



# Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 30-Nov-2021 | Report No: PIDC33015



**BASIC INFORMATION**

**A. Basic Project Data**

Country Middle East and North Africa	Project ID P178143	Parent Project ID (if any)	Project Name Project on Sustainable Fishery Development in Red Sea and Gulf of Aden (SFISH) (P178143)
Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date Apr 18, 2022	Estimated Board Date Jun 16, 2022	Practice Area (Lead) Environment, Natural Resources & the Blue Economy
Financing Instrument Investment Project Financing	Borrower(s) United Nations Development Programme, Republic of Djibouti	Implementing Agency	

**Proposed Development Objective(s)**

The Development Objective of the Phase I of the Project is to strengthen regional fishery information management and improve capacity for sustainable production and economic opportunities for beneficiaries across the fishery value chain in Djibouti and Yemen.

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

**SUMMARY**

<b>Total Project Cost</b>	86.00
<b>Total Financing</b>	86.00
<b>of which IBRD/IDA</b>	86.00
<b>Financing Gap</b>	0.00

**DETAILS**

**World Bank Group Financing**

International Development Association (IDA)	86.00
IDA Credit	1.00
IDA Grant	85.00



Environmental and Social Risk Classification

Substantial

Concept Review Decision

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

## B. Introduction and Context

### Regional and Country Context

- Over 240 million people live in the eight coastal states of the Red Sea and the Gulf of Aden occupying about 6.4 million km<sup>2</sup>.** Their combined gross domestic product (GDP) is about \$1.2 trillion, with Saudi Arabia contributing more than 60 percent of that total.<sup>1</sup> The Red Sea stretches between two important narrow passageways, the Bab Al-Mandab Strait and the Suez Canal, through which about 10 percent of world trade and 4 million barrels of oil pass daily.<sup>2</sup> The eight surrounding countries—Saudi Arabia, Egypt, Jordan, Eritrea, Yemen, Sudan, Djibouti and Somalia—have traded for thousands of years including fisheries products that formed an important contribution to economic development and food security in the region, yet fragility and security challenges in recent decades hinder both regional and global trade and development.
- The region has faced significant challenges in recent years due to wars, internal conflicts, and climate shocks.** Security threats in the forms of piracy, trafficking, and smuggling bear immense economic costs.<sup>3</sup> Illegal actors have taken advantage of the power and economic vacuums prevailing in some parts of the region.<sup>4</sup> Conflict in Yemen, persistent fragility in Somalia, climate risk, fragility, and refugee influx in Djibouti, and tensions between political alliances in the Gulf contribute to a complicated geopolitical landscape in the region.<sup>5</sup> The Horn of Africa (HoA) that includes Djibouti, along with Eritrea, Somalia, Ethiopia and Kenya, is also known for a long history of fragility, catastrophic droughts, and seemingly intractable conflicts. Climate change is now exacerbating an already difficult situation across the region, leading to increased tension over natural resources. Successive shocks of different kinds have led to record numbers of displaced people and increased migration, mostly irregular, to Gulf countries (World Bank, 2021).<sup>6</sup>

<sup>1</sup> Statistics according to latest data from [data.worldbank.org](https://data.worldbank.org) [accessed October 18, 2021]

<sup>2</sup> <https://www.arabnews.com/node/1612471>

<sup>3</sup> Rerouting tankers from the Gulf of Aden due to piracy threats costs around \$3.5 billion in annual fuel costs alone.

<sup>4</sup> Mbekeani, K. K., & Ncube, M. (2011). Economic Impact of Maritime Piracy. AfDB Africa Economic Brief, 2(11).

<sup>5</sup> [https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Maritime%20Piracy\\_Maritime%20Piracy.pdf](https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Maritime%20Piracy_Maritime%20Piracy.pdf)

<sup>6</sup> Vertin, Z. (2019, December 19). Red Sea geopolitics: Six plotlines to watch. Brookings. <https://www.brookings.edu/research/red-sea-geopolitics-six-plotlines-to-watch/>

<sup>6</sup> World Bank 2021, "Horn of Africa Regional Economic Memorandum."



3. **Poverty and inequality remain as significant challenges in the region, while trade and investment underperform as drivers of growth and job creation.** The ongoing vulnerabilities such as conflict, COVID-19 pandemic and climate change are projected to have a significant impact on reversing gains in poverty reduction in the region, especially for the two countries – Yemen and Djibouti - of the phase I of the proposed Project on Sustainable Fishery Development in Red Sea and Gulf of Aden (SFISH). Poverty level is worsening in Yemen, from almost half Yemen’s total population of about 29 million prior to conflict to an estimated three-quarters of it—71 percent to 78 percent currently.<sup>7</sup> Djibouti is a small country in HoA with more than 23 percent of the population living in extreme poverty. Both countries heavily rely on trade, which is also impacted by various challenges in the region. For example, the ratio of (recorded) trade to GDP decreased between 2013 and 2019 in Ethiopia, Kenya, and Djibouti, while for other countries in the region trade plays a much less prominent role than what it should considering their economic size and locations.
4. **The poorest country in the Middle East and North Africa (MNA) region, Yemen has a GDP of US\$824 per capita and a population of 29.8 million in 2018.**<sup>8</sup> The country has been under a devastating conflict since 2015 that weakened institutions and caused the worst humanitarian crisis in the world.<sup>9</sup> By the end of 2019, an estimated 233,000 people had been killed<sup>10</sup>, a majority of whom were children under five. Twenty million people in the country need humanitarian assistance and 4 million (nearly 80 percent of whom are women and children) have been displaced.<sup>11</sup> An estimated 40 percent of households have lost their primary income source, contributing to an increase in poverty to 75 percent of the population in 2019. The real GDP contracted by 39 percent compared to the pre-conflict situation,<sup>12</sup> and the economy has contracted further due to the COVID-19 pandemic, cyclones and flooding in 2020 and 2021.<sup>13</sup> Despite the ongoing crisis, humanitarian assistance has declined since 2020.<sup>14</sup> Beyond these tragic human costs, the conflict has severely affected the country’s food security and damaged critical infrastructure. It drastically reduced access to basic services,<sup>15</sup> and damaged nearly a quarter of the road network, including key routes such as Aden–Sana’a and Hodeida–Sana’a, which are important for trade. The conflict has also caused multiple disease outbreaks (e.g., diphtheria, cholera) and contributed to malnutrition and near complete economic collapse.<sup>16</sup> Food insecurity, a chronic problem in Yemen, has deteriorated to unprecedented levels over the past few years. According to the 2021 Integrated Phase Classification (IPC), a total of 16.1 million people, or 54 percent of the country’s population were estimated to be severely food insecure in the first half of 2021, despite the presence of the ongoing humanitarian food assistance.<sup>17</sup> The country has traditionally relied on its natural resources – oil, gas and fisheries – to support its economy. Prior to the escalating conflict in 2015, fisheries have always been the major source of food security, income, and employment in coastal areas.<sup>18</sup> The sector contributed up to 3 percent share to the country’s

<sup>7</sup> <https://www.worldbank.org/en/country/yemen/overview#1> – November 1, 2021 update

<sup>8</sup> World Bank. 2021. <https://data.worldbank.org/country/yemen-rep>

<sup>9</sup> <https://news.un.org/en/story/2019/02/1032811>

<sup>10</sup> Of which 102,000 combat deaths and 131,000 indirect deaths due to lack of food, health services and infrastructure (UNDP. 2019. Assessing the Impact of War on Development in Yemen. UNDP).

<sup>11</sup> <https://www.unrefugees.org/emergencies/yemen/>

<sup>12</sup> <https://www.worldbank.org/en/country/yemen/publication/economic-update-april-2019>

<sup>13</sup> World Bank. (2021, April 2). Yemen’s Economic Update—April 2021. World Bank. <https://www.worldbank.org/en/country/yemen/publication/economic-update-april-2021>

<sup>14</sup> FAO. 2021. GIEWS Country Brief Yemen. March 10. <https://www.fao.org/giews/countrybrief/country.jsp?code=YEM>

<sup>15</sup> For example, over 60 percent of population has limited or no access to safe drinking water, sanitation and hygiene; while the number of sewage systems breakdowns has increased.

<sup>16</sup> the conflict led to huge losses in economic output, estimated at US\$89 billion.

<sup>17</sup> IPC. (2021). Yemen: Acute Food Insecurity Situation October—December 2020 and Projection for January—June 2021. IPC Global Platform.

<http://www.ipcinfo.org/ipc-country-analysis/details-map/en/c/1152947/?iso3=YEM>

<sup>18</sup> FAO. 2019. Yemen. Famine Prevention Plan. Contributing to improving food security and nutrition.



GDP, and was the country's second largest export earner, after oil<sup>19</sup> with value of fish exports estimated in 2013 at US\$289 million (that fell to US\$170 million in 2014). Moreover, fish represents an essential source of protein for both local and national consumption forming an important role in the country's food security.

5. **Djibouti, the smallest country in the HoA, is a lower-middle-income country with significant challenges to reduce poverty and promote inclusive growth.** The country is home to about 1 million people. Economic growth, which averaged around 7 percent per annum between 2016-2019, has been non-inclusive and largely driven by public investments in transport and port infrastructure. The country has little diversification and largely depends on the service sector (70 percent of the GDP). The growth has been fueled by high debt-financed investment, estimated at 57 percent of GDP. Foreign Direct Investment (FDI) inflows also play a key role contributing to 5.8 percent of GDP between 2015-2019. Seventeen percent of the population live in extreme poverty (based on the 2019 Poverty Assessment using the 2017 Household Survey data)<sup>20</sup>, while unemployment rate is 48 percent out of which more than 70 percent are youth. With less than 1,000 square kilometers of arable land (0.04 percent of the country's total land area) and an average annual rainfall of only 130 millimeters, Djibouti depends completely on imports to meet its food needs.<sup>21</sup> Malnutrition rate is also high from which 30 percent of the children suffer, while human capital outcomes are overall very low. Djibouti is prone to weak institutional capacity that limits the government's ability to design and implement an enabling environment for private sector led inclusive growth agenda. Djibouti ranks below the average International Development Association (IDA) countries on rule-based governance, quality of public administration, transparency, and accountability and is ranked 142 out of 179 countries in the 2020 Transparency International's Corruption Perceptions Index.
  
6. **Yemen and Djibouti are also highly vulnerable to climate change-related phenomena, such as extreme heat, recurrent drought, extreme flooding, changes of rainfall patterns, and sea level rise.** Yemen's Third National Communication to the United Nations Framework on Climate Change identified coastal zone as one of the most vulnerable sectors to climate change.<sup>22</sup> This vulnerability, often seen as a *threat multiplier*, is likely to further exacerbate the current pressure on livelihoods in the future.<sup>23</sup> Djibouti ranks 159th out of 181 with respect to its vulnerability to climate change. High temperatures, low rainfall, multi-annual droughts, and a scarcity of ground water adversely affect livelihoods, agriculture, and internal displacement (with migration towards Djibouti-Ville). A Vulnerability assessment carried out by International Fund for Agricultural Development (IFAD) in Djibouti in 2014 identified that large stretches of the coastline face significant ecosystem disruption, mainly related to coral reefs and mangroves which are important for sustaining fisheries and gradual inundation and saltwater intrusion further compounding land-based agriculture activities. According to a government-led Interagency Rapid Assessment of floods in November 2019, an estimated 250,000 people were affected, with nearly US\$16 million in housing damage and an estimated need of US\$25 million for reconstruction and recovery.<sup>24</sup> These events were followed by the April 2020 floods which impacted 110,000 people across Djibouti-Ville and the suburb of Balbala. The recent prolonged

<sup>19</sup> Alabsi N. and T. Komatsu. 2014. Characterization of fisheries management in Yemen: A case study of a developing country's management regime. *Marine Policy* 50: 89-95.

<sup>20</sup> WBG 2019. Challenges to inclusive growth. A poverty and equity assessment of Djibouti. 164pp.

<sup>21</sup> <https://www.worldbank.org/en/country/djibouti/overview#1>

<sup>22</sup> A case study assessment of the Al Mukalla Coastal Zone showed that, among other impacts, sea level rise will exacerbate shoreline erosion rates and lead to corresponding land loss of about 440 hectares under an assumed rise of 0.5 meters of the waters of the Arabian Sea (Republic of Yemen. 2018. Third National Communication to the Conference of the Parties of United Nations Framework Convention on Climate Change.)

<sup>23</sup> Sieghart, L., M. Betre and J. Mizener. Strengthening Conflict Sensitive Approaches to Climate Change in MENA. The World Bank.

<sup>24</sup> World Bank (2020), 'Rapid Post-Disaster Needs Assessment (PDNA), Djibouti, December 2019'.



drought has spurred desertification and exposed at least 20 percent of the population in Djibouti-Ville and 75 percent of rural households to economic insecurity.<sup>25</sup> This also demonstrates the need for diversification of food sources as adaptive mechanism to address the climate vulnerabilities.

7. **The COVID-19 pandemic continues its spread in region, further compounding the economic sectors and their supply chains and food security due to pandemic preventive measures.** By end of October 2021, Yemen has reported 9,791 COVID-19 cases with 1,889 deaths and Djibouti tested more than 13,478 confirmed cases and 181 deaths,<sup>26</sup> although it is likely, the number of cases is under-reported as many other countries. The socioeconomic impact of the crisis is particularly devastating as the pandemic has contributed to worsening the already precarious living conditions of vulnerable households with job loss, price shocks and other adverse factors. Movement restrictions in Yemen due to COVID-19, in addition to the on-going conflict and high input costs continue to negatively impact the fisheries supply chains and trade. The quantity of fish has increased in the coastal areas but decreased in the other urban centers, as a result of organizational and technical difficulties including increased fuel prices for transport and movement limitation. As a result, fish prices have increased impacting both livelihoods and food security. In Djibouti, the pandemic is reversing fiscal consolidation efforts started in 2015. The overall fiscal deficit is expected to increase to 2.3 percent of GDP, up from 0.5 in 2019. The recent micro, small and medium enterprise (MSME) survey in 2020 portrays that many of the businesses have suffered significant losses and remain highly uncertain about surviving the adverse impact of the pandemic. In April 2020, the government of Djibouti launched the "*Pacte de Solidarité Nationale*" a reference document framing its socioeconomic response to the pandemic. The "pact" highlights the impact and financing needs of three priority sectors: health, social, and economic sectors.
  
8. **Despite all its vulnerabilities and resource scarcities, Djibouti has traditionally been a welcoming host for refugees.** The fragility in the region spills into Djibouti, by serving as a major destination for refugees and migrants fleeing political and environmental crises. These refugees typically settle in poor areas, where their presence tends to worsen the already challenging conditions there. Due to on-going and protracted conflicts in neighboring countries, the trend of refugee influx is likely to continue. According to United Nations High Commissioner for Refugees (UNHCR),<sup>27</sup> in 2020, Djibouti has hosted 32,019 refugees. Somali and Yemeni nationals were the largest refugee groups (13,558 and 5,666 respectively). The refugee population constitutes about three percent of the total population in Djibouti, making it one of the countries with the highest ratios of refugees/population in the world.<sup>28</sup> The registered refugees reside in four areas: (i) Djibouti-Ville (communes of Balbala and Boulaos with approximately 5,893 registered refugees, (ii) Town of Ali Addeh with approximately 16,245 registered refugees, (iii) Town of Holl-Holl with 6,612 registered refugees, and (iv) Markazi refugee village near Obock Town with 2,531 registered refugees. The Government of Djibouti (GoD) provides an enabling legal framework to host and protect refugees. Djibouti has embraced the Comprehensive Refugee Response Framework, a United Nations (UN) initiative that aims to safeguard the wellbeing of host communities and refugees. In 2017, a new National Refugee Law (NRL) came into force that is widely considered as one of the most progressive refugee laws in the world. The law provides refugees improved access to

<sup>25</sup> According to the CPS for Djibouti FY2014-2017, droughts have particularly negative implications for women as (i) they are a vulnerable segment of the population given their often disadvantaged status; and (ii) the burden of household chores, including fetching water, seeking cooking material, food preparation and caring for children and elderly, lies primarily on women, as primary caregivers.

<sup>26</sup> <https://covid19.who.int/region/emro/country/ye>

<sup>27</sup> <https://reporting.unhcr.org/djibouti>; accessed on October 15, 2021.

<sup>28</sup> For the purpose of the Project Paper, the reference to refugees also includes asylum-seekers. Both are registered with UNHCR.



healthcare, education, and employment opportunities<sup>29</sup>, and place them virtually on an equal footing with Djiboutian citizens.<sup>30</sup>

9. **Regional integration presents a compelling case for promoting inclusive growth in the region.** The integration can be an engine to accelerate the growth and reduce poverty. It can promote economic diversification, the competitiveness of countries, and greater regional trade. There is strong demand from the Gulf for food products produced in the region, in particular fish, meat, and other agricultural products. Given the limited amount of arable land in the regional countries which are also impacted due to water scarcity and climate vulnerabilities, land-based agriculture interventions have comparatively limited potential to contribute to growth. However, fisheries if well managed including addressing some of the main transboundary challenges of the region, have a very high potential as a key economic sector for the regional countries and provide diversification needed in the food system, as demonstrated by pre-conflict Yemen. There is also considerable potential for enhanced cross-border trade, which is intrinsically transnational but mainly small-scale (informal) in the HoA, with significant potential to leverage entrepreneurship and greater private sector activity to generate jobs.<sup>31</sup>
10. **Countries in the region have demonstrated strong commitment for regional integration.** To counter the challenges contributing to security and economic threats in the Red Sea and Gulf of Aden and identify opportunities to overcome them, a task force of the Intergovernmental Authority on Development (IGAD) assessed a common position and response strategy in 2019, concluding that forming a regional council would benefit the region. In response to IGAD's recommendation, the foreign ministers of eight countries (Saudi Arabia, Egypt, Jordan, Eritrea, Yemen, Sudan, Djibouti and Somalia) met and chartered a new regional body - the Council of the Red Sea and Gulf of Aden Countries - in January 2020, with the objective to enhance political, economic, and security cooperation within its membership. The council specifically expects to address threats and challenges facing the region and safeguard the security, environmental protection and economic development of countries bordering the Red Sea and Gulf of Aden. Promoting trade and investment between the member countries and attracting investment by addressing governance challenges will be key to creating jobs and providing youth with viable alternatives to illegal activities.<sup>32</sup> Similarly, the joint commitment by HoA countries to implement the Horn of Africa Initiative (HoAI) have prioritized the development of regional corridors to enhance economic diversification and trade competitiveness, as one of the key pillars of intervention. The HoAI was launched in October 2019 by the Ministers of Finance of Djibouti, Ethiopia, Eritrea, Kenya, and Somalia with the support of the African Development Bank (AfDB), the European Union (EU) and the World Bank. The initiative calls for investments of about US\$15 billion over the next decade, by supporting the development of economic corridors (transport, energy and digital) and trade, promotion of value-added regional value chains, thus improving economic development and increasing resilience in the region.

<sup>29</sup> In December 2019, the GoD issued five pledges during the Global Refugee Forum: 1) Integrating refugees into the national development plan as part of Vision 2035; 2) Strengthen the value of teachers through a certification training scheme and national budget support; 3) Provide refugees with technical and vocational training for better socio-economic inclusion; 4) Investing more health in technical platforms to strengthen health facilities in refugee-hosting areas for better service at all levels (1, 2 and 3); 5) Gradually include 12,500 refugees in the universal health insurance program by 2021.

<sup>30</sup> Gouvernement de Djibouti (2017) Loi N°159/AN/16/7ème L portant statut des réfugiés en République de Djibouti

<sup>31</sup> World Bank 2021, "Horn of Africa Regional Economic Memorandum."

<sup>32</sup> <https://www.arabnews.com/node/1612471>



## Sectoral and Institutional Context

### (a) Regional sectoral and institutional context

11. **The Red Sea and Gulf of Aden region is globally known for the uniqueness of its coastal and marine biodiversity, and its economic, historical, and social value to the Middle East and North Africa region.** Their ecosystems support a rich biological diversity with a high proportion of endemic species that also includes many important fish species, and United Nations Educational, Scientific and Cultural Organization (UNESCO) has designated World Heritage Sites including Socotra Archipelago, Dungonab Bay, and Senganeeb Atoll. The Red Sea has been identified as a potential climate refuge for coral reefs, because of the relatively higher resilience of its corals compared to other parts of the world. In addition to the coral reefs, the region also supports extensive seagrass beds and mangroves, which are all critical fish breeding and feeding grounds. The Gulf of Aden has levels of biological productivity that are amongst the highest in the world.<sup>33</sup> The flow of nutrient rich water from the Gulf of Aden into the Red Sea is primarily responsible for higher productivity in the southern part of the Red Sea and contributes significantly to the Arabian Sea. Marine fishery, as a traditional economic activity, remains a main source of food and income for coastal communities in the region. However, declining, and fluctuating trends are reported for several fisheries in the region, which are mainly linked to degradation of their essential coastal habitats. Other significant issues such as habitat destruction, overexploitation of marine resources; navigation risks and threats of hydrocarbon spills, pollution from urban, industrial and tourism hotspots; illegal disposal of pollutants by transiting vessels and the impacts of climate change to the long-term stability of these waters stem from the increase in the human population in the coastal areas and the rapid economic growth resulting in considerable pressure on the coastal and marine environments.<sup>34</sup>
12. **Threats such as marine pollution, and depletion of marine resources are of trans-boundary nature that necessitates regional cooperation to define their causes, effects and coordinated management actions.** Hence, the Project for the Environment of the Red Sea and Gulf of Aden was initiated in 1974 in collaboration with the Arab League Educational, Cultural and Scientific Organization (ALECSO) and the support of United Nations Environment Programme (UNEP) as one of its Regional Seas Projects. In 1982 the Project was underpinned by signing the Jeddah Convention, formally titled "Regional Convention for the Conservation of the Red Sea and Gulf of Aden Environment". The Jeddah Convention expresses in clear terms the commitment and the political will of the governments of the region to tackle the challenges in the marine and coastal environments of the Red Sea and Gulf Aden through joint and coordinated efforts. The provisions of the Jeddah Convention aim at protection of coastal and marine environment from pollution and the rational management of living marine resources including fisheries. They came synchronized with the Articles of the United Nations Convention on the Law of Seas (1982), where Article 123 of this Convention called for cooperation among coastal countries, and to coordinate their efforts regarding rights and duties concerning marine environment and its uses. In accordance with Article III of the Jeddah Convention, The Regional Organization for the Conservation of the Environment of the Red Sea and Gulf of Aden (PERSGA) was established in 1995.
13. **Both Yemen and Djibouti are part of the seven countries (which also include Somalia, Egypt, Jordan, Saudi Arabia and Sudan) that hold membership to PERSGA.** Protection of the Red Sea and Gulf of Aden environments from

<sup>33</sup> <https://www.unep.org/explore-topics/oceans-seas/what-we-do/working-regional-seas/regional-seas-programmes/red-sea-and#:~:text=The%20Gulf%20of%20Aden%20has,the%20Red%20Sea%20as%20well.>

<sup>34</sup> <https://www.unep.org/explore-topics/oceans-seas/what-we-do/working-regional-seas/regional-seas-programmes/red-sea-and>



pollution, and the rational management of their resources are the focal objectives of the PERSGA mission and work. It is an intergovernmental organization governed by a council of ministers responsible for environmental affairs in the seven PERSGA member states. The Ministerial Council meets every two years to approve technical and financial policies. While fisheries has been part of the mandate of PERSGA, the Protocol concerning Cooperation in Management of Fisheries and Mariculture in the Red Sea and Gulf of Aden was finalized recently, and its signing and ratification currently in progress.<sup>35,36</sup>

## (b) Country sectoral and institutional context – Phase I countries

### Yemen

14. **Yemen has a long coastal band with rich fish resources in the sea**, benefiting from mountainous inputs and wadi slopes' deposits. This sector is one of the most promising economic sectors generating essential incomes for the fishermen. Yemen lies on the Red Sea, the Arabian Sea (including Gulf of Aden) and the Indian Ocean, which are noteworthy areas that provide fish which forms a significant component of coastal population's diet and livelihood. Fish wealth is a major renewable natural resource of Yemen as well as a primary national source of income. Prior to the conflict, more than 350 species of fish and other marine life in the territorial waters made Yemen a major fish producing country in MNA.<sup>37</sup> Moreover, a variety of ecosystems such as coral reefs and mangroves, supported about 65 commercially important species including invertebrates (shrimp, lobsters, cuttlefish, sea cucumbers), pelagic species (yellowfin and longtail tuna, kingfish, queenfish, Indian mackerel, Indian oil sardines) and demersal species (groupers, emperors, jacks, bream).<sup>38</sup>
15. **The Ministry of Agriculture, Irrigation and Fisheries (MAIF) is currently in charge with the management of the fisheries sector in Yemen.** It has a central office located in Sana'a and is supported by branch offices in nine coastal governorates: General Corporation for Fish Marketing Services, Coastal Fisheries Corporation, Marine Science Biological and Research Authority, Aquaculture Research Centre, and Fish quality control laboratories. In 2012, about 2,600 employees were engaged in operationalizing the fisheries sector activities. Currently, the human resources have dwindled and some of the local offices are no longer functioning to provide the necessary technical support to the fishers and to ensure enforcement.
16. **The fishery sector provided job opportunities for more than half a million individuals<sup>39</sup>, which supported 1.7 million people, forming 18 percent of the coastal population prior to the conflict.<sup>40</sup>** Fish contributed to poverty alleviation, food, and nutritional security primarily in the coastal governorates of Hajjah, Taiz, Hudaydah, Aden, Lahj, Abyan, Shabwah, Hadramawt and Mahrah<sup>41</sup>, and in other parts of the country, such as Sana'a. The total fish catch was about

<sup>35</sup> <http://persga.org/jeddah-convention/>

<sup>36</sup> <https://www.unep.org/explore-topics/oceans-seas/what-we-do/working-regional-seas/regional-seas-programmes/red-sea-and>

<sup>37</sup> Ellaya, M. 2019. Fishing during the war? The impact of war on Yemeni fisheries. Published by Fisheries Conflicts: Case Studies (<https://ucsdonline.maps.arcgis.com/apps/MapSeries/index.html?appid=1d694c00fecc42759f6605837c386354>)

<sup>38</sup> Ministry of Fish Wealth. 2012. National Fisheries Strategy (2012-2025).

<sup>39</sup> Artisanal fishing dominated the sector, directly supporting the livelihoods of about 667,000 people (Alabsi and Komatsu, 2014).

<sup>40</sup> Ministry of Fish Wealth. 2017. Guide of Fishery Investment. p. 14.

<sup>41</sup> See Ellaya (2019), cited above.



160,000 tons in 2015<sup>42</sup>, mostly associated with artisanal fishing.<sup>43</sup> Although stock assessments were not available, the National Fisheries Strategy (2012-2025) indicates that the country's fisheries is at serious risk of depletion, due to lack of appropriate management to stabilize the valuable stocks.

17. **The conflict has caused severe damages to the entire fishery value chain.** It has taken the lives of many fishermen, destroyed fishing boats and landing sites, disrupted electricity that in turn has severely affected ice-production and cold-supply chain leading to deterioration of product maintenance and quality, limited fishermen's access to the sea, increased fuel prices affecting boat operation, disrupted transportation networks that heavily affected access to critical input supplies and fish product distribution networks both for domestic and export markets. Overall, the entire fish supply chain has been massively destroyed. As a result, for example only about 50 percent of fishermen in the Red Sea are believed to be still working in the sector.<sup>44</sup> Job opportunities and fish production have declined considerably along the coast, particularly in Hudaydah, Taiz and Hajjah governorates, which became war zones. This led to migration of people away from the coast in search for survival opportunities.<sup>45</sup> Yet, due to the severe humanitarian crisis affecting all parts of the country, the coastal population are gradually returning to fishing for survival. Fish is a key staple of the Yemeni diet, particularly for coastal communities and the deterioration of fishing infrastructure has led to increase in fish prices (combined with lower incomes of coastal communities relying on fisheries and impacts of COVID-19 pandemic), which made fish unaffordable for many people.

18. **Nonetheless, the fishery sector remains vital for supporting the lives and livelihoods in Yemen.** Today, Yemen exports fish to almost 34 countries (down from 50 countries prior to the conflict) including neighboring markets, but also European and Asian markets, and the value of fish exports between January – September 2019 was estimated at US\$41 million (which is sharply down from US\$289 million in 2013). The sector still provides a main source of food security, earnings, and employment for Yemenis living along the southern coast, including in 50 localities along the Gulf of Aden and the Arabian Sea. There are 70,000 small-scale fishermen in the region, and the industry is often the sole source of income for coastal communities.<sup>46</sup> Fish is also a good source of protein for local consumption as well as a solution to food security. However, the size of fishery remains limited and contribution of the sector to the total economic local production still modest because of deficient access to modern technologies in fishing and processing the production. Preserving the sector is essential to support the people weather the impact of the conflict, and to rebuild the nation post-conflict.

19. **Although engaging in the country under the current context is subject to multiple risks, the risk of inaction is exponentially greater for the survival of Yemeni citizens.** Over 20 million people, about two-thirds of Yemen's population, is dependent on humanitarian aid.<sup>47</sup> The United Nations Office for Coordination of Humanitarian Affairs' (UNOCHA's) Yemen Humanitarian Response Plan remains only half-funded, and by September 2021, several

<sup>42</sup> World Bank. 2018. Middle East and North Africa. Food Security in Yemen and Djibouti. Improving Food Availability and Access for Rural Households in Yemen and Djibouti. September 2018.

<sup>43</sup> Based on data the Ministry of Fish Wealth statistics, quoted by Republic of Yemen (2018).

<sup>44</sup> LSE Middle East Centre. 2018. The Impact of the War in Yemen on Artisanal Fishing of the Red Sea. LSE Middle East Centre.

<sup>45</sup> Moreover, these conflict-related problems are exacerbated by other factors: climate change, which threatens seriously the livelihoods and infrastructure on the coastal zone; fishing irrespective of the restrictions declared by the MFW; and marine pollution caused by spilling oil, dumping sewage and discarding undesired species in the sea.

<sup>46</sup> [https://pdf.usaid.gov/pdf\\_docs/PA00WFZJ.pdf](https://pdf.usaid.gov/pdf_docs/PA00WFZJ.pdf)

<sup>47</sup> UN OCHA. (2021). Yemen Humanitarian Update (Issue 8). <https://reliefweb.int/report/yemen/yemen-humanitarian-update-issue-8-august-2021-enar>



humanitarian response sectors have received less than 15 percent of needed funds.<sup>48</sup> This alarming situation means that several millions of people will be at even higher risks of famine and death due to lack of action. This calls for an urgent need of action to develop new ways to improve food security, nutrition and livelihoods for the Yemenis at risk. The proposed Project aims to address this gap by investing in the fisheries sector, through re-engagement, reconstruction, and improving the fish value chains. The importance of enhanced institutional and governance capacity, technology transfer and capacity building in science-based but practical and context specific sustainable management practices and controlling of fishing effort level that do not impair resource productivity underpins the proposed operation. In addition, by incorporating key elements of sustainable fishery and scaling up the use of innovative technologies, the Project aims to make a first step towards a sustainable blue economy in the region.

## Djibouti

20. **With a coastline of 314 km, Djibouti has not traditionally relied on fisheries as the other countries bordering the Red Sea and Gulf of Aden, although the sector has high untapped potential to contribute to promote jobs, inclusive growth, exports and economic diversification.** The sector represents less than 1 percent of the GDP and employs approximately 600 fishers. It has an approximate yield of about 2,000 metric tons—exclusively through small-scale, artisanal operations—although the sustainable exploitable potential is estimated to be about 38,000 tons, both commercial (4,500 tons) and non-commercial fish species (33,500 tons).<sup>49</sup> Fishing is only artisanal, and the Djiboutian flotilla is made up of around 200 boats from 5 to 16 meters. Annual landings include many pelagic (tuna, king mackerel, trevally, barracuda) and demersal (sea bream, red mullet, grouper) species, most of which have high commercial value. Fish consumption in Djibouti is around 1.5 kg per person per year<sup>50</sup> and is one of the lowest in Africa (where many African countries have reached to a consumption level of 12.6kg per person per year on average)<sup>51</sup> but is increasing steadily.
21. **The fisheries sector infrastructure is underdeveloped.** The fishing port of Djibouti-ville receives the vast majority of the country's landings (about 85 percent) and offers modest infrastructure including cold room, ice machine, fishing articles, subsidized fuel, and access to fish markets. Obock is the second landing port, and Tadjourah is home to a small subsistence fishery. The management of the fishing port of Djibouti-ville is delegated to a private company. This sector suffers from insufficient fishing crafts and gears and their lack of repair and maintenance, inadequate storage, handling, and processing facilities, poor distribution networks, lack of enforcement capacity, and increasing cases of illegal, unreported and unregulated (IUU) fishing in Djibouti water and in the region.
22. **The institutional framework for fisheries is limited and a strategy to engage refugees in this sector is yet to be developed.** Fishing is the responsibility of the Ministry of Agriculture, Water, Fisheries and Livestock (MAWFL) and its Department of Fisheries (DOF). Fisheries is regulated by the Fishing Code of 2002, which stipulates that only artisanal fishing by national boats is authorized in Djiboutian waters. Most of the fishing activities are informal and often unregulated. A modern regulatory framework for the fishery sector that formalizes fishery activities and promotes private investment and export of fishery products needs to be developed. Since the passing of the NRL in 2017, a strategy and regulatory framework for economic opportunities for refugees in the fishery sector is also needed.

<sup>48</sup> Ibid.

<sup>49</sup> <https://www.fao.org/fishery/facp/dji/en>

<sup>50</sup> <https://www.fao.org/fishery/facp/dji/en>

<sup>51</sup> <https://www.fao.org/3/ca9229en/CA9229EN.pdf>



23. **An up-to-date fishery stock assessment is a prerequisite to attract private sector investment into the sector.** The last comprehensive stock assessment that was carried out in Djibouti in 1996, estimated the total maximum sustainable yield (MSY) at the time at 47,000 tons for all species. However, a subsequent update by FAO in 2016 proposes a MSY of 38,000 tones. These figures illustrate the tremendous room for increased production compared to the current levels, but they sorely lack in specificity, and, as result, can seriously hinder any effort to attract investment from the private sector. Such a buy-in can only be achieved if, from the start, potential investors have a sense of not only the additional volume that could be harvested, but also the composition of the potential catches, and thus their value. A 2015 report by the University of British Columbia's Sea Around Us project attempted to reconstitute catch composition from national and FAO data, and provided a breakdown for the most valuable species as follows: Serranidae (wrasses and groupers), 17 percent; *Lutjanidae* (snappers), 15 percent; *Scomberomorus* spp. (wahoo), 13 percent; Carangidae (jacks and scads), 11 percent; and *Lethrinidae* (emperors and breams), 9 percent.
24. **While export potential remains unexplored, the domestic demand for fish has been increasing.** This is particularly in response to tourism (albeit currently affected by COVID-19 pandemic) and demand from various military bases, which constitute a growing share of the national economy. The presence of Yemeni refugees provides further impetus for domestic demand. Despite Djibouti's favorable geo-strategic location to be a trade and logistic hub for the region, export potentials of fishery products remain untapped. There are export opportunities to Ethiopia, the Gulf countries, and Europe. Yet national production is not able to meet this growing demand, despite the clear interest by coastal communities to enhance their ongoing fishing activities.
25. **The Government of Djibouti has prioritized the sector as an engine for socio-economic growth and poverty reduction, including by facilitating an enabling environment for the private sector to engage in the market.** The Djiboutian authorities aim to position the country as a transformation center for regional countries catchment including Somalia (the country with the largest coastline in Africa) and potentially Yemen. With investments in the international free zone and modern port, Djibouti is looking to develop several high potential industries including the fishing industry. However, private sector buy in requires de-risking the fisheries sector through infrastructure improvements, but also by carrying out a detailed fisheries stock-assessment that will provide to potential investors a sense of not only the additional volume that could be harvested, but also the composition of the potential catches, and thus their *value*.

#### Relationship to CPF

26. The proposed Project is fully aligned with **Yemen's Country Engagement Note** for FY20-21. Specifically, by providing key inputs and basic infrastructure, the proposed Project will improve the livelihoods of targeted fishermen, thus contributing to the engagement note's second objective of *extending support to livelihoods, human capital, and basic economic recovery*. Moreover, through its capacity building activities and technical assistance, the proposed Project is expected to improve the fisheries governance, thus contributing to the first objective related to *continued support for basic service delivery and institutional preservation*. In addition, the proposed Project is directly aligned with:
- (i) **the Government's Strategic Vision 2025**, which identified fisheries as one of the most promising economic sectors, with significant trade potential on international markets;<sup>52</sup> and
  - (ii) **the National Fisheries Strategy for 2012-2025**, which aims at enhancing the fisheries sector contribution to the national economic growth, while ensuring the environmental and resource sustainability, improving community

<sup>52</sup> Ministry of Planning and International Cooperation. 2002. Yemen's Strategic Vision.



livelihoods, strengthening the food security needs and creating jobs, focusing on empowerment opportunities for youth and women.<sup>53</sup>

27. The proposed Project aligns with ***Djibouti's 2022-2026 Country Partnership Framework (CPF) under preparation***. Specifically, the Project is directly linked to CPF Focus Area #1 (Creating Jobs) and the underlying Objective # 3 (Stimulate entrepreneurship and support SME development) and Objective #6 (Strengthen the resilience of vulnerable groups). Supporting aquacultural capacity and regional integration to strengthen livelihoods and promote productive inclusion in the Red Sea region are highlighted as areas of interest in the Framework. The Project also builds upon prior fisheries work by the World Bank Group, including the Rural Community Development and Water Mobilization (PRODERMO). The Project is also aligned with the Government's Vision 2035 and the underlying Strategy of Accelerated Growth and Promotion of Employment (SCAPE), which identifies fishery as one of the four focus sectors. The proposed Project is also aligned with the Private Capital Mobilization (PCM) agenda, particularly in Djibouti. The Project aims to modernize the fishing code and its underlying regulations that would create an enabling environment to attract private sector investment in the fishery sector. In addition, catalyzing the fishery sector as a key source of inclusive growth for Djibouti, the Project will also contribute to the reforms needed to attract private sector investment in the associated infrastructure and logistics to support the domestic and export value chain of the fishery products.
28. The ***MENA Regional Strategy's*** 2021 update highlights the need to invest in a blue economy under the green, resilient, and inclusive recovery (GRID) approach. The proposed Project is directly aligned with this goal as it promotes a sustainable and resilient fisheries sector that contributes to the livelihoods of marginalized populations and those affected by fragility and conflict. The *Strategy's* four main pillars (renewing the social contract, regional cooperation, resilience to IDP/refugee shocks, and recovery and reconstruction) are supported by proposed Project through regional integration of the fisheries sector, support for refugee and host communities, and resilience-building. The Project also supports the five goals to boost climate resilience within the regional ***MENA Climate Action Plan***: i) raising climate co-benefits for IDA/IBRD lending; ii) increasing share of adaption co-benefits; iii) supporting policy reforms; iv) leveraging World Bank Group instruments to support private investments; and v) enabling collective action.

### C. Proposed Development Objective(s)

The Development Objective of the Project is to strengthen regional fishery information management and improve capacity for sustainable production and economic opportunities for beneficiaries across the fishery value chain in Djibouti and Yemen.

#### Key Results (From PCN)

##### Phase I PDO Results

- 1) Number of decisions made based on data generated by the regional information management system
- 2) Number of sustainable fishery sector actions implemented (disaggregated by country)
- 3) Number of regulatory or institutional measures adopted to create an enabling environment and promoting exports from the fishery sector in Djibouti
- 4) Number of beneficiaries across the fishery value chain benefitted from fishery sector management actions (*Yemen: gender disaggregated; Djibouti: disaggregated by host community/refugee population and gender*)

<sup>53</sup> Ministry of Fish Wealth. 2012. National Fisheries Strategy 2012-2025.



#### D. Concept Description

29. **Lending Instrument:** The SFISH Project is proposed as an Investment Project Finance (IPF) with the option for additional resources and countries based on the demand and readiness. The current PCN describes the first phase of the Project that will finance activities to be implemented nationally in Yemen and Djibouti, as well as some activities implemented at the regional level. The Project will include investments of goods, works, services for physical investments, operating costs and technical assistance. Most of the physical investments would be made at the national level, while technical assistance would be implemented at both the national and regional level.
30. **Theory of Change:** Without the Project (i) transboundary challenge of sustainably managing fishery in the Red Sea and Gulf of Aden, (ii) reduced fish production and loss of markets in Yemen, (iii) reduced resilience of fisheries sector to climate change impacts in both countries, and (iv) inability to benefit socially and economically from the fishery resources in Djibouti would persist or even aggravate, with negative consequences on growth, poverty, malnutrition, and lost economic opportunities. The Project will achieve this theory of change with an integrated approach that combines: (i) supports to strengthen institutional capacity and data systems of PERSGA at the regional level, MAIF in Yemen and MAWFL in Djibouti, (ii) investment in critical infrastructure related to fish production, processing, cold storage and marketing in participating countries ensuring disability mobility and energy efficiency related to infrastructure ; (iii) supports for the (refugee and host community) beneficiaries (micro and small enterprises of fishermen) in Djibouti and Yemen in terms of training and capacity development related to sustainable fishing practices and improving access to finance for to access critical inputs and upgrade fishing crafts and gears; (iv) a flexible design approach, which (a) adapts to the changing needs resulting from the ongoing conflict in Yemen and other risks in the region, (b) incorporates feedback from stakeholder engagement, and (c) creates opportunities for other countries in the region to participate in the future; and (v) reduce vulnerability of fisheries sector to climate change impacts. The Project also promotes improved governance and institutional capacity for sustainable growth of the fishery sector and regional integration. It takes the following assumptions which are external to the Project into consideration: (i) security in the region and countries will not deteriorate; (ii) inputs necessary for the project activities can be accessed by the countries and implementing agencies; (iii) local governments and communities support the Project; and (iv) COVID-19 restrictions will ease up.
31. **Phase I Project Components.** The phase I of the Project is expected to be financed by regional IDA, Window for Host Communities and Refugees (WHR) and national IDA, in an amount of about US\$86 million (initial estimation). The Project will be designed around four components that will cover regional, country-specific interventions for the Yemen and Djibouti and Project management, monitoring and evaluation. The Project will build up on recently concluded and on-going related operations of the World Bank Group and other development partners. An indicative structure of activities is presented below:
32. **Component 1: Fisheries Information for Sustainable Management of Fisheries in Red Sea and Gulf of Aden.** This component aims to update the fishery sector information management system in PERSGA as a first step to develop a shared approach that would ensure that the fish resources in Red Sea and Gulf of Aden are sustainably utilized reducing environmental risks that negatively impact the long-term sustainability of the fish resources and protection of critical supporting ecosystems, ensuring socially fair and equitable benefits to people and economically profitable to the countries in the region.



- 33. **Component 2: Sustainable Fishery Production, Restoration and Nutritional Security in Yemen.** This component aims at responding to the emergency needs of food and nutritional security, continuation of livelihoods and creating jobs. It will also ensure the foundation is put in place to manage and sustain the fishery sector within the context of the country circumstances while restoring key fishery infrastructure that will especially improve the quality of fishery production and strengthen its value chain in targeted coastal areas of Yemen.
- 34. **Component 3: Fishery Sector as an Engine of Resilience and Inclusive Growth in Djibouti.** This component aims to support the GoD to transform the under-utilized fishery sector as an engine to promote private sector led inclusive growth, economic diversification, and export promotion, and to provide economic opportunities for refugees and host community population involved in the fishery value chain. It will also ensure the enabling environment for private sector investment including a clear strategy, address gaps in the policy, regulatory and institutional framework, and mechanisms to ensure sustainability of the fishery sector (including environmental and social requirements).
- 35. **Component 4. Coordination, Project Management and Monitoring and Evaluation.** The aim of this component is to support the coordination and Project management at the regional level and support the participating countries management country-specific interventions, and to monitor and evaluate results.

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

Summary of Screening of Environmental and Social Risks and Impacts

The project will generate environmental and social risks and impacts related to construction works, such as dust emissions, debris, noise and other solid waste generation, social annoyance and community safety risks due to traffic increase, unsafe construction sites and other standard risks and impacts of construction as well as impacts associated with land acquisition or land-use restrictions. Other key environmental and social risks associated to the project relate to labor and community health and safety, including the propagation and exposure to COVID-19, labor conditions, elite capture and the exclusion of vulnerable and disadvantaged groups and individuals, risks associated with sexual exploitation and abuse and sexual harassment, security of project workers and beneficiaries in Yemen, including the risk of explosion of a remnant of war (ERW).

During the operation phase , the main issues of concern are those associated with fish processing and mariculture activities. The environmental concerns primarily include issues related to solid waste and by-products, wastewater, water consumption and management, energy consumption. Workers might also be exposed to OHS risks and hazards that are specific to this industry during operation phase. Occupational health and safety issues of concern during this phase primarily include workers? exposure to physical and biological hazards, chemicals, heat and cold, noise and vibration.

To address these risks, the project proposes to prepare two sets of ESF instruments one for each country, given that the



implementing agencies are different. Each set will include an Environmental and Social Management Framework (ESMF), a Resettlement Framework (RF), Labor Management Procedures (LMP), a Stakeholder Engagement Plan (SEP) and in the case of Yemen a Security Management Plan (SMP) and a Gender Action Plan (GAP). These instruments are expected to be adopted and disclosed prior to appraisal.

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**Approved By**

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