.1: Regionally coordinated innovative science programs.
- Subcomponent 1.2: Improved management of selected stocks at the regional level.
- Subcomponent 1.3: Regional capacity development programs.
- Subcomponent 1.4: Enhanced action plans on marine pollution and plastics generated from and affecting fisheries.
- Subcomponent 1.5: Consolidated regional cooperation and coordination under SWIOFC.
- Subcomponent 1.6: Augmentation of the SWIOFC Secretariat.

19. **Component 2: Supporting Maldives as the Regional Lighthouse for Improved and innovative fisheries sector governance** (estimated Cost US\$19 million, to be implemented by MoFMRA, Maldives). Maldives is leading in sustainable fisheries management in the SWIO region, demonstrated by Maldives' compliance to IOTC conservation management measures, augmented monitoring, control and surveillance (MCS), and formulation of appropriate and modern fisheries sector legislation and management plans. Through this component, Maldives will provide the regional lighthouse functions by addressing some of the pertinent challenges in demonstrating benefits of using ecological limits for improved fisheries governance to the other countries in SWIO region, especially the island countries. Maldives will also benefit from learning and mutual collaboration. This component will include the following subcomponents.

- Subcomponent 2.1: Improved and innovative implementation, enforcement and monitoring of fisheries management plans and sharing results with SWIO countries.
- Subcomponent 2.2: Augmented comprehensive quarantine, disease surveillance and management and experience sharing with SWIO countries.
- Subcomponent 2.3: Skill and Capacity Building for supporting Enterprise Development in Fisheries Sector.
- Subcomponent 2.4: Augmentation of Project Management Capacity of MoFMRA.

20. **Component 3: Enhancing Competitiveness and Increased Private Sector Participation for growth of the Fisheries Sector in Maldives and Experience Sharing for improving Business Climate for fisheries in the region** (estimated Cost US\$24 million, to be implemented by MoFMRA, Maldives). This Component addresses the regional need to demonstrate and share experiences to progressively remove barriers to a competitive business climate for Fisheries in SWIO countries. Credit facilitation is expected to be a slow and complex process in Maldives as well as any other SWIO country. Guarantee products work well when a large number of financial institutions exist and compete. Some form of credit guarantee mechanism may be required in the medium term, transitions will need to be established through a line of credit, and a focus on competitive grants to be used to facilitate 'private public partnership' (PPP) contractual arrangements supported by pressive improvement in credit assessment and credit infrastructure in Maldives would improve access to finance from fisheries. This component will take inputs from the "Maldives Competitiveness Project", currently also under preparation and will use the additional financial/credit mechanisms provided by that project for specific application in the fisheries sector. It may however be noted that credit to fisheries is a specialized and often a directed credit which may need to be linked to insurance which a generic SME Private Sector Development program may not cover. Accordingly, this component will have the following subcomponents:

- Subcomponent 3.1: Decarbonization of the fisheries sector.
- Subcomponent 3.2: Promotion of Circular Economy and Value Chain Efficiencies.
- Subcomponent 3.3: Diversification/Expansion of fisheries sector through facilitating small and medium enterprise businesses.
- Subcomponent 3.4: Preparation of Roadmap for expanded private sector participation.
- Subcomponent 3.5: Capacity Augmentation of the Financial Intermediary (FI) Institutions.



Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

CONTACT POINT

World Bank

Tapas Paul, Sachiko Kondo
Lead Environmental Specialist

Borrower/Client/Recipient

Republic of Maldives

South-West Indian Ocean Fisheries Commission

Implementing Agencies

Maldives Ministry of Fisheries, Marine Resources and Agriculture
Mariyam Simla
Director, Policy and Planning Section
mariyam.simla@fishagri.gov.mv

South-West Indian Ocean Fisheries Commission Secretariat
Pedro Barros
Technical Secretary
pedro.barros@fao.org



FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):	Tapas Paul, Sachiko Kondo	
Approved By		
Practice Manager/Manager:		
Country Director:	Faris H. Hadad-Zervos	01-Aug-2022