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Report No: PAD5126

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A  
PROPOSED GRANT  
IN THE AMOUNT OF SDR 9 MILLION (US\$12 MILLION EQUIVALENT)  
TO THE  
INDIAN OCEAN COMMISSION

AND ON A  
PROPOSED GRANT  
IN THE AMOUNT OF SDR 19.7 MILLION (US\$26.4 MILLION EQUIVALENT)  
AND ON A  
PROPOSED CREDIT  
IN THE AMOUNT OF SDR 19.7 MILLION (US\$26.4 MILLION EQUIVALENT)  
TO THE  
REPUBLIC OF MALDIVES

FOR A  
TRANSFORMING FISHERIES SECTOR MANAGEMENT IN SOUTH-WEST INDIAN OCEAN  
REGION AND MALDIVES PROJECT

April 27, 2023

Environment, Natural Resources & The Blue Economy Global Practice  
South Asia Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective March 31, 2023)

Currency Unit = Maldivian Rufiya (MVR)

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MVR 15.46 = US\$1

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SDR 1 = US\$1.34523

## FISCAL YEAR

January 1 - December 31

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## ABBREVIATIONS AND ACRONYMS

AWP	Annual Work Plan		
CD	Corporate Department (of the MoFMRA)	MCS	Monitoring, Control, and Surveillance
CPF	Country Partnership Framework	MGOM	Matching Grants Operations Manual
COVID-19	Coronavirus Disease 2019	MIFCO	Maldives Industrial Fishing Company Limited
CMM	Conservation Management Measures	MIS	Management Information System
DA	Designated Account	MMRDF	Maniyafushi Mariculture Research and Development Facility
DBFOMT	Design-Build-Finance-Operate-Maintain-Transfer	MMRI	Maldives Marine Research Institute
EAF	Ecosystem Approach to Fisheries		
EIRR	Economic Internal Rate of Return	MoFMRA	Ministry of Fisheries, Marine Resources and Agriculture
EE	Energy Efficiency	MTC	Minimum Terms and Conditions
ESCP	Environmental and Social Commitment Plan	MVR	Maldivian Rufiyaa
ESF	Environmental and Social Framework	M&E	Monitoring and Evaluation
FA	Financing Agreement	PIP	Project Implementation Plan
FAO	Food and Agriculture Organization of the United Nations	PDO	Project Development Objective
FM	Financial Management	PPSD	Project Procurement Strategy for Development
GBV	Gender-based Violence	RPMU	Regional Project Management Unit (at the IOC)
GCRF	Global Crisis Response Framework	RPSC	Regional Project Steering Committee (at the IOC)
GDP	Gross Domestic Product	RSW	Refrigerated Seawater
GHG	Greenhouse Gas	SEA/SH	Sexual exploitation and abuse/sexual harassment
GoM	Government of Maldives	SEP	Stakeholder Engagement Plan
GRID	Green, Resilient, and Inclusive Development	SME	Small and Medium Enterprise
GRM	Grievance Redress Mechanism	SOP	Series of Projects
IA	Implementing Agency	STEP	Systematic Tracking of Exchanges in Procurement
IDA	International Development Association	SWIO	South-West Indian Ocean
IOC	Indian Ocean Commission	SWIOFC	South-West Indian Ocean Fisheries Commission
IOTC	Indian Ocean Tuna Commission	SWIOFish	South-West Indian Ocean Fisheries Governance and Shared Growth (Program, SOP)
IPF	Investment Project Financing	TA	Technical Assistance
IUFR	Interim Unaudited Financial Report	UN	United Nations
IUU	Illegal, Unreported, and Unregulated	WBG	World Bank Group
MCGP	Maldives Competitiveness and Growth Project		

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## DATASHEET

### BASIC INFORMATION

Country(ies)	Project Name	
Southwest Indian Ocean, Maldives	Transforming Fisheries Sector Management in South-West Indian Ocean Region and Maldives Project (TransFORM, SWIOFish5)	
Project ID	Financing Instrument	Environmental and Social Risk Classification
P179242	Investment Project Financing	Moderate

### Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input checked="" type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input checked="" type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input checked="" type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
16-May-2023	31-Dec-2030

Bank/IFC Collaboration

No

### Proposed Development Objective(s)

To strengthen regional, evidence-based fisheries management in the South-West Indian Ocean Region and to improve competitiveness in the fisheries sector in the Maldives

### Components

Component Name	Cost (US\$, millions)
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Component 1: Enhance Evidence-based Management Advice to the Fisheries Sector in the South-West Indian Ocean Region	12.00
Component 2: Supporting Maldives as the Catalyst for Strengthened Regional Capacity for Fisheries Governance and Management	26.88
Component 3: Enhanced Competitiveness and Private Sector Participation for improving Business Climate for Fisheries in Maldives and the South-West Indian Ocean Region	102.23

## Organizations

Borrower:	Indian Ocean Commission (IOC) Republic of Maldives
Implementing Agency:	Indian Ocean Commission (IOC) Secretariat Maldives Ministry of Fisheries, Marine Resources and Agriculture (MoFMRA)

## PROJECT FINANCING DATA (US\$, Millions)

### SUMMARY

Total Project Cost	141.10
Total Financing	141.10
of which IBRD/IDA	64.80
Financing Gap	0.00

### DETAILS

#### World Bank Group Financing

International Development Association (IDA)	64.80
IDA Credit	26.40
IDA Grant	38.40

#### Non-World Bank Group Financing

Commercial Financing	76.30
Unguaranteed Commercial Financing	76.30

### IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	SML Amount	Guarantee Amount	Total Amount
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<b>Maldives</b>	26.40	26.40	0.00	0.00	52.80
National Performance-Based Allocations (PBA)	2.60	2.60	0.00	0.00	5.20
Regional	23.80	23.80	0.00	0.00	47.60
<b>Southwest Indian Ocean</b>	0.00	12.00	0.00	0.00	12.00
Regional	0.00	12.00	0.00	0.00	12.00
<b>Total</b>	<b>26.40</b>	<b>38.40</b>	<b>0.00</b>	<b>0.00</b>	<b>64.80</b>

#### Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2023	2024	2025	2026	2027	2028	2029	2030	2031
<b>Annual</b>	0.00	3.36	6.48	11.30	12.89	10.25	9.19	8.02	3.31
<b>Cumulative</b>	0.00	3.36	9.84	21.14	34.03	44.28	53.47	61.49	64.80

#### INSTITUTIONAL DATA

##### Practice Area (Lead)

Environment, Natural Resources & the Blue Economy

##### Contributing Practice Areas

##### Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

#### SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Moderate
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Moderate



6. Fiduciary	● Substantial
7. Environment and Social	● Moderate
8. Stakeholders	● Moderate
9. Other	
10. Overall	● Substantial

## COMPLIANCE

### Policy

Does the project depart from the CPF in content or in other significant respects?

[ ] Yes [✓] No

Does the project require any waivers of Bank policies?

[ ] Yes [✓] No





## Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Relevant
Financial Intermediaries	Not Currently Relevant

**NOTE:** For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

## Legal Covenants

### Sections and Description

[IOC Financing Agreement (FA), Article IV. 4.01] The Additional Events of Suspension consist of the following: (a) The Resolution and Statutes of the SWIOFC has been amended or repealed so as to materially and adversely affect the ability of the SWIOFC to perform any of its obligations arising under or entered into pursuant to the Agreement, or to achieve the objectives of the Project. (b) The Association has suspended in whole or in part the right of Maldives to make withdrawals under the Maldives Financing Agreement.

### Sections and Description

[IOC FA, Schedule 2, Section I.A.2] The Recipient, shall, not later than three (3) months after the Effective Date (or such other date which the Association has confirmed in writing to the Recipient is reasonable and acceptable under the circumstances), establish and thereafter maintain, until the completion of the Project, a Regional Project Steering Committee, to provide, inter alia, overall guidance and oversight; approval of final outputs including results of technical studies and assessments; approval of overall annual action plans and budget for Part 1 of the



Project; such Committee to be chaired by the rotating chair of the SWIOFC, and including, inter alia, all members of the SWIOFC, Secretary General of the IOC (or its representative), and the Secretary of the SWIOFC, all as set forth in the Project Implementation Plan.

#### Sections and Description

[IOC FA, Schedule 2, Section I.A.3] The Recipient shall, not later than three (3) months after the Effective Date (or such other date which the Association has confirmed in writing to IOC is reasonable and acceptable under the circumstances), establish and thereafter maintain, until the completion of the Project, a Regional Project Management Unit (RPMU), to provide, inter alia, Project implementation leadership, monitor, evaluate, and report, Part 1 of the Project; such unit to be comprised of adequate professional and administrative staff in numbers, including an administrative and financial assistant, acting as the accountant for Part 1 of the Project, to be hired by the RPMU, with qualifications and experience and under terms of reference satisfactory to the Association, all as set forth in the Project Implementation Manual.

#### Sections and Description

[IOC FA, Schedule 2, Section IV] The Recipient shall: (a) ensure that the Project's activities involving collection, storage, usage, and/or processing of Personal Data are carried out with due regard to the appropriate international data protection and privacy standards and practices; (b) in the event that, during the implementation of the Project, the approval of any new legislation regarding Personal Data protection may have an impact on the activities financed by the Project, ensure that a technical analysis of said impact is conducted, and that the necessary recommendations and adjustments, are implemented, as appropriate; and (c) except as may otherwise be explicitly required or permitted under this Agreement, or as may be explicitly requested by the Association, in sharing any information, report or document related to the activities described in Schedule 1 to this Agreement, ensure that such information, report or document does not include Personal Data.

#### Sections and Description

[IOC FA, Schedule 2, Section I.B.2] Not later than three (3) months after the Effective Date (or such other date which the Association has confirmed in writing to the Recipient is reasonable and acceptable under the circumstances, as determined by the Association in its sole discretion), the Recipient shall: (a) adopt and thereafter throughout Project implementation maintain a Project Implementation Plan, in form and substance acceptable to the Association; (b) carry out the Project in accordance with the Project Implementation Plan; in the event of any inconsistency between the Project Implementation Plan and this Agreement, the provisions of this Agreement shall prevail; (c) ensure that the Project Implementation Plan includes data protection measures to regulate the collection, storage and processing of Personal Data, in a manner acceptable to the Association; and (d) not amend, revise or waive, nor allow to be amended, revised or waived, any provision of the Project Implementation Plan, whether in whole or in part, without the prior written approval of the Association.

#### Sections and Description

[Maldives FA, Article IV, 4.01] The Additional Events of Suspension consist of the following: (a) The Fisheries Act has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under the Agreement. (b) The Association has suspended in whole or in part the right of the IOC to make withdrawals under the IOC Financing Agreement.

#### Sections and Description

[Maldives FA, Schedule 2, Section I.B.2] Not later than three (3) months after the Effective Date (or such other date



which the Association has confirmed in writing to the Recipient is reasonable and acceptable under the circumstances, as determined by the Association in its sole discretion), the Recipient shall: (a) adopt and thereafter throughout Project implementation maintain a Project Implementation Plan, in form and substance acceptable to the Association; (b) carry out the Project in accordance with the Project Implementation Plan; in the event of any inconsistency between the Project Implementation Plan and this Agreement, the provisions of this Agreement shall prevail; (c) ensure that the Project Implementation Plan includes data protection measures to regulate the collection, storage and processing of Personal Data, in a manner acceptable to the Association; and (d) not amend, revise or waive, nor allow to be amended, revised or waived, any provision of the Project Implementation Manual, whether in whole or in part, without the prior written approval of the Association.

#### Sections and Description

[Maldives FA, Schedule 2, Section I. B.4] Not later than three (3) months after the Effective Date, the Recipient shall prepare and adopt the Matching Grants Operations Manual (“MGOM”), as part of the PIP, and: (a) carry out the Matching Grants Scheme in accordance with the MGOM; and (b) not amend, revise or waive nor allow to be amended, revised or waived, the provisions of the MGOM or any part thereof without the prior written agreement of the Association.

#### Sections and Description

[Maldives FA, Schedule 2, Section I.A.2] The Recipient, through MoFMRA, shall not later than three (3) months after the Effective Date (or such other date which the Association has confirmed in writing to the Recipient is reasonable and acceptable under the circumstances), establish and thereafter maintain, until the completion of the Project, a MoFMRA Steering Committee, to provide framework for national policy and Project implementation, approval of Project’s overall annual action plans and budget; and implementation oversight for Parts 2 and 3 of the Project, approval of the Project’s overall annual action plans and budget; such Committee to be chaired by the MoFMRA Minister, and including, inter alia, industry and civil society representatives, all as set forth in the Project Implementation Plan.

#### Sections and Description

[Maldives FA, Schedule 2, Section I.A.3] The Recipient, through MoFMRA, shall maintain, until the completion of the Project, a Corporate Department within MoFMRA, to provide project management for Parts 2 and 3 of the Project, comprised of adequate professional and administrative staff in numbers, with qualifications and experience and under terms of reference satisfactory to the Association to be in place not later than three (3) months after the Effective Date (or such other date which the Association has confirmed in writing to the Recipient is reasonable and acceptable under the circumstances), all as set forth in the Project Implementation Plan.

#### Sections and Description

[Maldives FA, Schedule 2, Section IV] The Recipient shall: (a) ensure that the Project’s activities involving collection, storage, usage, and/or processing of Personal Data are carried out with due regard to the Recipient’s existing legal framework and appropriate international data protection and privacy standards and practices; (b) in the event that, during the implementation of the Project, the approval of any new legislation regarding Personal Data protection may have an impact on the activities financed by the Project, ensure that a technical analysis of said impact is conducted, and that the necessary recommendations and adjustments, are implemented, as appropriate; and (c) except as may otherwise be explicitly required or permitted under this Agreement, or as may be explicitly requested by the Association, in sharing any information, report or document related to the activities described in Schedule 1 to this Agreement, ensure that such information, report or document does not include Personal Data.



<b>Conditions</b>		
Type Effectiveness	Financing source IBRD/IDA	Description [IOC FA, Art. 5.01] The Additional Condition of Effectiveness consists of the following: the Maldives Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness have been fulfilled.
Type Effectiveness	Financing source IBRD/IDA	Description [Maldives FA, Article V, 5.01] The Additional Condition of Effectiveness consists of the following: the IOC Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness have been fulfilled.
Type Disbursement	Financing source IBRD/IDA	Description [IOC FA, Schedule 2, Section III.B] Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the Signature Date.
Type Disbursement	Financing source IBRD/IDA	Description [Maldives FA, Schedule 2, Section III.B] Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed SDR 2,230,000 [US\$3,000,000 equivalent] may be made for payments made prior to this date but on or after January 1, 2023, for Eligible Expenditures under Category (1)a); and for payments under Category (2), unless and until the MGOM, satisfactory to the Association, has been prepared and adopted by the Recipient.



## I. STRATEGIC CONTEXT

### A. Country Context

- 1. Maldives and 11 other countries border the waters of the South-West Indian Ocean (SWIO)** – the island nations of Comoros, La Réunion (France), Madagascar, Mauritius, and Seychelles; and six mainland countries: 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 and the shared ecosystem in general are central to the economy of SWIO countries, especially the island countries.
- 2. 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 account 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 do not currently have sufficiently comprehensive and robust management systems and regulatory frameworks that are conducive towards developing domestic capabilities for fish processing, enterprise development, and value addition in the sector, and therefore underperform in terms of generating social and economic benefits.
- 3. Maldives is an upper-middle-income country with a robust growth trajectory.** Annual real GDP growth averaged 5.7 percent from 2000 to 2019 and real GDP per capita rose from US\$5,539 in 1995 to US\$8,678 in 2021. The sustained growth has significantly reduced poverty and Maldives performs well on poverty outcomes compared to its regional, income, and small island peers. The economy is dependent on a small number of sectors though. In 2021, tourism is accounted for 26 percent of GDP, transport and communication for 11 percent, and retail trade for 8 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 Coronavirus Disease (COVID-19) pandemic, for example, had a significant adverse impact on tourism and related sectors.
- 4. Maldives' economy is estimated to have grown by 12.3 percent in 2022 surpassing nominal pre-pandemic GDP following the sustained rebound in tourism.** Maldives received 1.68 million tourists in 2022 - a mere 1.6 percent short of pre-pandemic 2019 highs. A growing number of tourists from India and Russia had partially compensated for the absence of tourists from China, while the return of tourists from traditional and new markets in Europe and the Middle East have helped support the recovery in the sector. As of early 2023, tourist arrivals from China restarted.
- 5. Fiscal and debt vulnerabilities have greatly increased since 2019.** Total public and publicly guaranteed debt increased from 79 percent of GDP in 2019 to 111 percent of GDP in 2022 due to high fiscal deficits caused by the COVID-19 shock, accelerated capital spending to finance major public sector investment projects, and blanket subsidies for energy and food. In addition, high global commodity prices deteriorated the macro fiscal situation further in 2022. Despite growth in tourism earnings, the current account deficit widened considerably



to an estimated 24.6 percent of GDP in 2022, due to far costlier imports of oil and capital goods. High import costs and external debt repayments put significant pressure on gross reserves, which fell to less than US\$500 million (or 1.8 months of imports) in October 2022, before recovering to over US\$800 million (3 months of import) by the end of the year due to a US\$200 million currency swap deal with India.

6. **Maldives' risk of overall and external debt distress remains high.** Government faces rising external debt servicing payments amidst tightening global financing conditions. The issuance of a five-year Sukuk in 2021 reduced rollover risks from the US\$250 million Eurobond, issued by the Government of Maldives (GoM) to the international debt capital market in June 2017, due in June 2022, but it came at an elevated cost with a yield of 10.5 percent, adding to heightened fiscal vulnerabilities. Furthermore, increased cost of external borrowing has compelled government to turn towards domestic financing sources, which is crowding out the private credits and leading to a concerning rise in the exposure of the financial sector to the sovereign.

## B. Sectoral and Institutional Context

7. **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 capture by SWIO countries is about 4.6 million tons, 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 assessed SWIO fish stocks are overfished, especially the high-value resources, such as shrimp, lobster, and sea cucumber. Critical ecosystems, already weakened by land-based activities and pollution are further endangered by loss of biodiversity, and destruction of coral reefs and mangroves.

8. **The fisheries sector in the SWIO is 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 such as illegal fishing in protected/reserved fishing areas across countries, suboptimal sector investments in cold storage or fish processing, and to promote equitable distribution of wealth. Management of monitoring, control, and surveillance (MCS), safety at sea, and assessment of shared stocks like small pelagic fish must, at the least be coordinated at a regional level. Important common interests in research or capacity reinforcement could also be best consolidated at the regional level to general economies of scale and joint programs.

9. **The SWIO countries face common constraints about their fisheries sector: weak governance, weak institutional capacity and human resources, and a fragile business environment.** Regional platforms such as the Indian Ocean Tuna Commission (IOTC), which is responsible for the management of the tuna and tuna-like resources in the region, 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., the recently approved Guidelines for Minimum Terms and Conditions) and enhance regional fisheries management, which have significant impacts on the fisheries sector of the SWIO countries.

10. **World Bank has supported SWIO countries by financing the South-West Indian Ocean Fisheries Governance and Shared Growth (SWIOFish) series of projects (SOP)** starting in 2015 (see Figure 1) with the aim of increasing the economic, social, and environmental benefits of SWIO countries from sustainable marine fisheries and have achieved noticeable improvements so far. The SWIOFish1 Project implemented by the Indian Ocean Commission (IOC) along with Comoros, Mozambique, and Tanzania established the SWIOFC regional consultation mechanisms. 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 (implemented by the IOC and Madagascar), SWIOFish3 (implemented by Seychelles) and SWIOFish4 (implemented by Maldives) projects helped reinforce and widen the SWIOFC collaboration across countries and stakeholders in the region, improve the management of selected fisheries at regional, national and community levels, and increase access by targeted fisherpersons to alternative livelihoods activities. In particular, the SWIOFish4 project implemented by Maldives 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 MCS; and (c) supplying impetus for regional cooperation through analytical backstopping and by hosting dialogue forums of the 16 coastal states in the Indian Ocean region (called the G-16 countries).

**Figure 1: SWIOFC Countries and World Bank-Financed Projects**

World Bank-Financed Projects	Supported entities	Implementation period																
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
SWIOFish SOP Projects																		
SWIOFish1-P132123	IOC																	
	Comoros																	
	Mozambique																	
	Tanzania																	
SWIOFish2 - P153370 and P159662	IOC																	
	Madagascar																	
SWIOFish3 - P155642	Seychelles																	
SWIOFish4 - P157801	Maldives																	
SWIOFish5-P179242 (This project)	IOC																	
	Maldives																	
Other Projects																		
P163980	Kenya																	
P178143	Yemen																	
P178032	Somalia																	

**11. 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 the 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) **Reducing 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. 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 the 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 yellowfin tuna. These are among the best fishing methods, and in Maldives, such methods have been found commercially profitable. Adoption of these methods by other SWIO countries, where appropriate, would need knowledge and skill transfer.





b) **Maximizing 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. Only 10-25 percent of the sector's labor force is employed in processing and marketing, indicating substantial post-harvest economic opportunities. Benefits from semi-industrial and industrial fishing are well below potential. The challenges are similar in Maldives, but the country had recently started focusing on improved management of reef fishes such as groupers and recreational fishery. In addition, over the past three decades, Maldives has built a domestic industrial capacity in the fisheries sector that is 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 fishing communities would have better employment and income opportunities.

c) **Addressing the prevailing weak investment and business climate constraining private sector development in the fisheries sector in SWIO countries.** The business climate stays weak, with low formal private sector engagement available to finance sustainable fisheries and aquaculture in all SWIO countries, except in La Réunion (France). Although there is interest in expanding or developing semi-industrial or industrial fisheries for high-value species, subject to appropriate sustainable management systems being in place, poor access to investment capital and credit is deterring private-sector investment. The past SWIOFish series of projects included support to certain value chains engaging with small-scale fisheries and preparing business plans for anchor enterprises in Comoros, Madagascar, Mozambique, Tanzania, and Seychelles. Lack of allocation rights to artisanal and small-scale fisheries, costly and inadequate management planning and implementation, limited capacity in co-management, limited support from extension services and capacity of cooperative organization are key underlying and contributing factors that are deterring sustainable investment. Maldives also has a constrained climate for private sector expansion, with inadequate commercial credit, and where public finance is aimed at creating assets and businesses such as ice plants, processing units, without leveraging private investment. However, a few private sector firms in Maldives have expanded their business in the past 15 years. These firms motivate other small enterprises to invest in the fisheries sector once credit facilitation is available.

**12. Women's participation in the fisheries sector is often restricted, unrecognized, and underpaid in SWIO countries,** with wage gaps up to 40 percent. Women in the SWIO countries are often restricted to businesses that can be operated within the social boundaries of their households or communities to meet the flexibility required to deal with other domestic and childcare chores. The gender norms significantly suppress women's entrepreneurial involvement and access to opportunities such as training, networking, and access to markets. Women have further disadvantages in accessing credit even when otherwise nascent financial institutions offer credit to the fisheries sector enterprises, due to conservative lending regimes, high interest, difficulties in producing collateral, and inability to demonstrate creditworthiness. Interventions focusing on women are 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 governance and management roles in the fisheries sector. In Maldives, the Household Income and Expenditure Survey of 2019 reported 16 percent of the informal sector workers were engaged in fisheries, but no women, or that the deep-sea fishery, one of the top 5 national occupations with 3,072 recorded workers, but only 7 women. The 2014 census reported that only 11 percent of workers engaged in the overall fisheries and agriculture sector were women. The formal fish processing sector globally employs a large proportion of women as workers and could be a potential source of more jobs for women in the SWIO countries. In Maldives, however, the fish processing plants employ expatriate women rather than local women workers, primarily





because the minimum mandated wage of domestic workers is significantly higher than the wages paid to the expatriate workers. Very few women own or manage fisheries sector small and medium enterprises (SMEs) in Maldives or elsewhere in the SWIO region.

**13. Fisheries sector activities in SWIO region are extremely vulnerable to and increasingly affected by climate change and disaster events.** Climate change induced changes in the ecosystem, abundance, and distribution of fish in the SWIO region are affecting fisheries activity, fishing communities, industry, markets, and national income. Increasing frequency and intensity of cyclones, storm surges, and sea level rise and resultant coastal erosion are increasingly requiring reinvestments in infrastructure and assets such as fishing jetties, fish landing centers, fish processing plants and other sector facilities. Ocean acidification is increasingly resulting in the bleaching of coral reefs - the natural habitat of key fish species in these countries. Climate-change induced impacts on marine infectious diseases are spreading faster with increasing temperature and salinity. These impacts on fish stock and their distribution are juxtaposed with impacts of overfishing including illegal, unreported, and unregulated (IUU) fishing, environmental pollution, and damages to the coastal resources such as corals and mangroves. As a result of all the above, not only are there signs of faster depletion of fish stock, but the unit cost of fishing is going up, especially for artisanal fishers who can least afford it. Increasing variations in climate and their associated ecological changes will further intensify the vulnerabilities of the fishing communities that already suffer widespread poverty. Overall, the entire fishing practices, management plans, monitoring and enforcement need to uphold adaptation and resilience.

**14. Decarbonization of the fisheries sector is part of the national plans in the SWIO countries.** 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. The fisheries sector is a significant user of fossil fuel and transport services, which are part 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 will boost adoption of decarbonization initiatives in other SWIOFish countries, and other small island developing states.

**15. 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 GoM's 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 keeping exports at about 60 percent of the catch (as important contributors to national income and welfare of fishers and their families); (iii) sustainability of live-bait and reef fishing; and (iii) economic diversification into mariculture and associated integrated activities to create substantive jobs, especially for women and youth, and absorb labor from capture fishery. However, while attempting the above, it is important to: (a) promote innovation and resources-efficient technology, processes and decarbonization; relevant technical skill development; and (b) improve the enabling environment for private sector investment and partnerships for both value-chain development and the exploration of high-value niche export markets, and sharing experience/awareness on other national pathways for development and growth in the fisheries and allied sectors. The experience from Maldives will be relevant to inform the establishment of appropriate national pathways specific to other SWIO countries as well as for regional guidance and advice.

**16. Sustenance, development, and growth in the fisheries sector in Maldives is linked to the SWIO regional agenda on conservation of the marine resources and shared vision for sustainable growth of the sector** including diversification, and compliance to regional/international standards. There are substantial benefits to the countries in SWIO region from activities implemented in Maldives, due to: (a) economies of scale from shared infrastructure, technologies, and knowledge, especially where Maldives have progressed relatively more



impactfully compared to other countries in the region, (b) positive externalities yielded by national activities to avoid the “tragedy of the commons” scenario; and, (c) upgraded value-chain linkages by informing and helping their fisheries sector integrate into the more competitive value chain development in Maldives. For Maldives, or for other SWIO countries, the benefits of this project include: (a) addressing common constraints jointly through regional platform and dialogue events, and (b) greater regional cohesion in the international fora as well as in negotiations of fishing-related agreements where decisions need to be collective, and impacts are shared. In the interconnected ecological region, every country could benefit by enhancing the positive externalities yielded by other countries’ national activities.

### **C. Relevance to Higher Level Objectives**

**17. The project aligns with the World Bank’s Approach to South Asia Regional Integration, Cooperation and Engagement, 2020-23, specifically the pillar on Reducing Vulnerabilities and Building Resilience** through engaging the IOC and the SWIOFC regional organizations, building regional and national capacity, and promoting regional solutions to cross-boundary issues.

**18. The objective and design of the project conform to the World Bank Group (WBG) Climate Change Action Plan South Asia Roadmap 2021-2025**, specifically the guiding principles to increase climate ambition with prioritization of climate adaptation and resilience with private investment and mobilization. The roadmap highlights the importance of diversification and climate proofing of fisheries through enhanced investment in marine and coastal management and fisheries sector development. Critical transitions are needed in the fisheries sector to ensure that activities pursued are ecologically sustainable and build resilience in the face of increasingly erratic weather events which jeopardize fisheries.

**19. The project is consistent with the WBG Country Partnership Framework (CPF), FY23-FY27 for Maldives** discussed by the WBG Board of Executive Directors on January 12, 2023 (Report No. 177788-MV). The overarching goal of the CPF is to help the Maldives continue its transformation to a green, resilient, and inclusive high-growth future. Specifically, Objective 3 of the CPF calls for strengthening natural asset-based industries, especially fisheries, in a sustainable manner. The CPF recommends deepening previous engagement in the fisheries sector by: (i) improvement of standards in sustainable fisheries management, including marine health, handling, storage, and energy efficiency, and (ii) assisting regional countries by drawing experience from Maldives as a “regional lighthouse” in sustainable fishing practices. At the same time, the CPF also calls for improving the market-fundamentals of the fishery sector, including improving efficiency, use of technology, and expanded private participation to be able to meet Outcome 2 of the CPF, viz., “Increased Access to Economic Opportunities”.

**20. The project is designed in accordance with the WBG Global Crisis Response Framework (GCRF).** The importance of fish towards ensuring food and nutrition security is well-recognized.<sup>1</sup> This project will support people in the SWIO countries, especially women, infants, and children who have a higher demand for micronutrients, essential fatty acids, and protein, and who depend mainly on fish for their animal protein intake and for the provision of multiple micronutrients essential to addressing a variety of health issues. This project will, through component 3 and its subcomponents, support activities that facilitate private sector enterprises to preserve and create jobs, and will provide skills training, greater financial inclusion and initiatives to facilitate gender equality and encourage entrepreneurship and women’s economic activity (Pillar 2 of GCRF, IDA Grant and Credit of US\$25.92 million ); through component 1 and its subcomponents, support nutrition-sensitive and sustainable food systems, and build long-term resilience and upgrading systems to make them less vulnerable

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<sup>1</sup> Bennett, A., Patil, P., Kleisner, K., Rader, D., Virdin, J., & Basurto X. 2018. *Contribution of Fisheries to Food and Nutrition Security: Current Knowledge, Policy, and Research*. Nicholas Institute for Environmental Policy Solutions Report 18-02. [Report prepared to support WBG Flagship Report on “Ending Malnutrition in South Asia, 2019”]



to future crises (Pillar 3 of GCRF, IDA Grant of US\$12 million); and through component 2 and its subcomponents, operationalize 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 (Pillar 4 of GCRF, IDA Grant and Credit of US\$26.88 million). Following the GRID approach, the project emphasizes critical transitions needed in the sector to ensure that activities pursued are ecologically sustainable, promote climate-smart investments, and provide increased opportunities for women.

## II. PROJECT DESCRIPTION

### A. Project Development Objective (PDO)

#### PDO Statement

To strengthen regional, evidence-based fisheries management in the South-West Indian Ocean Region and to improve competitiveness in the fisheries sector in the Maldives

#### PDO Level Indicators

- Fisheries in the SWIO region under regionally coordinated and “Ecosystem Approach to Fisheries”- compatible management (Number)
- Selected overexploited coastal fish stocks in the SWIO region show sign of recovery (Number)
- Fisheries-related enterprises with improved competitiveness in Maldives (disaggregated by size, ownership by gender, value chain characteristics) (Number)
- People with improved job-opportunities in the SWIO region (disaggregated by gender) (Number)

21. **The overarching SOP Development Objective** in the SWIOFish SOP is to increase the economic, social, and environmental benefits to SWIO countries from sustainable marine fisheries. The SWIOFish SOP Indicators are as follows:

- [Regional Indicator, overall, already established by SWIOFish2 Project] The compliance rate of SWIO countries with IOTC resolutions (*on Conservation Management measures (CMMs) and Minimum Terms and Conditions (MTCs)*) (percent)
- [Sub-Indicator] The compliance rate of Maldives with IOTC resolutions (*on CMMs and MTCs*) (percent)

### B. Project Components

22. The project forms a part of the SWIOFish SOP. The sets of activities focus on the needs shared by all SWIO countries and Maldives which will continue to provide regional and bilateral benefits. Component 1 will be implemented by the IOC, and technical activities will be coordinated through the SWIOFC institutional arrangements (i.e., the SWIOFC, the Bureau, and the Scientific Committee) and agreed with participation of member countries, through the SWIOFC. Components 2 and 3 will be implemented in and by Maldives but with the aim to influence sustainable management and development of the fisheries sector in other IDA-eligible SWIO countries.

**Component 1: Enhance Evidence-based Management Advice to the Fisheries Sector in the South-West Indian Ocean Region** (Cost/IDA Grant US\$12 million, implemented by the IOC)

23. This component will aim to enhance fisheries management in the SWIO region as a whole and reinforce regional collaboration through production and sharing of regionally relevant knowledge, targeted capacity development, improving fisheries and fish stock assessments, the production of management advice, and by promoting effective collaboration with other regional programs and initiatives supporting different elements of fisheries management, policy, or research. The IOC will ensure to use the available organizational and technical



expertise to execute the activities and when needed it will source additional expertise to overcome the low availability of local scientific and technical expertise in the SWIO region, from the Food and Agriculture Organization (FAO).

**24. Sub-component 1.1: Promoting the Development and Coordination of Relevant Innovative Regional Research with a Focus on Capacity Development Programs and Initiatives** (US\$5.1 million) (GCRF Pillar 3). This subcomponent aims at reinforcing the SWIOFC framework for the development and application of science-based fisheries management in the region. It is expected to lead to the acquisition of a common lexicon and knowledge base among the experts involved, as well as the reinforcement of a community of good practice across the institutions dealing with fisheries management and research, promoting opportunities for exchange of expertise, and lessons learned between member countries. The training and mentoring program of the SWIOFC will be developed considering the current under-representation of women in the SWIOFC and in the panel of experts in fisheries related subjects in the region. It will include (a) the promotion, support, and coordination of an innovative regional fisheries science program focusing on priority areas of the SWIOFC, as identified by the Commission and the Scientific Committee; (b) the development and implementation of a regional training and mentoring program coordinated by the IOC, that aims at overcoming the limitations of unconnected short courses, and at allowing a better tailoring of the training to the knowledge needs and skill level of different groups of experts, and the development of a training curriculum relevant for job quality, e.g., in participatory fisheries management, post-harvest conservation and processing supporting fisheries management, and training for 40,000 beneficiaries from coastal-communities; (c) supporting the further development of a network of regional centers of excellence (on management and applied research on fisheries and mariculture), allowing the development of a regional critical mass in scientific areas of particular relevance to science-based fisheries management advice in the region, complementing capacity gaps through regional assistance exchanges, and reducing the continued dependence on expertise from consultants and companies from other areas of the world; and (d) project management.

**25. Sub-component 1.2: Coordinating and Consolidating Regional Cooperation for Evidence-based Advice on Management of Fisheries and Other Uses of Marine and Coastal Ecosystems** (US\$6.1 million) (GCRF Pillar 3). This subcomponent aims to improve fisheries assessment and management in all its dimensions (social, economic, and ecological), by developing and applying guidance on the use of common standardized tools and approaches for assessment, improving the management and use of information and data on fisheries, and developing or revising of the Ecosystem Approach to Fisheries Management (EAF)-compatible fisheries management plans for implementation by SWIOFC member countries. The work under this activity will be structured in a way to make the best use of the collective knowledge and limited resources of the member countries and directly support the work conducted by the Scientific Committee and Working Groups. This subcomponent will include: (a) supporting meetings and intersessional work of the SWIOFC, the SWIOFC Bureau, and the SWIOFC Scientific Committee; (b) improving the stock assessments through the implementation and expansion of tools and capacity for the application of data- and capacity-limited approaches to the production of stock assessment and fisheries management advice, at national and regional level; (c) supporting the adoption of sustainable systems and processes for managing and accessing information and statistics on data-poor and capacity-limited fisheries, covering most steps of the fisheries data process, from collection to analysis, as well as data management, and recovering and making available relevant data from previous projects in the SWIO region; (d) supporting the development, revision and implementation of EAF-compatible fisheries management plans, including the setup of a sustainable mechanism within the SWIOFC to continuously monitor, evaluate and share knowledge on EAF implementation in the SWIO region; and (e) project management.

**26. Sub-component 1.3: Linking and Coordinating the Fisheries Initiatives and Programs in the Region** (US\$0.8 million) (GCRF Pillar 3). This subcomponent builds on past processes of the SWIOFC, creating opportunities for



new work lines, reducing overlap and promoting not just synergies but actual close collaboration between different initiatives and activities promoted, implemented and funded by multiple actors. This will promote an efficient use of human and technical resources enhancing collaborative implementation of projects and learning in the best interest of the regional marine fisheries communities and fisheries authorities and the effective management of the regional marine ecosystems. The SWIOFC Secretariat will also ensure that this activity includes complementarity of resources from other major projects and programs linked to the SWIOFC, including the SWIOFC-Nairobi Convention Partnership Project and the FAO-EAF Nansen projects, to allow an optimized use of resources and efforts to continue the SWIOFC work program. This subcomponent will include: (a) supporting the reinforcement of the role of the SWIOFC in the Regional Project Steering Committee (RPSC) as well as high-level coordinator of fisheries in the SWIO region; (b) supporting the cooperative implementation of international and regional fisheries instruments adopted by the SWIOFC, namely the MTC Guidelines and the Conservation and Management Measures for the IOTC; (c) coordinating and developing new policy, guidelines or good practices relevant to the SWIOFC, in cooperation with other regional organizations, and under the scope of the science-based knowledge and expertise in the SWIO region; and (d) project management.

**Component 2: Supporting Maldives as the Catalyst for Strengthened Regional Capacity for Fisheries Governance and Management** (Cost US\$26.88 million, to be implemented by the Ministry of Fisheries, marine Resources and Agriculture (MoFMRA)/Maldives; IDA Grant US\$13.44 million, IDA Credit US\$13.44 million)

27. This component will support Maldives to provide the functions of a “regional enabler” by: (i) demonstrating benefits of using ecological limits for improved fisheries governance, and (ii) providing knowledge and capacity building support to the other countries in SWIO region, especially the island countries. Maldives is leading in sustainable fisheries management in the SWIO region, demonstrated by Maldives’ compliance to IOTC conservation management measures, augmented MCS, and formulation of appropriate and modern fisheries sector legislation and management plans. Investments toward improved governance and management in Maldives will not only be beneficial for Maldives but also to the SWIO countries as these: (a) enhance the positive externalities. The coastal fish resources in the SWIO region are archetypes of shared regional public good and their sustainable harvesting avoids the “tragedy of the commons scenario”; (b) address common constraints related to weak human and institutional capacity, weak regulatory regimes and business environment that do not allow sustainable economic growth from improved management of coastal fishery resources; and (c) incentivize greater regional cohesion in the international fora, especially among the like-minded small island states that include countries in the SWIO region, in negotiations of fishing-related agreements to forge collective decisions for shared regional outcomes. In addition, Maldives will also benefit from learning and mutual collaboration. This component will include the following subcomponents.

**28. Subcomponent 2.1: Improved and Innovative Implementation, Enforcement and Monitoring of Fisheries Management Plans and Sharing Results with SWIO Countries** (US\$5.47 million) (GCRF Pillar 4). This subcomponent will include: (a) applying enhanced catch reporting, innovations such as electronic tags, low-cost radars and artificial intelligence, and undertaking scientific studies to support implementation, periodic evaluation and updating of climate-resilient fisheries management plans already prepared such as the grouper management plan, the diamond squid management plan, and the bait fish management plan; (b) support enhanced institutional capacity and knowledge related to the prevention, detection and suppression of IUU fishing within the exclusive economic zone of Maldives, following international models and practices; (c) sharing of evaluation reports from the implementation of aforementioned management plans with all SWIO countries through the regional fisheries dashboard of the SWIOFC, establishing information exchange with maritime fusion centers in the Indian Ocean Region, and organizing annual dialogue forums to determine use and applicability of such plans and actions in other SWIO countries and the likeminded coastal G-16 countries; and (d) preparing and implementing climate-resilient management plans for other important fish stocks in Maldives





in due consideration of the principles and methods discussed in the SWIO country dialogue forums and the relevant outputs of the SWIOFC innovative science program.

**29. Subcomponent 2.2: Augmented Comprehensive Quarantine, Disease Surveillance and Management and Experience Sharing with SWIO Countries** (US\$4.87 million) (GCRF Pillar 4). This subcomponent will include: (a) strengthening aquatic animal-health certification procedures for aquatic animals and products that are exported internationally in line with the Aquatic Animal Health Code of the World Organization for Animal Health (OIE). This involves augmented regulations for the import and movement of aquatic animals and products, and establishment of quarantine facilities using green designs and geolocation to be resilient against sea level rise, within the premises of international ports and airports; including establishment and operation of the requisite quarantine equipment and recruitment of trained human resources, especially women, including exchange of experiences with SWIO countries on the development of regulations, standards and protocols and on-the-job training of fisheries sector specialists from IDA-eligible SWIO countries; and (b) establishing a disease surveillance laboratory network with the use of green designs to be resilient against sea level rise, laboratory equipment and recruitment and training of service providers, especially women, for its operation and management of such laboratories; this will also include exchange of experiences with SWIO countries on the development of regulations, standards and protocols and on-the-job training of fisheries sector specialists from IDA-eligible SWIO countries.

**30. Subcomponent 2.3: Skills and Capacity Building for Supporting Enterprise Development in Fisheries Sector** (US\$12.63 million) (GCRF Pillar 4). This subcomponent will include: (a) establishing an 'economic and export market research division' and its staffing, majority being women, in MoFMRA to carry out research on export markets including consumer preference in niche markets, research on suitable product specification and standards including climate-resilient handling and storage, and provide regular market intelligence to the sector enterprises in Maldives and IDA-eligible SWIO countries; (b) facilitating independent certification schemes and branding for sustainable, resilient, clean and low-carbon "Maldivian" products in international markets; (c) facilitating specialized training in priority areas identified in Maldives in collaboration with SWIO countries and complementing the SWIOFC implemented training and mentoring including on-the-job mentoring; (d) providing business skill training for home-based women involved in home-based enterprises in fish and other food products; (e) rolling-out an undergraduate education program in sustainable, climate-resilient 'fisheries, food production sciences, and business management' in Maldives in partnership with the Maldives National University who in turn will collaborate with reputed global knowledge institutions/universities. This will include the provision of scholarships for officials and students in SWIO countries and training of teachers. The program will be designed so that students can leave after a year with a certificate, after two years with a diploma, or continue to complete the undergraduate program. The courses will be offered at *Viliggili/Male* and in regional campuses of the Maldives National University. To start with, the intake will be 60 students per year, a majority of them girls/women, well within the absorption capacity of the sector enterprises in Maldives; and will finance 6 scholarships per year for officials and students nominated by IDA-eligible SWIO countries; and (f) repairing and renovating the MoFMRA training facilities located in the *Vilingili* Island to be used as a campus for the undergraduate education program and equipping the training center at *Maniyafushi* to be used for 'practical' training as part of such undergraduate education program. Renovations will also involve green designs including building above the expected sea level rise.

**31. Subcomponent 2.4: Augmentation of Project Management Capacity of MoFMRA including Building Capacities for Enhanced Regional Cooperation** (US\$3.91 million) (GCRF Pillar 4). This subcomponent will provide equipment, technical assistance, training, and incremental operating costs to strengthen the overall administrative capacity and capability of the MoFMRA for implementing programs and projects financed by multilateral and bilateral donor agencies, through the operation of the Corporate Department (CD). The CD will



also implement and monitor project activities, including the project's fiduciary and environmental and social standards requirements. The CD will include specific staff and resources for regional cooperation, collaborate with SWIOFC, and during implementation of the project will coordinate with RPMU/IOC, especially with respect to reports on implementation progress and evaluations.

**Component 3: Enhanced Competitiveness and Private Sector Participation for improving Business Climate for Fisheries in Maldives and the South-West Indian Ocean Region** (Cost US\$102.2 million, to be implemented by MoFMRA/Maldives; IDA Grant US\$12.96 million, IDA Credit US\$12.96 million, and Private Capital Mobilization US\$76.3 million)

32. 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. Based on the demonstrations and lessons learnt, SWIO countries will also prepare national plans and programs for leveraging private sector finance in their respective national plans. Maldives, on their own, have challenges of inadequate private investment and absence of substantial credit in the sector. Past development of fisheries sector had been dominated by public financing and creation of public assets, and inefficiencies have cropped up. Two simultaneous sets of actions are needed: promoting small and medium enterprises to take larger roles in the sector, and a transition away from public ownership of fisheries sector infrastructure and assets which are meant to raise commercial returns/revenues. This component will complement the "Maldives Competitiveness and Growth Project" (MCGP, P179286), and will use the additional financial/credit mechanisms provided by the MCGP for specific application in the fisheries sector. Accordingly, this component will have the following subcomponents.

33. **Subcomponent 3.1: Decarbonization of the Fisheries Sector** (US\$8.58 million, Private Capital Mobilization US\$17.93 million) (GCRF Pillar 2). Decarbonization will contribute to adoption of a GRID approach to future development and growth of the fisheries sector, which by reducing the cost of inputs (energy, fish feed), and using circularity in production systems will improve profitability of business enterprises in the sector. Interventions toward decarbonization in Maldives will be beneficial to SWIO countries as these enhance positive externalities, address shared regional public goods, and address common constraints with respect to reducing the cost of fishing, consequently allowing higher value addition, and lowering the pressure on fishing of coastal fishery resources. This subcomponent will include: (a) technical assistance for the following: (i) carrying out unit-level energy-efficiency (EE) and GHG audits, scoping of EE/GHG reduction services, and preparation of bankable business plans for fisheries sector enterprises in selected value chains in Maldives and IDA-eligible SWIO countries; (ii) unit-level assessments and preparation of business plans for promotion of circular economy including waste management and reduction of fish losses, and organizing regional workshops and sharing information for adoption of similar circular fisheries sector economy to be mainstreamed in IDA-eligible SWIO countries; (iii) assessment of the performance of the fish aggregating devices in providing appropriate intelligence to the fishing fleet for targeted fishing, relocation of these devices to minimize travel (and fuel-use) for fishing in Maldives; and preparation of plans for deployment of anchored FADs in IDA-eligible SWIO countries to facilitate decarbonization through lower fuel consumption in their own respective fisheries sector management plans and programs; (iv) assessment and planning for installation of refrigerated sea water systems (RSW) on-board about 300 fishing vessels, installation of up to 32 new FADs for fishing and 17 specialized FADs for recreational fishing in Maldives, and organizing regional workshops in IDA-eligible SWIO countries. Apart from commercial information (if available) from unit-level audits, all information will be consolidated and shared with SWIO countries to facilitate decarbonization and adoption of circular fisheries sector economy to be mainstreamed in their own respective country fisheries sector management plans and programs; (b) matching grants for small and medium enterprises with specific top-up allocations towards job creation for women and employment of women from IDA-eligible SWIO countries to facilitate implementation



of the aforesaid business plans in Maldives prepared under (a) above. Matching grants will be used in a manner such as to maximize leverage from the use of project funds; (c) installation of low-cost tracking systems to minimize loss of FADs, pilots to demonstrate feasibility of use of green hydrogen/ammonia to power the fishing vessels, and use of deep-sea water to chill fish using RSW. All performance reports will be consolidated and shared with SWIO countries; and (d) reimbursement of the costs of training, apprenticeship, and annual on-location exposure visits undertaken/organized by the fishery sector enterprises for the benefits of trainees and apprentices nominated by the IDA-eligible SWIO countries.

**34. Subcomponent 3.2: Diversification/Expansion of Fisheries Sector through Facilitating Small and Medium Enterprise Businesses** (US\$17.34 million, Private Capital Mobilization US\$58.37 million) (GCRF Pillar 2). To conserve the coastal fish stock and to avoid future increase of harvesting of fish that may result in depletion of fish stock in the SWIO region, it is essential to support a green and resilient transition of the private sector enterprises in the sector. Such transition in Maldives will involve facilitating growth from value addition, rather than increased capture of fish and other marine resources, emphasis on mariculture and diversification of the sector enterprises. These investments in Maldives will help the other SWIO countries where the social and economic return from coastal fisheries is low, to transition, by: (a) enhancing the positive externalities, especially related to resilient and sustainable harvesting of the regional coastal fishery resources, (b) addressing the common challenges of weak business climate and facilitating appropriate planning for generating larger social and economic benefits in favor of relatively poor coastal communities in SWIO countries, and (c) upgrading value chain linkages by helping the fisheries sector businesses in the SWIO countries integrate into more competitive value chain through increased uptake of harmonized food and quality standards, energy- and GHG-efficient technologies, and market expansions, and (d) creating enabling regional environments for the improvement of the sector by rapid uptake of appropriate models for facilitating larger private sector participation toward resilient businesses in these countries that will reduce losses, wastage, excessive harvesting of regional coastal fishery resources. This subcomponent will include: (a) technical assistance for preparation of bankable business plans for leaseholder small enterprises in 54 uninhabited islands for development of sustainable and integrated mariculture, aquaculture, aquaponics, hydroponics, and agroforestry in Maldives and for similar enterprises prioritized by IDA-eligible SWIO countries for improved value chain efficiencies. These business plans will mainstream climate resilience, 'zero discharge' of effluents and wastes into the sea, 'zero emission' farm practices, use of renewable energy such as off-grid solar power, and 'good aquaculture practices' in Maldives and for similar enterprises in IDA-eligible SWIO countries for improved value chain efficiencies; (b) matching grants, with specific top-up allocations towards job creation for women, employment of women from SWIO countries, to facilitate implementation of the business plans in Maldives, prepared under (a) above; (c) technical assistance and financing up to 30 percent of capital expenditure to two SMEs to be set up with private sector management control for establishing fish processing and canning facilities of capacity 25-50 tons per days in the Southern Atolls in Maldives; (d) technical assistance for an investment in a combined multispecies hatchery and mariculture production facility in Maldives, and for similar private sector investments in IDA-eligible SWIO countries on motor and gear storage facilities, markets, fish/lobster holding facility, ice production facility, cold or chilled storage, and landing sites; (e) reimbursement of the cost of procurement of product quality certifications acceptable to MoFMRA, sharing consolidated output/ outcome reports, organizing regional workshops in SWIO countries, and of costs of training and apprenticeship for trainees and apprentices nominated by the IDA-eligible SWIO countries; and (f) preparation of a roadmap for expanded private sector participation, including an assessment of use and efficiencies of fisheries sector infrastructure and assets, plans for retrofitting resilience and good environmental practices, dialogues of legal and regulatory framework for inviting private sector ownership of these facilities, including through public-private partnership models, analyses related to restructuring/reform options for the Maldives Industrial Fisheries Company (MIFCO) considering a balance between its commercial objectives and





social functions (of ensuring a fair share of prices for the fisherpersons). These analyses will support implementation of the recommended reforms through the MCGP. The dialogue events on the plans and public-private partnership options will include potential investors from SWIO countries, and all analytical outputs will be shared with SWIO countries.

### C. Project Beneficiaries

**35. At the SWIO region level, member countries and national fisheries-related institutions will directly benefit** from (a) relevant knowledge and skills to assess the status of fisheries and to develop and manage sustainable fisheries, (b) critical mass of regional experts on central subjects on fisheries and ecosystems policy and management, and (c) coordinated development, implementation and monitoring of policies on fisheries development and management and the sustainable use of marine and coastal ecosystems in the region. The increase in capacity at the individual and institutional level promoted by the project will allow fisheries institutions to discharge their responsibilities more efficiently.

**36. Project beneficiaries will include individuals, especially women, involved in fisheries and related diversification activities in Maldives and SWIO region,** government institutions and the private sector, who will receive support for improved access to institutional credits, technical advisory, and matching grants from the project. All components of the project will ensure women's equal access to project benefits and will also provide additional emphasis on job-oriented skill development for women, inclusion of women in the undergraduate education programs, job creation for women, and/or enhancing ownership of women in the sector enterprises, especially for all enterprises receiving matching grants from the project. Individuals in the SWIO region, especially women among the small-scale fishers will receive training on enterprise development. They will also be nominated by SWIO countries for capacity building exchanges with Maldives including apprenticeship programs, and the undergraduate education program in Maldives. In Maldives, the project will promote enterprise development in remote atolls away from Male, and thereby address the critical issue of inclusion.

**37. Beneficiaries will also include government institutions in Maldives,** such as the MoFMRA, the Maldives Marine Research Institute (MMRI), and the Maniyafushi Mariculture Research and Development Facility (MMRDF). Apart from these, capacity augmentation including support for expansion of capabilities for efficient sector administration and service delivery will be provided across all divisions of the MoFMRA, notably for improved extension services including skill training for relatively newer areas of biosecurity, advanced scientific fisheries management, nutrition and food quality assurance, economic modelling and natural resources management, mariculture, aquaponics, hydroponics and agroforestry. The undergraduate education program including support for the proposed campuses at *Viligili* and *Maniyafushi* islands will enhance the capacity of the Maldives National University's regional campuses.

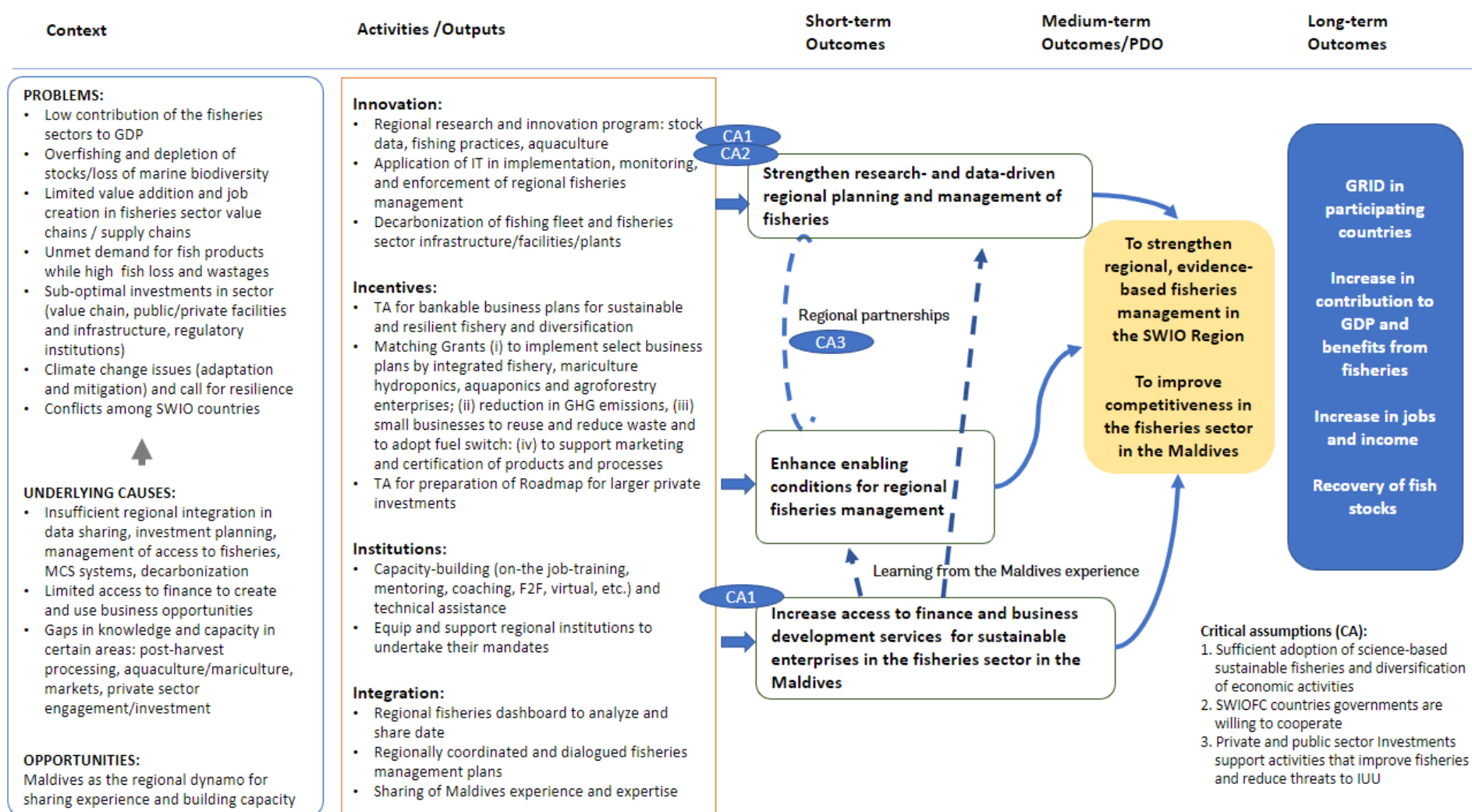
**38. The private sector engaged in fishing-related activities in the SWIO region will benefit from more stable and regionally harmonized policies and a more predictable business environment.** The small and medium enterprises will receive technical assistance (TA) and/or matching grants for (a) improving efficiencies of their enterprises including decarbonization of their value chains, and (b) expanding their production including expansion of their workforce especially among women. They will also benefit from improved governance systems, policy reforms and program support with respect to biosecurity, government facilitation of export market intelligence, skilled human resources created by the undergraduate education program and the training programs, and policy reforms related to the tenure of leases of uninhabited islands to ease access to credit.

### D. Results Chain

39. The results chain for the project is presented in Figure 2.



**Figure 2: Results Chain for the Project**





## **E. Rationale for Bank Involvement and Role of Partners**

**40. Healthy oceans and coastal ecosystems are crucial for economic growth and food production, but they are also essential contributors to global efforts to mitigate climate change.** The fisheries governance regimes are expensive to set up and operate and their cost can vary depending on the type of conservation and management measures implemented.<sup>2</sup> The benefits of such fisheries governance regimes occur at regional and global levels in addition to local benefits. Accrual of such regional and global benefits provides a strong rationale for public finance.

**41. The World Bank has been at the forefront in supporting the management and development in fisheries management in SWIOFC countries,** through the Global Environment Facility-financed South-West Indian Ocean Fisheries Project, implementation of SWIOFish1, SWIOFish2, SWIOFish3 and SWIOFish4 projects. The World Bank's convening power is critical to the project to foster improved cooperation across sectors, boundaries, and donors, and especially in integrating country-level enhancements. The World Bank's experience in developing and implementing similar past and recent operations in Comoros, Mozambique, Kenya, Tanzania, Seychelles, and Madagascar and at the regional level as well as in West Africa, the Pacific and the Caribbean will bring significant value-added to the achievements of this project. Given the agenda of an enhanced business environment, the advantages include the complementary work of the proposed Maldives Competitiveness project.

## **F. Lessons Learned and Reflected in the Project Design**

**42. The SWIOFC is an advisory platform that benefits from exchanging on experience including lessons learned and successes in sustainable fisheries amongst its members.** On the other hand, support for the adoption and implementation of global instruments, as well as SWIOFC instruments and policy processes have assisted member countries in their national policy and management processes. For example, the MTC Guidelines have led to several members integrating articles into national policies and have been used as a reference to negotiate fisheries agreements. Another example, the Weight of Evidence approach to assessment that has allowed more and better assessments.

**43. The project design internalized lessons from fishery sector initiatives and projects implemented at national and regional levels,** including by the SWIOFC (SWIOFish1 and SWIOFish2). An analysis of the process and results obtained by these projects are as follows: (a) achieving sustainable increments in national capacity for fisheries management and research requires active and meaningful involvement of national institutions at all levels, and skill and capacity building of local/national experts in planning and implementation. This project lays emphasis on building the skillsets of national functionaries and youth, given that projects led by external experts or consulting companies do not achieve sustainable increases in national and regional capacity; (b) obtaining sustainable improvements in fisheries research, management, and policies, and ensuring these are consolidated at the institutional level requires extending the support over a sufficient time. This project is therefore, designed to be implemented over a period of seven years ensuring the needed transformations take place; (c) obtaining good results in fisheries sector development projects requires an implementation process that can react and adapt quickly to new information or changes in national, institutional or natural conditions; and (d) the project design ensures the linkages between regional and national processes are explicitly considered and accounted for in the detailed work plans, scoping of national or regional plans, studies and evaluations, knowledge exchange activities, and retrieval and analysis of information, given the lesson that projects addressing policy or management processes at the regional level need to explicitly consider processes at national level.

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<sup>2</sup> *The Sunken Billions Revised, Progress and Challenges in Global Marine Fisheries. 2017. The World Bank Group*



44. **The project design benefited from lessons learnt from implementation of the Regional IDA financed Maldives Sustainable Fisheries Development Project (P157801).** Notable among these lessons are: (a) distinct roles of the project management unit versus the regular divisions of the ministry create barriers for not only implementation of the project but also systematically absorbing technical and project management capacities built at the project level in the overall systems of the ministry. Based on this lesson, this project will support strengthening of the CD, which will act as the project management arm of the MoFMRA for externally and internally financed projects, starting with implementation of this project and gradually expanding its capacity to implement all other externally/internally financed projects and programs; (b) it takes time to create any new model of public procurement, especially because multiple ministries and agencies need to be convinced and approve any new model and related procedures. Therefore, this project will use a 'design-build-finance-operate-maintain and transfer' (DBFOMT) model for attracting private investments in fish processing facilities in Southern Atolls to avoid spending up to 12-18 months for approval of any new model document; (c) the intent of facilitating private sector should be explicit in the design of the project. In the past project, the intent was implicit in the design and description of the project, and therefore, multiple interpretations proved time consuming, and the support to the private sector to set up or expand their enterprises was lukewarm. This project design is clear and explicit about providing support to the private sector to expand their enterprises in a sustainable, responsible, and resilient manner.

45. From a sector perspective, lessons learned from several projects point to the conclusion that building foundations of sustainable institutions, enabling business environment and human capacity is as important, if not more, as undertaking major reforms and investments in the sector. This project, therefore, provides significant support to develop human resources and skill upgrading as well as institutional capacity building.

### III. IMPLEMENTATION ARRANGEMENTS

#### A. Institutional and Implementation Arrangements

46. **Component 1 of the project will be implemented by the IOC, and components 2 and 3 will be implemented by the MoFMRA.** The IOC and the MoFMRA have proven track-records of implementing regional fisheries sector projects including the SWIOFish1, SWIOFish4 and the ongoing SWIOFish2 projects financed by the World Bank. Given the need for focused attention for implementation of this project and to ensure internal capacity building for project management services, the IOC (for component 1) and the MoFMRA (for components 2 and 3) have, respectively, set up a Regional Project Management Unit (RPMU), and a CD to implement the project activities on a full-time basis. To guide these project management units, both IOC (for component 1) and the MoFMRA (for components 2 and 3) have each set up a Steering Committee. See Table 1. For component 1, the RPMU in the IOC will be headed by a full time Project Manager, with dedicated staff for procurement, financial management (FM), implementation of the environmental and social management commitment plan (ESCP), and monitoring and evaluation (M&E), and will draw on the IOC staff for supervision of procurement and FM functions. Dialogue events and annual review and evaluation meetings will be organized in coordination with the SWIOFC Secretariat that will also provide scientific and technical expertise. Specifically, to deliver the scientific studies, the stock assessment, and the management advice across subcomponents 1.1, 1.2 and 1.3, the IOC will engage FAO using a standard form of agreement (as per paragraphs 6.47 and 6.48 of the Procurement Regulations for Investment Project Financing (IPF) Borrowers) given that FAO's technical expertise is critical given the capacity constraints for such highly specialized work in the SWIO region. For components 2 and 3, the CD at the MoFMRA will be headed by a Director General who will report to the Project Director. The CD will have dedicated staff for procurement, FM, communication and stakeholder engagement, regional cooperation, implementation of environmental and social management framework, M&E, and will draw on the technical experts from the MMRI, MMRDF and the relevant departments/division of MoFMRA. The



CD/MoFMRA will collaborate with and seek support from a range of other agencies to strengthen the capacity of the main implementing actors. These arrangements are described in detail in Annex 1.

**47. The project will depend on and enhance the role of the SWIOFC as a regional platform for knowledge-sharing and learning.** The project will present documentation, analyses, and lessons from past in the development and implementation of fisheries management systems. The SWIOFC Secretariat will include all research and management advice prepared by the project on their website for dissemination to the public and member countries. The project will invite SWIOFC to experience sharing workshops, events associated with joint work, exposure visits, and will subsequently organize discussion forums with the SWIOFC Secretariat and member countries to provide evidence-based advocacy to facilitate implementation of regionally coordinated management of the fisheries sector.

**Table 1: Implementing Agencies (IAs) and their Responsibilities**

IA	Responsibilities	Special Modality	Delegated Responsibilities
IOC (Component 1)	<b>Regional Project Steering Committee</b> consisting of the members of the SWIOFC, Secretary General of the IOC, and the Secretary of the SWIOFC.	Providing overall guidance and oversight; approval of final outputs including results of technical studies and assessments; approval of overall annual action plans and budget for component 1.	<b>SWIOFC Scientific Committee</b> – to review and endorsement for technical studies and assessments (in subcomponents 1.1, 1.2, and 1.3). <b>SWIOFC Secretariat</b> – coordination for organization of workshops, annual review events; inputs/advice on scientific and technical themes; and review comments on scope of work for consulting services.
	<b>RPMU</b> set up within IOC – for regular management of implementation	Project Implementation leadership; accountability to achieving PDOs; Implementation of component 1; Monitoring, Evaluation and Reporting; ensuring compliance to ESCP, fiduciary compliance, Grievance Redress, Citizen/ Stakeholder Engagement.	<b>FAO</b> (contracted under a “standard” agreement by the IOC/RPMU) will deliver the scientific and technical expertise needed for scientific studies, assessments, and training program, needed for delivery of subcomponents 1.1, 1.2, and 1.3.
MoFMRA (Components 2 and 3)	<b>Steering Committee</b> chaired by Minister, MoFMRA and including industry and civil society representatives.	Providing framework for national policy and project implementation; approval of project’s overall annual action plans and budget; and implementation oversight	<b>Maldives’ Representative in the SWIOFC, Scientific Committee, and Working Group</b> – coordination with SWIO countries on training, jobs, apprenticeship program
	<b>MoFMRA</b>	Project Implementation leadership; accountability to achieving PDOs; monthly, quarterly, and bi-annual reviews; securing budget, overall compliance monitoring, and undertaking all technical due diligence including certifying quality of work, installation, studies and/or assessments at completion (at every stage).	<b>MMRI</b> – for conducting technical studies (in subcomponent 2.1) <b>Biosecurity Division</b> – for overall technical oversight of subcomponent 2.2 <b>MMRDF</b> - overall technical oversight of subcomponent 2.3 and parts of 3.2 <b>Policy, Compliance &amp; Agriculture Divisions</b> – overall technical oversight of subcomponents 2.1, 2.3, 3.1 and 3.2
	<b>CD</b> set up as a regular division of MoFMRA (to manage all projects implemented by the	Regular project management including managing procurement and contract management; Monitoring, Evaluation and Verification; ensuring compliance to	<b>MoFMRA Divisions</b> for regular review/monitoring and all technical in procurement and contract management processes





IA	Responsibilities	Special Modality	Delegated Responsibilities
	MoFMRA, in particular, to work as the project management unit for this project)	ESCP, Grievance Redress Procedures, Communication; Stakeholder Engagement Plan, Citizen Engagement Processes.	Matching Grant management consultant (firm) to be selected competitively, for monitoring and verification of Matching Grants (subcomponents 3.1 and 3.2)

## B. Results Monitoring and Evaluation Arrangements

48. The RPMU at the IOC (for component 1) and the CD at the MoFMRA (for components 2 and 3) will lead the project's results monitoring, and evaluation. The responsibilities of the CD will include: (i) periodic project progress reviews; (ii) consolidating and disseminating information on project progress from the SWIOFC Secretariat and the relevant MoFMRA divisions including reporting on beneficiary satisfaction with project and delivery, fiduciary performance, and safeguard compliance; (iii) reporting on project achievements against the agreed project Results Framework; and (iv) commissioning surveys, studies, and assessments as necessary. The RPMU and the CD will be responsible for preparing and submitting quarterly reports on implementation progress of the project. To support reporting processes, the CD and the RPMU will design standardized reporting templates to ensure that project reports provide clear and transparent progress updates on all relevant aspects of the Results Framework on key implementation parameters. For activities to be implemented for benefits of SWIO countries outside Maldives in components 2 and 3, the CD will have an additional standardized reporting format to be used in the quarterly progress reports.

49. M&E capacity of the MoFMRA (and its CD) will be specifically reinforced by investments in technological infrastructure, capacity, and evaluation systems. The key activities supported will include: (a) establishment of a web-based real-time project Management Information System (MIS) for components 2 and 3 including specifically for the activities planned for benefits of SWIO countries outside Maldives, and (b) third-party monitoring and verification systems needed for disbursement of matching grants in component 3; (c) analytics-based learning systems through MIS data for deeper analysis, going beyond auto-generated progress and exception reports, especially where systems identify persistent problems. Capacity building and collaboration with external expert institutions will support this data analysis. To enable the RPMU to measure improvement in the fish stocks as per the agreed Result Framework, regular and targeted stock assessments will be included in the scope of technical services by the FAO.

50. The project will include, for respective components implemented by the IOC and the MoFMRA: (a) project evaluation which will commission rigorous, independent impact evaluation, featuring a mixed-methods approach and a robust counterfactual analysis (randomized if possible), one at mid-term and another prior to the closing of the project; (b) process monitoring: quantitative MIS data analyses and project evaluations will be complemented by process monitoring and qualitative evaluations; (c) capacity building for M&E: to implement these M&E activities, internal M&E capacity will be built in the CD/MoFMRA by hiring specific project/program monitoring specialists, initially through a large consulting firm for integrated monitoring and verification function for all enterprises receiving matching grants; and (d) other activities: other M&E activities will include thematic evaluations, internal reviews, dissemination events, and learning events in each subcomponent of the project.

## C. Sustainability

51. Project sustainability will be ensured through two dimensions. First, the fisheries sector features prominently in the GoM's strategy for national development, including through strategic action plans for the fisheries sector. The GoM has announced a plan for National Resilience and Recovery in which the fisheries sector is determined to be a cornerstone for recovery, and additional targets for the sector have been set



including: (a) increasing fish processing capacity and value addition; (b) increasing profitability from fisheries activities; (c) further diversification of the fisheries sector; (d) promoting commercial scale production of fruits and vegetables and hydroponics to contribute towards the goal of food security. The importance of improved management, and diversification including the establishment of mariculture had been underscored by several government proclamations since the outbreak of the COVID-19 pandemic. The National Fisheries and Agricultural Policy 2019-2029 clearly aims to transform the fisheries and agriculture sectors into a sustainably managed and market-oriented system that contributes to socioeconomic growth, food security and sustainable management of natural resources. This is elaborated in the Strategic Action Plan for the fisheries and agriculture sector, which provides the context and targets for all activities included in component 2 and 3. Regional cooperation, particularly with the SWIO region and other like-minded countries of the Indian Ocean region are also part of the explicit aims of the national policy and strategic action plans. Second, the project design is aimed to deepen sustainability of the activities that constitute components 2 and 3. Key design features to ensure sustainability include: (a) policy reforms extending the tenure of the leases of islands from the current 15-21 years to 35-50 years, such that the lease agreements could become relatively more valuable as a collateral for accessing commercial credit from local banking institutions; (b) establishment of the MoFMRA permanent unit to implement the proposed reform agenda to ensure quality and biosecurity of fish and food products; (c) establishment of the MoFMRA permanent cell for 'Economics and Export Market Intelligence' to support continuous private sector development; (d) focusing on private sector investment and participation, and preparation and adoption of a roadmap for withdrawal of public financed or state-owned commercial businesses and further private sector investment in the sector; (e) complementing investments in improvements in assured fish quality and safety standards with incentives to adopt quality assurance and hygiene practices; (f) building institutional capacity for delivery of services by integrating monitoring, real-time reporting, grievance redressal, citizen engagements; and (g) integrating the CD and capacities created by the project in the regular operation of the MoFMRA during implementation of the project. The project activities that have major potentials of commercial returns are designed in such ways that they will contribute financial resources to the MMRI, MMRDF and the relevant knowledge programs run by different MoFMRA divisions in perpetuity to ensure sustainability of the knowledge, capacity and skill upgrading developed by the project.

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

#### **IV. PROJECT APPRAISAL SUMMARY**

##### **A. Technical, Economic and Financial Analysis (if applicable)**

53. **Technical.** The activities that the project is supporting can be classified into three broad sets. First, activities such as establishment of biosecurity infrastructure, fuel-switch and decarbonization, quality control and disease surveillance facilities will be done for the first time in Maldives. For these, the challenge has been to reach a consensus on the methodology and tools for implementation. During project preparation, specific expert consultations were undertaken, including consultations with a wide range of relevant private sector agencies, to determine the appropriate methodologies to be followed. The capacities of relevant agencies to undertake these activities were assessed and confirmed during project preparation. For this set, it is likely that most of the requisite skills do not exist in the country, and the design of the activities includes dedicated resources or methods to source international skills.

54. A second set of activities includes those that remain challenging, despite relevant experience in



implementing similar activities. These include: (a) for the SWIO region, stock assessments, preparation of fisheries management plans, reef and coral conservation plans, higher level of knowledge exchange; and (b) the full implementation of MCS and vessel monitoring systems, research on and culture of various species of fish and other resources suitable for mariculture and related primary sector production. During project preparation adequate attention was paid to uncertainties in these activities; and the activities were designed based on requisite assessments and include not only measures to adapt to uncertainties, but also a fair bit of redundancies (so that in events of acceptable degrees of failure, the activities will still be able to achieve the objectives).

55. The third set of activities concerns regular activities similar to what had been implemented successfully in Maldives or in the SWIO region in the recent past. Ensuring that these investments will be implemented and operated adequately is not a constraint. However, even to implement such regular activities, availability of adequate number of suitable technical experts and sector professionals is a challenge. The project, therefore, includes substantial training and skill enhancement activities that will create the required additional number of professionals. Overall, the technical design and readiness of each project component are satisfactory and conform to national and/or international standards.

56. The matching grants under component 3, as described in detail in the Matching Grant Manual, have been designed with appropriate details with respect to: (a) eligibility criteria, (b) grant selection processes; (c) ceiling share of grant; (d) 'exclusion list'; (e) credit-linked disbursement process, or staged disbursement for the DBFOMT concessions specifically in subcomponent 3.2; and (f) a positive bias towards women-ownership, wage-parity, respectful workplaces, and new jobs that could be created for women – all in ways that not only provide for immediate support for recovery but also include the elements of systemic improvements. In general, the grants are expected to achieve their targets in three years from the respective commencement dates. Qualified grant management consultants will be hired competitively to support the CD/MoFMRA to assist the processes of selection, monitoring, and disbursement of matching grants.

57. **Economic and Financial Analysis.** The main economic project benefits are expected to come from: (a) job-related interventions including creation of new jobs in the fisheries sector regulatory, biosecurity and quality assurance systems, from boosting production of mariculture, aquaponics, hydroponics and related primary sector products, establishment of new processing facilities, circular economy enterprises using fish wastes, decarbonization actions – including an emphasis on jobs for women, etc., (b) job-related interventions including undergraduate education, skill training for enterprise development, and reskilling of home-based women involved in fish processing; (c) enhanced production of fish and other primary sector production supported by matching grants in subcomponent 3.2; (d) enhanced economic opportunities for value chain actors resulting from interventions in subcomponents 2.2 and 3.1 both of which curtail fish losses and wastes; (e) higher quality of fishery products bringing better prices in the export market, as well as improved food safety for domestic fish consumers; (e) improved nutritional status of the population, particularly women and children; (f) reduced cost of production and supply to export markets resulting from decarbonization and energy-efficiency supported by subcomponent 3.1; and, (g) avoided greenhouse gas emission due to decarbonization.

58. **The Economic Internal Rate of Return (EIRR) of the project over a 20-year period for the base case is 25.7 percent** with a net present value of US\$246 million at a discount rate of 5 percent. Given the substantial GHG emissions reductions, the overall carbon benefit is estimated to range between US\$6.3 million in the low shadow price of carbon scenario and US\$12.7 million in the high scenario.

59. **Sensitivity Analysis:** A sensitivity analysis was conducted to assess the impact of changes in main parameters affecting the economic outcome of the project because of: (a) changes in project costs; (b) changes in the expected benefits from the production systems and enterprises supported by subcomponents 3.1 and





3.2; and (c) delays in project execution due to the risks that have been identified in the project's risk analysis. The results show that the project remains economically viable in events of adverse changes in project costs and benefits. A reduction in project benefits by 20 percent results in an EIRR of 18.3 percent while an increase in project costs by 20 percent reduces the EIRR to 19.6 percent. Even with a combined effect of a 20 percent increase in project costs, 20 percent reduction in project benefits and a two-year delay in realizing benefits, the project will remain adequately viable.

**60. Private Capital Mobilization.** The Project will facilitate the crowding-in of private sector investment and leverage commercial bank financing for the fisheries sector. A total of US\$68.7 million commercial bank financing will be leveraged by (a) accessing a minimum credit of US\$31.8 million towards working capital financing for the fishery, mariculture, aquaponics, hydroponics and agroforestry enterprises supported by subcomponent 3.2; (b) credit or equity of US\$17.9 million for decarbonization and improvement of energy-efficiency supported by matching grants in subcomponent 3.1; and (c) matching debt financing of US\$19 million from enterprises supported by subcomponent 3.2 for establishment and operation of the fish processing facilities, and recirculatory aquaculture production. The DBFOMT concessioners will also bring private equity investments of US\$7.6 million.

## **B. Fiduciary**

### **(i) Financial Management**

61. The FM arrangements for the project include planning, budgeting, accounting, internal controls, funds flow, financial reporting, and auditing in accordance with the fiduciary requirements of the World Bank Operational Policies & Principles for Investment Project Financing. The FM arrangements for prior World Bank projects for which the IOC or the MoFMRA were the implementing agencies were satisfactory. There are no overdue audit reports or ineligible expenditures pending with the IOC or the MoFMRA from past or ongoing projects. Initial FM risk assessments conducted during preparation determined that the capacity of the IOC and the MoFMRA to manage the FM functions for the project is adequate, based on adoption of staffing and capacity building actions recommended by such assessments. The IOC and the MoFMRA have also prepared respective Financial Management Manuals that will guide implementation of the project. The RPMU on behalf of the IOC (for component 1) and the CD on behalf of the MoFMRA (for components 2 and 3), both staffed with adequate staff headed by respective Finance Managers, will be responsible for the overall FM arrangements of the project including oversight and compliance with the financial covenants of the Legal Agreement. The accounting and payments process will be centralized at the RPMU and the CD, respectively.

62. The CD will open a US Dollar denominated dedicated Designated Account (DA) for the project with the Maldivian Monetary Authority (MMA), which is the Central Bank of Maldives, to receive funds from International Development Association (IDA). Disbursements will be report-based. The project will undergo regular internal audits and internal audit reports will be shared with the Bank. Financial statements of the project will be prepared by the CD and audited annually by the Auditor General's Office of Maldives. These audited financial statements, together with the auditor's report will be submitted to the Bank within six months of the end of the fiscal year. For component 1, similar arrangements will be made by the IOC, except for the following specific distinctions: (a) IOC will operate a US Dollar denominated DA for the project at the SBM Bank (Mauritius) Ltd; (b) the internal audit will be done using IOC's own internal audit capacities; and (c) the external audit will be conducted by a firm of chartered accounts selected in agreement with IDA. More details on FM are provided in Annex 1.

### **(ii) Procurement**

63. All procurements under the project will be carried out in compliance with the latest applicable World Bank's



procurement regulations and policies for IPF (Procurement Regulations for IPF Borrowers, July 2016, updated November 2020). The procurement required for implementing the activities identified in the Project Procurement Strategy for Development (PPSD) and Procurement Plan will be carried out by the CD on behalf of MoFMRA (for components 2 and 3), and the RPMU on behalf of the IOC (for component 1, where procurement is limited to consulting and non-consulting services, and small goods). Given the strategic need for ensuring high quality stock assessments, scientific studies and training activities across subcomponents 1.1, 1.2, and 1.3, the IOC will engage the FAO using a standard agreement (as per paragraphs 6.47 and 6.48 of the Procurement Regulations for IPF Borrowers) given that FAO's technical expertise is critical given the capacity constraints for such highly specialized work in the SWIO region. The IOC has prepared a procurement manual based on experience from past SWIOFish projects and reflecting the updates needed as per the Bank Procurement Regulations, given that expected procurement activities under the project will be similar in nature to those implemented in the earlier projects.

64. For components 2 and 3, the main procurement risks identified by the assessment are: (a) inadequate procurement capacities; (b) inadequate capacity of national contractors or suppliers in Maldives that may hinder designing appropriate qualification requirements; (c) inadequate experience in contract administration; (d) poor implementation of public disclosure procurement actions. The agreed upon risk management measures include: (a) the CD will engage full-time procurement specialists, including at least one procurement specialist with experience in World Bank procurement procedures, other procurement assistants to support project implementation, and training of existing procurement staff, specifically on fraud and corruption flags, and on addressing complaints; (b) preparation of an annual procurement progress report (which will include, inter alia, procurement plan updates, action on findings of post reviews and other procurement and contract administration issues) by the CD to share with the Bank; (c) implementation of a monitoring mechanism for procurement by the CD, which will include implementation, as well as the defects liability phase and warranty phase of contracts; and (d) corrective actions to be taken to address deficiencies identified by the Bank post reviews. The MoFMRA has PPSP, a Procurement Manual, and a procurement plan for activities in components 2 and 3. The Procurement Plan will be updated in agreement with World Bank annually or as required, to reflect the actual project implementation needs and improvements in institutional capacity. In addition, all Division Chiefs and the relevant officers of MoFMRA will receive training on procurement. This training program will include modules to improve the procurement and contract administration skills. The World Bank will undertake the post procurement review every twelve months of implementation. This operation will be subject to procurement supervision on basis of independent post-review procedures as well. For details, see Annex 1.

### C. Legal Operational Policies

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

### D. Environmental and Social

65. **The environmental and social risk of the project is Moderate.** The project is expected to have positive environmental impacts through improved marine fishery management in Maldives and the SWIO region with limited anticipated adverse impacts that can be managed with sound project planning and construction management. 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. While all activities supported under the project will mainstream climate resilience and focus on good environmental and social practices and energy efficiency as key requirements for eligibility, there are a few specific risks that will need proactive management during planning, implementation, and operation. These relate to impacts associated with: (a) management of construction wastes from civil works including renovation of training facilities and waste discharge from animal quarantine facilities, and disease surveillance laboratories; (b) end-of-life disposal of electronic wastes, solar panels and batteries used for greater energy-efficiency; (c) clearance of land cover and potential destruction of habitat during the installation and operation of income diversification activities in uninhabited islands, especially 'mariculture' that can result in the release of excess feeds leading to eutrophication, even if use of antifouling chemicals and antibiotics are avoided, (d) while no land acquisition is expected, limited community health and safety, occupational health and safety risks to workers and potential exclusion of vulnerable and marginalized groups, including women, are considered for mitigation, and (e) influx of labor may pose a risk of sexual exploitation and abuse/sexual harassment (SEA/SH). All project activities will take place outside protected areas and risks to sensitive natural ecosystems will be managed through a strict screening process including the application of exclusion criteria. The risk of alien invasive species or new pathogenic diseases introduced is low as the project will support farming of exotic species that are already introduced and cultured in the Maldives or other local species; and the country has a robust screening process for disease surveillance with well-established quarantining. The Fisheries Act, 2019, supported under past World Bank-financed project (P157801) is compatible with international law, in particular, Article 73 of the United Nations Convention on the Law of the Sea. The project has applied the SEA/SH Risk Assessment Tool and determined the risk level to be Low. Therefore, a separate Gender Based Violence (GBV) and SEA/SH action plan is not required. A behavioral standard clearly stating zero-tolerance for GBV and SEA/SH with associated consequences will be adopted and communicated to all project actors. All civil works will include SEA/SH prevention Code-of-Conduct clauses to prevent the occurrence of SEA/SH incidents.

66. In line with the World Bank's Environmental and Social Framework (ESF), the project has developed an ESCP for each Implementing Agency (the IOC and the MoFMRA) disclosed since March 22, 2023, and an Environmental and Social Management Framework which outlines the environmental and social due diligence processes, guidelines, monitoring framework, and institutional arrangement for staffing and capacity building for components 2 and 3, where impacts are likely. A Stakeholder Engagement Plan (SEP) has been prepared, which identified the key stakeholders, and established procedures for ensuring meaningful consultation. The SEP has also included a Grievance Redress Mechanism (GRM) which will be accessible to impacted persons and concerned stakeholders. The SEP was consulted during preparation of the project, and publicly disclosed in-country on March 19, 2023, and by the World Bank on March 22, 2023. The project will prepare Labor Management Procedures (LMP) which will outline workers' rights and responsibilities, a worker specific GRM, and Codes-of-Conduct which all employees hired by project contracts will be expected to sign and follow. The LMP will be disclosed prior to engagement of project workers. The implementing agencies, IOC and MoFMRA, have good capacity with over a decade of experience in successfully implementing World Bank safeguards and WBG Environment, Social, Health and Safety Guidelines.

67. **Citizen Engagement.** The project has a robust CE approach. The SEP provides an opportunity for an all-inclusive approach to citizen engagement in project preparation, planning, implementation, and monitoring processes. It is geared toward ensuring meaningful and a wide consultative process guided by the ESF, particularly the Environmental and Social Standard-10. The SEP describes the GRM to be followed by the project and is available and accessible to all citizens of Maldives, and other interested parties. A separate worker specific GRM will be included in the project's LMP. Information disclosure and consultation processes will continue with affected parties, other interested parties, and vulnerable groups during the remainder of the project preparation period and will be continued through implementation and operation phases of the project. A variety of methods



such as focus group discussions, individual consultations, and interviews through different face-to-face and virtual mediums such as emails, telephone, and conference calls, and communication through printed and electronic media, appropriate to the target audience, will be used for information disclosure and consultation. During implementation, information related to scope and schedule of activities, sub-project specific safeguard instruments, and monitoring reports will be shared and consulted with project-affected persons, if any, and other stakeholders. Information about each activity of the Project will be provided to the public through media briefings, targeted media articles, information sessions, television, social media and/or radio programs. The Project will also provide up-to-date information on the website of MoFMRA. Stakeholders' feedback will be collected periodically on various aspects of the Project. Tools will include focus group discussions, satisfaction surveys, and quality assessment/assurance reports. Additionally, all relevant documents will be kept at the MoFMRA for public reference. Any changes to the approved ESCP and SEP will follow the same procedures for consultations and disclosure. The project does not currently foresee collection of personal data, but if any such data is collected, national and international standards for collection of personal data would be applied.

**68. Gender is fully mainstreamed in the project activities.** The project will address the gender challenges across all subcomponents by increasing their capacity to participate in the sector and creating enabling work environments. In the SWIO region, the capacity augmentation, and mentoring plans in component 1 will be developed and implemented considering the current under-representation of women in the scientific committees, panel of experts in the different SWIOFC forums. Special emphasis including quotas will be provided for females and youth in fisheries sector scientific programs. In Maldives, women will form a majority in all such teams of experts. For skill training under subcomponent 1.1 across SWIO countries, at least 50 percent of the targeted trainees will be women. Specifically, in Maldives, under subcomponents 2.2 and 2.3, technical skill enhancement activities will ensure at least 50 percent of the targeted trainees be women; and under subcomponent 2.3, the specific training program is included for home-based women entrepreneurs, and the undergraduate education program will target adolescent girls to be at least 50 percent of students. Special training will be organized for women on leadership development, writing business proposals, preparing business plans, product management, financial literacy and bookkeeping/accounting, online marketing, and branding. Under subcomponent 2.1, 2.2 and 2.4, among the staff recruited for the different MoFMRA division including the CD, women will be at least 50 percent; and women will also be targeted for training of service providers involved in the operation and management of quarantine facilities and laboratories established under subcomponent 2.2. The project will increase employment in and ownership of fisheries sector businesses by women, especially in subcomponents 2.1 and 3.2 by: (a) conducting an assessment to understand barriers to women's employment in both formal and informal employment in the industry and developing detailed plans to facilitate increased employment and capacity development; (b) providing additional grants to SMEs prorated to an agreed level of employment of women; (c) encouraging provision of childcare services, safe transport facilities, and flexible work hours in the fish processing enterprises supported under subcomponent 3.2; and (d) supporting networking with other women-led SMEs through a digital platform and mentoring by successful women entrepreneurs from the fisheries industry. The project will create 1,500 new jobs for women, which will increase women's share of jobs in the fisheries sector in Maldives from 11 to 16 percent. Additionally, the project's overall capacity development and disaster risk reduction activities will also address women's vulnerability to climate change. A zero-tolerance policy towards GBV and SEA/SH will be adopted by the project. Through various trainings, community information campaigns, awareness building, and the GRM system, women will be empowered to discuss and report cases of GBV and SEA/SH.

**69. Climate Co-benefits.** The project design has considered climate risks in the sector (see paragraphs 13, 14, and 18), and mainstreamed mitigation and adaptation actions across all components and subcomponents to ensure that the growth of the fisheries sector in Maldives and the SWIO countries be more sustainable and



resilient. Component 1 promotes improved stock assessments, specific scientific studies related to building resilience and adaptation of selected vulnerable fish species, adoption of ecosystem approach to fisheries management, training and capacity building related to climate-resilience and climate smart production systems to guide interventions at regional and at country levels aimed at sustaining the fish stock, thereby reduced fishing efforts, in turn saving energy use and GHG emission from sector. Component 2 contributes significantly to both adaptation and mitigation agenda by preparation and implementation of fisheries management plans that reduce fishing efforts and energy consumption, elimination of IUU fishing to restore the stock of fishes already vulnerable due to climate change, specific training and capacity building activities that support increasing resilience of the sector, and adoption of quality, fish health and marine infectious disease surveillance, and quarantine services that reduce wastage and fish losses. Component 3 specifically supports decarbonization of the fisheries sector by providing matching grants facilitating (i) installation of energy-efficient productions systems and energy-saving devices replacing all GHG emitting fuels and refrigerants; (ii) fuel switch in the fishing fleet in favor of low-GHG alternatives such as compressed natural gas and green hydrogen. Matching grants supporting production of mariculture, fisheries, aquaponics, hydroponics, and agroforestry products will incentivize (i) use of off-grid renewable energy replacing use of fossil fuel to the maximum extent possible; (ii) reducing wastes including wastewater, (ii) maximize nitrogen-efficiency; and (iv) maximize circular economy solutions. All physical assets and infrastructure supported through components 2 and 3 will be designed and implemented as climate resilient assets/infrastructure. The Project Implementation Plan (PIP) provides a detailed description of each mitigation and adaptation measures in each of the components and subcomponents of the project, each of which will be monitored as part of the MIS. These climate mitigation and adaptation actions are also summarized in the Technical Note on Climate Co-Benefits, Adaptation and Mitigation, available in the project files. All GHG (expressed in CO<sub>2</sub>e) emission/sequestration by project activities were estimated: a total emission over the project lifetime of 96,518 metric tons of CO<sub>2</sub>e. Compared to baseline, the project will have a positive carbon sequestration balance of (-) 188,110 metric tons of CO<sub>2</sub>e.

## V. GRIEVANCE REDRESS SERVICES

**Grievance Redress.** Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank's Accountability Mechanism, please visit <https://accountability.worldbank.org>.

## VI. KEY RISKS

70. The overall risk rating for this proposed operation is **substantial**.

71. **Macroeconomic risks are substantial.** The economy is expected to perform well due to improving tourism performance but remains subject to downside risks. The real GDP is projected to grow by 6 percent on average over the medium term. Assuming tourist arrivals continue to increase, Maldives is expected to welcome around





1.8 million tourists in 2023, reaching its historic high. Stronger-than-expected tourism with the return of Chinese tourists and arrivals from new markets offer upside potential to the outlook. However, this outlook is subject to downside risks due to tightening global financial conditions and slowdown in major economies, persistency of high global commodity and food prices, and Russia's invasion of Ukraine. Furthermore, the recent increase in Goods and Services Tax rates is expected to help narrow the fiscal deficit, but additional fiscal adjustment is required to address fiscal vulnerabilities, particularly through expenditure rationalizations on capital spending, subsidies, and pharmaceuticals as public debt levels remain high. The risks are also partly mitigated through the strong commitment from the Government for the reform agenda in the sector, as evidenced by the GoM's Strategic Action Plan (2019–2023) and the National Fisheries and Agricultural Policy, 2019–2029. Further, component 3 will focus on reducing energy use in the sector and promote private sector businesses, which will help strengthen the fiscal position of Maldives.

**72. Sector strategies and policies risk is substantial.** The overall national policy and legal frameworks are modern (established and supported by the SWIOFish4 Project). The long history of public finance for commercial activities in the fisheries sector will continue to be a residual dampener for a quick and large move toward private-sector oriented management and sector development. To partly mitigate this risk: (i) intentions for regulatory reforms increasing tenure of lease of uninhabited islands for fishery, mariculture and other primary production enterprises were announced by the MoFMRA in December 2022, (ii) initial market sounding workshops were organized in January 2023 to communicate the intent of using matching grants and to induce private sector financing for establishment of fisheries and related production enterprises, and DBFOMT concessions for establishing canning plants in component 3; and (iii) component 3 includes extensive TA, capacity building of stakeholders, and matching grants as the means of assisting access to finance. However, these announcements remain uncertain unless fully implemented, and financial closure for any private sector financing is known to be a long-drawn process in the region. Other mitigation measures will be introduced during the implementation period in collaboration with the MCGP.

**73. Fiduciary risk is substantial.** The previous and ongoing SWIOFish1, SWIOFish2 and SWIOFish4 projects implemented by the IOC or the MoFMRA have a satisfactory performance rating for FM, but capacities remain limited. Based on FM and procurement risk assessments, several suitable capacity building measures were proposed. Component 1 includes no procurement of civil works. A direct contract to FAO using Bank's 'standard agreement' will mean that all other required consulting and non-consulting contracts will be of small sizes and can be managed by the IOC given their track records of procuring such contracts of comparable values. Component 3 is mostly about matching grants, where procurement will be limited but FM capacity of MoFMRA will be stretched. Mitigation measures include: (a) use of a qualified consulting firm to determine the eligibility of enterprises seeking matching grants, and monitoring of the activities supported by matching grants, (b) use of standard "matching grant agreements" templates available in the PIP, (c) link the approval of matching grants with availing of credit/loan from commercial banks in Maldives, and (d) disbursement of matching grants pro-rated to disbursement by commercial banks of their portion of loan/credit for the activity. However, given several wider and cross cutting financial sector constraints including lack of institutional credit history/information, credit ratings, collateral registry, and lack of automation in payments systems, that limit effectiveness of commercial banks in Maldives, the residual fiduciary risks remain substantial.



## VII. RESULTS FRAMEWORK AND MONITORING

### Results Framework

COUNTRY: South Asia

Transforming Fisheries Sector Management in South-West Indian Ocean Region and Maldives Project (TransFORM, SWIOFish5)

#### Project Development Objectives(s)

To strengthen regional, evidence-based fisheries management in the South-West Indian Ocean Region and to improve competitiveness in the fisheries sector in the Maldives

#### Project Development Objective Indicators

Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Strengthened Regional Fisheries Management and Governance								
Fisheries in the SWIO region under regionally coordinated and "Ecosystem Approach to Fisheries" - compatible management (Number)		0.00	0.00	0.00	1.00	2.00	3.00	4.00
Selected overexploited coastal fish stocks in the SWIO region show sign of recovery (Number)		0.00	0.00	0.00	0.00	2.00	3.00	4.00
Improved Competitiveness and Job Creation through Project Interventions								
Fisheries-related enterprises with improved competitiveness in Maldives (disaggregated by size, ownership by gender, value chain characteristics)		0.00	0.00	5.00	10.00	15.00	20.00	30.00



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
(Number)								
People with improved job-opportunities in the SWIO region (Number)		0.00	1,250.00	5,600.00	11,300.00	22,700.00	35,000.00	46,150.00
Women with improved job-opportunities in the SWIO region (Number)		0.00	500.00	1,150.00	5,600.00	11,100.00	16,600.00	22,450.00

#### Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Enhance Evidence-based Management Advice to the Fisheries Sector in the SWIO Region								
Fisheries management plans implemented (CRI, Number)		0.00	0.00	0.00	1.00	2.00	3.00	4.00
Regional fisheries dashboard to analyze and share data operational (Yes/No)		No	No	No	Yes	Yes	Yes	Yes
Index on regional research and innovation program design and its progress (Number)		0.00	0.00	1.00	2.00	3.00	5.00	7.00
Beneficiaries of job-focused interventions (CRI, Number)		0.00	1,000.00	5,000.00	10,000.00	20,000.00	30,000.00	40,000.00
Beneficiaries of job-focused interventions - Female (CRI, Number)		0.00	500.00	1,000.00	5,000.00	10,000.00	15,000.00	20,000.00





Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Supporting Maldives as Catalyst for Strengthened Regional Capacity for Fisheries Governance and Mgmt								
New national policies or legislations, regulations or guidelines, plans, and standards or good practices drafted and submitted to Parliament for approval (Number)		0.00	0.00	1.00	2.00	3.00	4.00	6.00
Quarantine facilities and Biosafety Laboratories operational (Number)		1.00	1.00	2.00	3.00	4.00	5.00	6.00
Beneficiaries of job-focused interventions (CRI, Number)		0.00	0.00	100.00	300.00	700.00	1,000.00	1,150.00
Beneficiaries of job-focused interventions - Female (CRI, Number)		0.00	0.00	50.00	100.00	300.00	500.00	950.00
Beneficiaries with rating ‘Satisfied’ on project interventions (Percentage)		0.00	0.00	50.00	60.00	70.00	80.00	80.00
Enhanced Competitiveness and Private Sector Participation in Fisheries in Maldives and SWIO Region								
Net greenhouse gas (GHG) emissions (CRI, Metric tons/year)		80,208.00	82,513.00	84,382.00	85,838.00	85,982.00	82,622.00	76,020.00
Private Capital Mobilized (Amount(USD))		0.00	0.00	0.00	10,000,000.00	20,000,000.00	30,000,000.00	56,760,000.00
Beneficiaries with rating ‘Satisfied’ or above on project interventions (Percentage)		0.00	0.00	50.00	60.00	70.00	80.00	80.00
Share of SMEs receiving top-up matching grants for implementation of their gender responsive business		0.00	0.00	100.00	100.00	100.00	100.00	100.00



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
plans (Percentage)								
Beneficiaries of Job-focussed Interventions (Number)		0.00	250.00	500.00	1,000.00	2,000.00	4,000.00	5,000.00
Jobs created for women in the fisheries sector through project interventions (Number)		0.00	0.00	100.00	500.00	800.00	1,100.00	1,500.00

#### Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Fisheries in the SWIO region under regionally coordinated and "Ecosystem Approach to Fisheries" - compatible management	Ecosystem approach to Fisheries Management is defined as per FAO (2003) and FAO and World Bank (2017). Up to six priority fisheries from those already identified (which includes 8 species of reef fishes, 5 species of demersal fishes, 7 sea cucumbers, 5 species of shrimps, 2 small pelagic fishes, and 8 other species) will be prioritized by SWIOFC.	Annual	M&E Reports	RPMU/IOC in association of the SWIOFC Secretariat will collect information across SWIOFC member countries, and compile annual reports. Possible priority fisheries would be grouper, sea cucumber, seaweed, and others. Annual reports will be reviewed by the SWIOFC Scientific	RPMU/IOC



				Committee.	
Selected overexploited coastal fish stocks in the SWIO region show sign of recovery	This indicator is provides evidence that strengthened regional, evidence-based fisheries management is effective. While the priority management plans will be determined by the SWIOFC Commission, from the activities supported by the project, SWIO countries will implement improved management plan for at least 6 species, based on mutual interest.	Mid-Term and every year thereafter	National fish landing dataset for all SWIO countries, and stock assessments.	Annual stock assessments updated every year, and fisheries performance assessment, using the standard methodology. Stock assessments are expected to cover at least 10 of the 35 species already identified by the Scientific Committee of SWIOFC.	RPMU/IOC
Fisheries-related enterprises with improved competitiveness in Maldives (disaggregated by size, ownership by gender, value chain characteristics)	Improved competitiveness will be measured for any enterprise, supported by the project with TA or matching grant, which shows progress in least 2 of the following sub-indicators: (i) improved ability to access credit from commercial banks; (ii) increase in gross revenue; (iii) percent reduction of input raw materials or cost of energy per unit of gross revenue earned.	Annually	Entity level statutory annual audit reports shared by each enterprise supported by the project.	CD will collect data from all enterprises supported by the project. Access to credit measured by a 3-years average increase in credit received from commercial banks. Gross revenue as per statutory entity audit reports. Cost of input raw materials or energy as per documents from enterprises consistent with balance sheet	CD of MoFMRA



				attached to the statutory entity audit reports.	
People with improved job-opportunities in the SWIO region	People benefited from the following from project interventions by: (i) skill enhancement training, (ii) business development services, (iii) facilitation of access to credit, (iv) matching grant, (iv) facilitation to establish market linkages, (v) support to be included in converging programs of the governments, (vi) employment in new job roles in enterprises supported by the project, and (vii) direct employment by the implementing agencies and their contractors and service providers.	Annually	M&E reports	Regular monitoring of project interventions, including obtaining data from enterprises related to: (a) new jobs created as per business plans supported by matching grants; (b) training and apprenticeship supported by the project.	RPMU/IOC and CD/MoFMRA
Women with improved job-opportunities in the SWIO region	Same as the main indicator				



**Monitoring & Evaluation Plan: Intermediate Results Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Fisheries management plans implemented	This indicator measures the number of fisheries management plans that have been implemented through operations supported by the World Bank. This indicator relates to the actual application and enforcement of measures to control fishing in a determined geographic area. Fishing units accessing the fisheries are identifiable (registered, marked, possibly licensed), and management measures (such as gear and spatial or period restrictions) are applied and enforced (as demonstrated by a minimum rate of control of the target fleet each year, and prosecution of identified delinquents).	Annually	Note. The plans will be EAF-compatible, and the effectiveness will be evaluated relatively to the management measures actually proposed in each plan. RPMU/IOC M & E Reports based on reports from SWIOFC Secretariat	Regular monitoring by RPMU/IOC	RPMU/IOC with SWIOFC Secretariat
Regional fisheries dashboard to analyze and share data operational	Regional fisheries database designed as per advice of the SWIOFC Scientific Committee and the SWIOFC Working Parties, reflecting	Quarterly	M&E Reports including findings from SWIOFC Scientific	Regular monitoring by the RPMU/IOC	RPMU/IOC



	recommendations from past reports from them.		Committee and Working Party.		
Index on regional research and innovation program design and its progress	Index on regional research and innovation program defined through a series of consultation among members states and the Scientific Committee of the SWIOFC, and approved by the SWIOFC within 12 months from the date of effectiveness.	Annually	Progress Reports from RPMU/IOC with support from the Scientific Committee of SWIOFC.	To be determined as part of the planned consultation sessions during Year 1 of project implementation.	RPMU/IOC
Beneficiaries of job-focused interventions		Quarterly	M&E reportson the enrollment in the training impacted by the project, outcome evaluation of all training programs at mid- and end-term.	Regular monitoring, evaluation of each training session and series of training session, and tracer surveys on outcomes of training.	RPMU/IOC
Beneficiaries of job-focused interventions - Female					
New national policies or legislations, regulations or guidelines, plans, and standards or good practices drafted and	These include: (i) national biosecurity bill, (ii) reformed national regulation or policy	Quarterly	M&E Reports	Regular M&E	CD/MoFMRA





submitted to Parliament for approval	for leasing of uninhabited islands, (iii) fisheries management plans for priority species, (iv) fish or food product quality standards, (v) norms or standards for preventing infectious marine disease.				
Quarantine facilities and Biosafety Laboratories operational	Quarantine facilities are or will be located in airports and commercial harbors. The referral biosafety laboratory will be at Maniyafushi, with regional laboratories to be set up along with select quarantine facilities.	Quarterly	CD/MoFMRA M&E reports	Regular monitoring of progress and quality of operation of the facilities	CD/MoFMRA
Beneficiaries of job-focused interventions		Quarterly	Regular monitoring reports	M&E reports will capture all new employment, enrollment in undergraduate education, basic and advanced skill training, with evaluations of the outcome through survey of all recipients of education and training.	CD/MoFMRA
Beneficiaries of job-focused interventions - Female		Quarterly	Same	Same as for the main indicator	CD/MoFMRA



Beneficiaries with rating 'Satisfied' on project interventions		Annually	Mid- and end-term evaluation reports	Satisfaction survey among beneficiaries	CD/MoFMRA
Net greenhouse gas (GHG) emissions	Project net greenhouse gas (GHG) emissions are calculated as an annual average of the difference between project gross (absolute) emissions aggregated over the economic lifetime of the project and the emissions of a baseline (counterfactual) scenario aggregated over the same time horizon. They are reported in metric tons of carbon dioxide equivalent per year.	Annually	CD/MoFMRA M&E reports	Net greenhouse gas (GHG) emissions "from fisheries sector" assessed and monitored by CD/MoFMRA	CD/MoFMRA
Private Capital Mobilized	Includes commercial debt financing, matching equity financing, and private equity investments in SMEs supported by TA or matching grants and viability gap financing.	Annual	M&E reports	Regular monitoring by the CD/MoFMRA with support from the Matching Grant Management Consultants	CD/MoFMRA
Beneficiaries with rating 'Satisfied' or above on project interventions		Mid-Term and End-Term	Mid-Term and End-Term evaluation	Survey of project beneficiaries	CD/MoFMRA



			reports		
Share of SMEs receiving top-up matching grants for implementation of their gender responsive business plans	Share of SMEs receiving top-up allocation based on their gender responsive business plans, including female job creation target, provision of childcare services, safe transport facilities, and flexible work hours.	Annually.	Submitted SMEs business plans.	CD/MoFMRA consolidates quarterly reports from enterprises' business plans supported by the project.	CD/MoFMRA
Beneficiaries of Job-focussed Interventions	People benefited from: (i) business development services, (ii) facilitation of access to credit, (iii) matching grant, (iv) facilitation to establish market linkages, (v) employment in new job roles in enterprises supported by the project.	Annually	Regular monitoring reports	M&E reports will capture all new employment from all enterprises supported.	CD/MoFMRA
Jobs created for women in the fisheries sector through project interventions	The new formal jobs created for women by the SMEs supported by the project.	Annually	regular monitoring reports	Consolidated from SME-wise reports	CD/MoFMRA



## ANNEX 1: Implementation Arrangements and Support Plan

### COUNTRY: South Asia

#### Transforming Fisheries Sector Management in South-West Indian Ocean Region and Maldives Project

1. The Indian Ocean Commission (IOC) (*French*: Commission de l'Océan Indien, COI) is an intergovernmental organization that links African Indian Ocean nations: Comoros, Madagascar, Mauritius, Réunion, and Seychelles. There are also seven observers: China, the European Union, the Sovereign Order of Malta, the Organisation internationale de la Francophonie, India, Japan and the United Nations. The IOC was created in 1982 in *Port-Louis*, Mauritius, and institutionalized in 1984 by the Victoria Agreement (Seychelles). The **IOC** was implementing the SWIOFish1 and SWIOFish2 projects financed by the World Bank and fulfils the criteria to be eligible for accessing IDA grants (see Table A-1). In both projects, IOC had been working in close cooperation with the SWIOFC. The **SWIOFC** was established as an Article VI Statutory Body under the Constitution of the FAO. The Board of SWIOFC is represented by all 12 member countries. It is noted that SWIOFC (and its Working Groups and Scientific Committees) have been part of the SWIOFish1 and SWIOFish2 projects, and their experience is an advantage for implementation of component 1.
2. **Implementation Arrangements for component 1 of the Project by the IOC.** The IOC has an accomplished track-record of implementing regional fisheries sector projects including the SWIOFish1 and the ongoing SWIOFish2 projects financed by the World Bank. Implementation will be guided by a Steering Committee that will include the SWIOFC (i.e., the quorum of full commission members representing the member countries), Secretary General of the IOC, and the Secretary of the SWIOFC Secretariat. The Steering Committee will meet at least once annually, synchronous with the SWIOFC meetings. The outputs of the technical studies and assessments will be reviewed and approved by the SWIOFC Scientific Committee. Dialogue events and annual review and evaluation meetings will be organized in coordination of the SWIOFC Secretariat.
3. **RPMU at IOC:** To manage, coordinate, and implement the project, the IOC will establish a Regional Project Management Unit (RPMU) augmenting the similar project implementation units established for implementing the SWIOFish1 and the SWIOFish2 projects. RPMU will implement the project activities on a full-time basis. The RPMU in the IOC will be headed by a full time Project Manager, reporting directly to the Secretary General of IOC. The RPMU will recruit dedicated staff for procurement, FM, implementation of the ESCP, and M&E, and will draw on the IOC staff for supervision of procurement and FM functions. Specifically, to deliver the scientific studies, the stock assessment and the management advice across subcomponents 1.1, 1.2 and 1.3, the IOC will engage FAO using a standard form of agreement (as per paragraphs 6.47 and 6.48 of the Procurement Regulations for IPF Borrowers) given that FAO's technical expertise is critical given the capacity constraints for such highly specialized work in the SWIO region. The specific arrangements are described in Table 1.
4. **Implementation Arrangements for components 2 and 3 of the Project by the MoFMRA.** The MoFMRA has the sole mandate, jurisdiction, and experience in managing fisheries, and therefore, is the obvious choice to lead project implementation in Maldives. The MoFMRA has implemented or participated in implementation of Bank-financed projects, notably for the Maldives Sustainable Fisheries Resources Development Project (P157801, 2017-22), capacities built by which will continue to be used by the MoFMRA, notably with respect to the MCS related activities, the extension services, mariculture, FM, procurement, and project management. All activities will be implemented by the regular divisions of the MoFMRA including the CD, two of its affiliated institutions (MMRI and MMRDF) in addition to the two new units of the MoFMRA – the Biosecurity Division, and the Economics and Export Market Intelligence Division/Cell – to be established and operationalized by the project.



Given the reduced working hours of the government staff in Maldives, it is unlikely that most of the existing staff will be able to devote substantial time for implementing the project. The additional expertise and staff created under the project (in the three new divisions, the MMRI, the MMRDF, and the other regular divisions of the MoFMRA) will be gradually deputed to the regular divisions of the MoFMRA, paid by the regular budget of the MoFMRA during Year 2-6 of project implementation period, such that the long-term capacity created is not lost, and used for sustenance and expansion of the outcomes of the project.

5. To guide project management, the MoFMRA (for components 2 and 3) has set up a Steering Committee. The Steering Committee will be chaired by the Minister, MoFMRA, and will include the following members: (i) the State Ministers of MoFMRA, (ii) the Permanent Secretary of the MoFMRA, who is also the ex-officio Project Director, (iii) all Director Generals of MoFMRA, (iv) two representatives of the industry associations, and (v) representatives of the GoM in the SWIOFC and the SWIOFC Scientific Committee. The Project Manager from CD will be the member secretary of the Steering Committee. The Steering Committee will meet at least once every quarter to review and guide project implementation.

6. **The CD at MoFMRA will work as the project management unit in this project.** The main idea is to avoid creation of any special purpose vehicle in the form of a project management unit, which was done for the SWIOFish4 Project (P157801), that cannot be sustained after close of any project. The CD will be headed by a full time Project Manager who will report to the Project Director. The CD at MoFMRA (for components 2 and 3) will have dedicated staff for procurement, FM, communication and stakeholder engagement, implementation of environmental and social management framework, M&E, coordination of the regional activities, and will draw on the technical experts from the MMRI, MMRDF and the relevant departments/division of MoFMRA. The specific arrangements are described in PAD Table 1.

7. The CD/MoFMRA will collaborate with and seek support from and partnership with a range of other agencies to strengthen the capacity of the main implementing actors. These will include international knowledge centers, including the World Aquaculture Alliance; academic and research institutes including the Maldives National University; private sector business houses and industries including the Maldives National Chamber of Commerce and Industry; civil society groups, the atoll councils and the island councils, and other government departments responsible for development and protection of marine resources (such as the Ministry of Environment).

### Financial Management

8. FM arrangements for the proposed project include planning, budgeting, accounting, internal controls, funds flow, financial reporting, and auditing in accordance with the fiduciary requirements of the World Bank Operational Policies & Principles for Investment Project Financing. **For component 1:** The RPMU established by the IOC Secretariat will manage all project expenditure and shall be the only accounting center for the project. The RPMU will be responsible for overall FM coordination and monitoring of activities under the component 1. The RPMU will maintain FM arrangements for all project implementation levels including compliance with the financial covenants of the Legal Agreement. The finance manager once appointed at the RPMU will be the focal point for the Bank in all FM related matters. **For components 2 and 3:** The CD under the MoFMRA will manage all project expenditure. Expenditures will be centralized at the CD and there will not be any funds transfers to any other entity/agency. A FM Manual has been developed for the project which details the budgeting and fund flow process, applicable accounting policies and procedures for the project, staffing and auditing and reporting requirements. The finance manager at the CD will be the focal point for the Bank in all FM related matters.

9. **Budget for component 1:** The RPMU/IOC will prepare the Annual Work Plan (AWP) and the related budgets based on the overall work plan of the project. The RPSC will approve the budget. The IOC will periodically review the budget versus actuals and appropriate adjustments will be made to manage variances. **Budget for**



**components 2 and 3:** The Overall Work Plan and Cost Tables (both are parts of the PIP), contains year-wise breakup of physical targets, unit cost for each activity, financial targets for each activity under each component and the details of the components relevant for the project. The Overall Work Plan shall form the basis of year-wise budget preparation for the year. The project will prepare AWP based budgets, specifically including a sub-plan for implementing activities for the benefit of SWIO countries outside Maldives. The budget shall be prepared through a consultative process. Each of the relevant divisions of MoFMRA shall be a budget center and shall be responsible for preparation of annual budget and shall be accountable/ responsible for budgetary control system. Each budget center shall prepare its own budget and submit it to the Project Director for approval. Once approved, the finance manager of the CD shall consolidate the annual budget for the project. The Steering Committee will approve the consolidated budget. Each AWP will incorporate revisions based on variance analysis of the previous year. Once the Steering Committee approves the AWP/Budget the approved AWP shall be submitted to the Ministry of Finance for inclusion in the National Budgets. In order that the exhaustive budgeting exercise gets completed within the specified timeframe, a budgeting calendar has been prepared and agreed upon during project preparation and incorporated in the FM Manual.

**10. Disbursements/Fund Flow arrangements:** Each Implementing Agency will set up a DA denominated in US dollars. For component 1, the RPMU/IOC will set up the DA at the SBM Bank (Mauritius) Ltd., to receive IDA funds. The funds flow arrangements will include flexibility of the “United Nations (UN) commitment” to UN agencies for procurements, with payment modalities as stated in the contract to be signed between the IOC and the FAO. Advances to the DAs will be made based on fixed ceilings for the RPMU/IOC, and these funds will be solely used to finance eligible expenditure. Disbursements will be report-based Statement of Expenditures based reporting for the RPMU/IOC. No funds transfer to other project implementing entities is contemplated. For components 2 and 3, the CD/MoFMRA will set up a DA with the Maldives Monetary Authority, the Central Bank in Maldives. Advances to the DAs will be made based on six months projected expenditures from CD/MoFMRA, and these funds will be solely used to finance eligible expenditure. Disbursements for the project will be report-based using Interim Unaudited Financial Reports (IUFRs) for the CD/MoFMRA. No funds transfer to other project implementing entities is contemplated. With respect to large international payments, the CD/MoFMRA will have the option of requesting the Bank to make direct payments to the supplier.

**11. For both implementing agencies:** Actual expenditures incurred will be tracked and recorded in the IUFR in the prescribed format prepared by the RPMU/IOC and the CD/MoFMRA and will be submitted on a quarterly basis to the WB, and within 45 days after the end of each calendar quarter. The IDA grant/credit proceeds will be used to finance eligible expenditures necessary to meet the development objectives of the project, with due attention to efficiency and cost-effectiveness. Expenditure will be made against bills raised by contractors/suppliers/service providers only, and adjustment or apportionment of corporate overheads will not count as eligible expenditure. If the IDA determines that the IDA funds have been used to finance ineligible expenditures, the amounts used for such expenditures shall be refunded to the IDA by the IOC and the GoM, respectively.

**12. For CD/MoFMRA:** In the case of scholarships, the required amounts will be paid through banking channels to the Maldives National University directly for a period until close of the project. In subcomponent 3.2, certain expenditures including cost of procurement of product quality certifications will be reimbursed. In the cases of the Matching Grants, funds transfer will be through banking channels and there will be reporting of expenditures by grant recipient SMEs, which will then be reported in the IUFRs. Matching Grant financing will be on joint co-financing basis; and the financing percentage will be included in the Matching Grant Manual and may vary between 18 to 39 percent. The DBFMOT contracts will be signed only for the allowable contract amount under this project (which will not exceed 30 percent of the overall cost of the activity), and IDA will fully finance the





contract. In case of Financing Agreement with GoM, disbursements will be first made under the IDA Grant before commencement of disbursement under the IDA Credit.

13. The proposed project will be 100 percent financed by the IDA inclusive of taxes and duties. The following Table A-1 specifies the categories of eligible expenditures to be financed out of the proceeds of the grant and the credit ("category"), the allocations of the amounts of the grant and credit to each category, and the percentage of expenditures to be financed for eligible expenditures in each category.

**Table A-1: Category of Eligible Expenditures, Amount to Each Category, and the Percentage of Expenditures to be Financed**

Category	Amount of the Grant Allocated (expressed in US\$)	Amount of the Credit Allocated (expressed in US\$)	Percentage of Expenditures to be Financed (including taxes)
<b>To be reimbursed to the Indian Ocean Commission</b> Goods, non-consulting services, consulting services, training and workshops, and incremental operating costs for Part A of the Project	12,000,000	0	100 percent
<b>To be reimbursed to the Republic of Maldives</b> (a) Goods, works, non-consulting services, consulting services, training and workshops, and incremental operating costs for Parts B and C of the Project (b) Scholarships	17,715,000 335,000	17,715,000 335,000	100 percent 100 percent
Matching grants under Part C of the Project	8,350,000	8,350,000	100 percent of the matching grants disbursed
<b>TOTAL AMOUNT</b>	<b>38,400,000</b>	<b>26,400,000</b>	100 percent

14. **Accounting:** For component 1, the RPMU will use the IOC's established accounting systems. For components 2 and 3, CD will follow the Government Accounting System, as per documented in the GoM's Financial Rules. The Government Accounting currently is conducted in SAP. Due to limitation of this SAP-based accountings system, the CD will record and maintain project books of account in an acceptable accounting software. A Chart of Accounts will be developed, to facilitate reporting by components and activities, and considering the needs of the accounting system and World Bank reporting requirements.

15. **Internal audit.** The project will be subject to regular internal audits. For component 1, the Internal Audit Department of the IOC will undertake the required internal audit. For components 2 and 3 implemented by the MoFMRA, the CD will appoint an internal auditor. The internal audit will assess whether funds have been disbursed on a timely basis, reached the intended recipients, and transactional controls and propriety have been maintained and used effectively and efficiently for the intended purposes. The internal audit reports will be shared with the Bank within sixty days of the end of the calendar quarter. Both the RPMU and the CD shall form an Audit Committee each to be headed by the respective Project Director to review the audit observations



submitted by the Internal and External Auditors. The Audit Committee(s) should meet at least once a quarter. The internal auditor shall also be invited for such meetings.

**16. External Audit:** For component 1, RPMU/IOC will prepare annual financial statements and will be audited by the external auditor appointed for the project. The external audits will be undertaken by a firm of qualified chartered accountants selected competitively. Financial statements of the components 2 and 3 project will be prepared by the CD and will be audited annually by the Auditor General's Office of Maldives, which is acceptable to the Bank. This statutory audit report will provide the consolidated project financial statement along with audit observations. The audited financial statements together with the auditor's report along with the response from the project on the audit observation will be submitted to the Bank within six months of the end of the fiscal year. According to Bank's Access to Information Policy, the audit report(s) will be disclosed publicly on the Bank's website. The audit report(s) will also be monitored in the World Bank's FM System.

**17. Retroactive financing.** The GoM has requested the Bank to agree to a retroactive financing amount of up to US\$3 million for operating costs, goods, training, and services prior to the signing of the grant/credit agreement and paid after January 1, 2023. Such expenditure must be backed by adequate documentation including evidence of payment and procurement according to principles and procedures described in the Procurement Manual and Financial Management Manual of the project for implementing components 2 and 3.

**18. Implementation support for FM:** The FM risk rating for the project is substantial, consistent with a risk-based approach to FM supervision. A substantial portion of the supervision activities will comprise desk reviews of internal and external audit reports including verifying the adequacy of the resolution of major audit observations and reviewing quarterly financial reports. The desk review will be supplemented by dialogue with the RPMU, CD and relevant project staff as needed, especially in the initial years. The supervision activities will include an FM supervision mission at least once in every six months, periodic transaction reviews and site visits.

## **Procurement**

**19. Procurement Regulations, PPSD and Procurement Plan:** Procurement under the Project will be governed by the latest version of the World Bank "Procurement Regulations for Borrowers for Procurement in Investment Project Financing - Goods, Works, Non-Consulting Services and Consulting Services" dated November 2020 ("Procurement Regulations") and the additional provisions stipulated in the Grant/Financing Agreement(s). The project will be subject to the World Bank's Anticorruption Guidelines, dated October 15, 2006, revised in January 2011 and July 2016. Each Implementation Agency has prepared a Procurement Manual which will guide management of procurement activities under the Project. The IOC and the MoFMRA has prepared their respective PPSD(s) that captures the strategic approach based on existing market practices to be followed for procuring critical contracts during initial phase of project implementation and accordingly the procurement plan is based on this strategy. The two Procurement Plans have been agreed with the Bank and will be updated from time to time. The portal for systematic tracking of exchanges in procurement (STEP) shall be used for procurement planning and exchanges with the Bank. The STEP will not apply to the matching grants.

**20.** Extensive market analysis has been conducted for different packages of procurement and based on the findings, decisions on packages and lots are finalized to ensure adequate participation of bidders. Consultancy contracts are also framed based on market research and packaging of the same in terms of scope of services and period are decided. Based on risk and market analysis, the procurement plan has been prepared to set out the selection methods to be followed by the Borrower during project implementation in the procurement of goods, works, non-consulting and consulting services financed by the World Bank as follows in Table A-2.



**Table A-2: Procurement Methods**

Category	Approximate Estimated Cost / Duration / Section Methods and Market Approach Options
Works	RFB-National; RFQ-National
Goods	RFB-National, RFQ- National, a few may be Direct Selection
Consultancy	QCBS, LCS, FBS, CQS, a few may be Direct Selection

Note: CQS = Selection based on Consultant's Qualifications; FBS = Selection under a Fixed Budget; LCS = Least-Cost Selection; QCBS = Quality- and Cost-Based Selection; RFB = Request for Bids; RFQ = Request for Quotations.

**Table A-3: Procurement and Contract Approaches**

Attribute	Selected Arrangement
Best and Final Offer [BAFO]	No
Negotiations	No

21. **Procurement methods.** Table A-4 below describes various procurement methods to be used for activities financed by the loan. These, along with agreed thresholds, will be reproduced in the Procurement Plan. The thresholds indicated in apply to the initial 18-months of implementation period and are based on the procurement performance of the project; these thresholds may be subsequently modified.

**Table A-4: Procurement Thresholds**

Procurement Approaches and Methods	Thresholds (US\$ equivalent)
Open international (goods, IT, and non-consulting services)	> 100,000
Open national (goods, IT, and non-consulting services)	> 25,000 and up to 100,000
National request for quotation (goods/works)	Up to 25,000
Open international (works)	>1 million
Open national (works)	>50,000 and up to 1 million
Direct selection	No threshold For goods/works/non-consulting services: According to paragraphs 6.8–6.10 of the Regulations For consultants: According to paragraphs 7.13–7.15 of the Regulations
Shortlist of national consultants	Up to 200,000

22. **Procurement prior-review thresholds.** The World Bank will prior review (thresholds are based on 'Substantial' rating) the following contracts:

- Works: All contracts more than US\$1 million equivalent
- Goods and IT: All contracts more than US\$500,000 equivalent
- Non-consulting services: All contracts more than US\$500,000 equivalent
- Consultants: All contracts >US\$25,000 equivalent for firms and >US\$50,000 equivalent for individuals

23. The above thresholds are for the initial 18-month implementation period; based on the procurement performance of the project, these thresholds may be subsequently modified. Even for large-value post review cases, the inputs of the World Bank on technical specifications/ToR will be obtained by the project. The prior review thresholds will also be indicated in the Procurement Plan. The Procurement Plan will be subsequently updated annually (or at any other time if required) and will reflect any change in the prior review thresholds.

24. In the case of contracts subject to prior review, the IAs shall seek the World Bank's no objection before granting/agreeing to (a) an extension of the stipulated time for performance of a contract that either increases



the contract price or has an impact on the planned completion of the project; (b) any substantial modification of the scope of works, goods, non-consulting services, or consulting services and other significant changes to the terms and conditions of the contract; (c) any variation order or amendment (except in cases of extreme urgency) that, singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than 15 percent; and (d) the proposed termination of the contract.

**25. National Procurement Arrangements:** National competition for the procurement of works, goods, IT systems and non-consulting services according to the established thresholds will be conducted in accordance with paragraphs 5.3–5.5 of Section V of the Regulations and the specific provisions detailed in the Procurement Plan. In accordance with paragraph 5.3 of the Procurement Regulations for IPF Borrowers (July 2016, revised November 2020) (“Procurement Regulations”), when approaching the national market, as agreed in the Procurement Plan tables in STEP, the country’s own procurement procedures may be used. When the Borrower, for the procurement of goods, works and non-consulting services, uses its own national open competitive procurement arrangements as set forth in Maldives’ Public Finance Regulations 2017, Chapter 10 – State Procurement System, such arrangements shall be subject to paragraph 5.4 of the Bank’s Procurement Regulations and the following conditions:

1. Only bidding documents acceptable to the Bank shall be used for all national open competitive procurement.
2. The request for bids/request for proposals document shall require that bidders/proposers submitting bids/proposals present a signed acceptance at the time of bidding, to be incorporated in any resulting contracts, confirming application of, and compliance with, the Bank’s Anti-Corruption Guidelines, including without limitation the Bank’s right to sanction and the Bank’s inspection and audit rights.
3. The eligibility of bidders shall be as defined under Section III of the World Bank Procurement Regulations for IPF Borrowers (Procurement Regulations): accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Bank for reasons other than those provided in Section III of the Procurement Regulations.
4. In case of Open Tendering, the receipt of less than three bids shall not be considered grounds for cancellation and re-invitation of bids
5. Bid shall not be rejected merely based on a comparison with an official estimate.

**26. Disclosure of procurement information.** The proposed Project will comply with the disclosure requirements stipulated in the Banks’ Procurement Regulations dated November 2020. Further, the RPMU/IOC and the CD/MoFMRA will publish on their websites all information required to comply with the Procurement Regulations.

**27. Domestic preference.** The provision of domestic preference for Goods may be applied in the evaluation of bids in accordance with Annex VI of the Procurement Regulations.

**28. E-procurement System.** The e-procurement system of GoM, as and when fully functional and acceptable to the World Bank, shall be used for all works, goods, and non-consultancy services. Requirements for e-Procurement will be as indicated in Procurement Plan. For procurement of consultancy services, the use of e-procurement shall be subject to Bank’s approval based on capacity building on e-procurement.

**29. Environmental, Social, Health and Safety Risk.** Procurement Documents will include provisions, as agreed with the Bank, intended to mitigate against environmental, social (including sexual exploitation and abuse, and gender-based violence), health and safety risks and impacts.



## Matching Grants

**30. Increasing Private Sector Participation in Fisheries sector in Maldives through use of Matching Grants:** After a careful evaluation of possible interventions and survey of enterprises and banks, component 3 was designed as combination of TA and matching grants, which addresses the capacity constraints of fisheries enterprises, provides incentives to improve business practices including reduction of GHG emissions, augmenting sustainable fishing practices. For these, improving quality of loan proposals and applications from SMEs, and provision of project's matching contribution linked to credit from commercial banks will be a useful intervention from this project. Matching grants are acknowledged as a viable instrument to temporarily help overcome access to finance constraints faced by SMEs in the short term, and to crowd-in commercial finance in the medium term. Matching grants can also encourage SMEs to take measured risks to strengthen their business processes and productivity. Insisting on clear criteria such as a "match" and a viable business plan, linked to investment made and /or credit enabled, matching grants can ensure careful and cost-effective use of subsidies to avoid distortions. The economic case for grants to private businesses depends on the generation of externalities – that is, public goods benefits. To do this, the grants are targeted to incentivize businesses to produce benefits that do not necessarily increase their financial profits but are valuable to the wider economy. In the context of the fisheries sector in Maldives, matching grants will help in reducing dependence on the public sector by increasing private sector participation - creating wider employment opportunities (specifically for women), facilitation investment/credit to SME enterprises to increase scale of operations, reducing GHG emissions and adoption of sustainable production practices – all positive externalities.

**31. Design of Matching Grants:** Robust definition of the economic rationale is a critical prerequisite for the use of matching grant programs,<sup>3</sup>. An equally robust M&E system tied directly to the economic rationale, is essential for real-time assessment of impact, potential course correction, and learning, and could be utilized to gauge additionality and sustainability. The matching grants in this project will direct critical resources to SMEs enterprises in fisheries to improve access to finance, increase investments in fisheries from the private sector and deliver overall objectives of the project. Matching grants, at 30 percent of capital and/or operational expenditure will be used in a manner such as to maximize leverage from the use of credit from commercial banks and implementation of agreeable business plans. The Matching Grant Manual, as part of the PIP describes the monitoring and verification processes.

**32. Matching Grants to resolve specific market failures related to SME financing constraints:** Lack of access to finance remains a major constraint for Maldives Fisheries sector SMEs with disproportionately low share of bank credit to fisheries sector at less than 5 percent from the major banks surveyed and the prohibitive cost of finance. The reasons for the same being – as SMEs and banks have highlighted during the survey: (a) access to financing – many enterprises have facilities and wish to expand their operations but have limited working capital, let alone credit for capital investment; the main reason is the absence of secure collaterals; commercial banks do not usually provide working capital loans. Even where loan for capital investment is obtainable, the loan tenure is short unsuitable for the sector where break even unlikely to be quick; (ii) prohibitive cost of credit when available – at 12-14 percent, this rate of interest is deemed to be too high for the fisheries and related agricultural sector. This project will aim to strengthen the ability of SMEs to access formal bank credit (i.e., supported with capital infusion via matching grants). Explicit linkages between the matching grant program and the banking sector will be established by requiring all selected SMEs to have or to open a bank account to receive the matching grants. The project will provide limited TA to applicant and beneficiary SMEs to strengthen their loan applications and help them qualify for commercial bank support

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<sup>3</sup> The World Bank. 2016. *How to make Grants a better match for Private Sector Development*.



**33. Matching Grants to resolve specific market failures related to GHG emissions and decarbonizing the fisheries sector:** Maldives intends 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. Matching grants will be directed towards energy efficiency and emission reduction investments in fisheries. Another desired outcome is reducing in GHG emissions from fishing and reduction in waste and fish loss. Matching grants will support or incentivize a range of investments in greening of fishing vessels including energy efficiency measures, use of refrigerated sea water, and fuel switch.

**34. Matching Grants to resolve specific Market failures related to low women participation in fisheries:** There will be specific incentives during evaluation, top-up grants and targeted outreach to women-owned SMEs and those which specifically employ women. While this will be small-scale, it is hoped that this will create a demonstration effect for other Maldives SME enterprises in fisheries.

**35. Selection process for Matching Grants:** The grant applications will be selected through a three-stage process: (a) an open call for submission of Preliminary Grant Applications (PGAs) by interested and eligible SMEs. The scope of the matching grants, covering each activity in subcomponents 3.1 and 3.2 will be disclosed ahead of the call for PGAs; (b) the screening of the PGAs. The CD 'matching grant management' consultants hired by the CD will be responsible for screening each PGA to ascertain that (i) the applicant(s) meet the eligibility criteria; (ii) the proposed investment proposal include the necessary actions as recommended by the energy audit or the sector performance standards for funding under subcomponents 3.1 and/or 3.2; and (iii) the proposed investment proposal is technically reasonable and meets the relevant environmental and social standards; and (c) the submission of Full Grant Application (FGAs) for approved PGAs. The FGA must contain the appropriate environmental and social analysis, relevant compliance/management actions, and a full-fledged bankable Business Plan. The evaluation will be based on pre-disclosed criteria, including the FGA's economic, financial, technical, socio-economic, and environmental suitability. Relevant draft templates and application forms for PGA and FGA stage have been included in the PIP.

**36. Matching Grant Sanction, Agreement, and Disbursement:** Once evaluated and selected, the CD/MoFMRA will issue a letter of intent for providing matching grants specifying the maximum amount of grants to the grant applicant SMEs. The matching grants will be sanctioned once the applicants provide evidence of sanction of loan/credit from commercial banks. The grant agreement(s) will be signed between the CD and the successful applicant(s) which will specify the terms and conditions for use and release of the grant amount (i.e., the link to release of credit from commercial banks, meeting the Performance Criteria included in the applicants' business plan), self-reporting, third-party verifications, and evaluation. A format for a typical grant agreement is part of the PIP. Disbursement of matching grant to each recipient SME will be prorated to the disbursement of loan/credit from the respective commercial bank.

**DBFOMT contract for Fisheries Value Chain Projects with Private Sector Participation.**

**37. Subcomponent 3.2 of the project will facilitate private sector concessionaires in establishing Fish Processing and Canning Facilities.** With the objective of reducing share of public sector in fisheries value chain and increase private investments, the project proposes to set up two fish processing and canning facilities of capacity 25-50 tons per day in the Southern Atolls by attracting private sector investment and management/operation. Under worthwhile investment climate conditions, fish processing would have been a pure private investment but given that there is major share of public sector in fish processing in Maldives through MIFCO, it is imperative that the government creates additional suitable opportunities for private investment and operation of fish of processing. The GoM can, in theory, use various models to attract private sector investment, including to bid out or give out concessions for development of the fish processing and canning facilities. Such





models used normally range from 'design-build-operate (DBO) to 'design-build-finance-operate-transfer' (DBFOT) depending on the extent of private participation /investment is sought and considered feasible.

**38. Choice of concession agreement models:** Depending on the nature of fish processing facilities required and decided based on the above research studies, all appropriate contract/concession models, ranging from DBO to DBFOT models, were examined. It is expected that DBFOMT concessions would be possible given the level of private sector interest being seen in the fisheries sector in Maldives. This also follows from a recent success in attracting a private investment of US\$16 million for setting up of a recirculatory aquaculture production system in October 2022. The implementation process will include investment specification (technical) and cost estimation, demand assessment for estimation of revenues, consultation with possible private sector participants and potential bidders. This will be followed by management of bid process as per World Bank procurement guidelines. Viability Gap funding (VGF) will be capped to 30 percent of the cost of establishing and operating fish processing plants but will be bid out competitively with VGF as the bidding parameter.

**39. Simultaneously, the project will initiate assessments required for preparation of an overarching Roadmap for Expanded Private Sector Participation.** This will entail: (a) an assessment of the level of use and efficiencies of fisheries sector infrastructure and assets already created by public finance, such as fish landing centers, jetties, ice plants, and explore options for their efficient use; (b) prepare liability statements including retrofitting resilience and good environmental practices for all such assets and infrastructure, including sunk/abandoned ones, found desirable to be renovated and reinstated; (c) preparation of roadmap including legal and regulatory framework for inviting private sector ownership of these facilities, including through public-private partnership models considering the optimum methods to distribute the liabilities assessed; (d) undertake analyses related to restructuring/reform options for MIFCO considering a balance between its commercial objectives and social functions (of ensuring a fair share of prices for the fisherpersons). These analyses will support adjustments required in the matching grant (or viability gap financing) schemes and offering more assets and functions in the fisheries sector to the private sector (using a range of different concession or management contract options, as may become appropriate) including as part of the MCGP (P179286).

