



# Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 12-May-2017 | Report No: PIDISDSA20165

**BASIC INFORMATION**

**A. Basic Project Data**

Country Seychelles	Project ID P155642	Project Name Third South West Indian Ocean Fisheries Governance and Shared Growth Project (SWIOFish3)	Parent Project ID (if any)
Region AFRICA	Estimated Appraisal Date 15-May-2017	Estimated Board Date 31-Jul-2017	Practice Area (Lead) Environment & Natural Resources
Financing Instrument Investment Project Financing	Borrower(s) Republic of Seychelles	Implementing Agency Ministry of Finance, Trade and Economic Planning	

Proposed Development Objective(s)

The Project Development Objective is to improve management of marine areas and fisheries in targeted zones and strengthen fisheries value chains in the Seychelles.

Components

- Component 1: Expanded sustainable-use marine protected areas
- Component 2: Improved governance of priority fisheries
- Component 3: Sustainable development of the blue economy
- Component 4: Project management and coordination

**Financing (in USD Million)**

Financing Source	Amount
Global Environment Facility (GEF)	10.29
International Bank for Reconstruction and Development	5.00
<b>Total Project Cost</b>	<b>15.29</b>

Environmental Assessment Category

B - Partial Assessment

Decision

The review did authorize the preparation to continue

Other Decision (as needed)

## B. Introduction and Context

### Country Context

- 1. In 2015, the Seychelles had the second highest gross domestic product (GDP) per capita in Sub-Saharan Africa (US\$27,177<sup>1</sup>).** The Seychelles economy expanded by 4.3 percent in 2015 and is expected to grow an estimated 3.8 percent in 2016, with projections for further growth at 3.5 percent annually in the near term.<sup>2</sup> Unemployment is low and labor force participation is particularly high, at 70 percent in 2015. The tourism sector remains the major engine of growth and is benefiting from efforts to diversify source markets to the Middle East and Asia. Despite the recent, robust pace of growth, inflation has remained contained, due partly to favorable imported energy and food prices.
- 2. Poverty rates in the Seychelles are expected to remain among the lowest in the world outside the Organisation for Economic Co-operation and Development.** Extreme poverty, using the international poverty line of US\$1.90 per day in 2011 purchasing power parity, stood at 1.1 percent of the population in 2013.<sup>3</sup> Moderate poverty based on the US\$3.1 per day (in 2011 purchasing power parity) poverty line was 2.5 percent of the population in 2013. However, inequality is substantial, with a gross-income-based Gini index of 0.46 in 2013<sup>4</sup>, and households in the fisheries and agriculture sector are among the poorest.<sup>5</sup>
- 3. The Seychelles geography is unique but challenging.** The Seychelles archipelago consists of 115 granite and coral islands with an exclusive economic zone (EEZ) of approximately 1.4 million km<sup>2</sup>, almost 3,000 times the size of its land area. The population is about 90,000, around 90 percent of which is located on the main island of Mahé. Small size; insularity; and limited land, capital, and human resources restrict the country's ability to benefit from economies of scale in production and economic diversification. High dependency on external markets creates vulnerability to external factors.
- 4. The Seychelles' comparative advantage lies with its natural capital, eagerly preserved by public policies.** The Seychelles is endowed with an extremely rich biodiversity, both marine and terrestrial, making it part of one of Conservation International's designated biodiversity hotspots. Endemism is exceptionally high at over 60 percent for animals in general and 50 percent for plants. The Seychelles is one of the world's most environmentally conscious nations, having officially protected more than half of its total land area from development and pledged to protect 30 percent of its EEZ.

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<sup>1</sup> GDP per capita, PPP (current international \$), source: World Bank data, <http://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD>.

<sup>2</sup> World Bank. Global Economic Prospects, January 2017. <https://openknowledge.worldbank.org/bitstream/handle/10986/25823/9781464810169.pdf>.

<sup>3</sup> Latest available data.

<sup>4</sup> The Gini index is a measurement of the income distribution of a country's residents. This number, which ranges between 0 and 1 and is based on residents' net income, helps define the gap between the rich and the poor, with 0 representing perfect equality and 1 representing perfect inequality.

<sup>5</sup> National Bureau of Statistics and World Bank (2016). A Poverty Profile of the Republic of Seychelles.

## Sectoral and Institutional Context

5. **The fisheries sector is the second most important sector of the Seychellois economy.** Its annual contribution to GDP varies from 8 percent to 20 percent and it employs 17 percent of the total population. Fishing licenses fees provide the Government of the Seychelles (GOS) with a substantial source of revenue: during the year 2013, SCR 98.9 million and another €7.5 million as part of the sectoral support provided by the Fisheries Partnership Agreement with the European Union (EU) were collected. The Indian Ocean Tuna Factory is the largest single employer in the country with a workforce of over 2,500 workers. The fisheries sector is also of critical importance to the country's commercial balance; in 2014, the value of exports of consumable fish and fish products constituted 96 percent of the total value of domestic exports of goods.

6. **The Seychelles' fisheries sector is mainly governed by the Fisheries Act of 2014.** The Ministry of Agriculture and Fisheries bears the overall responsibility for the sector. Its executive arm, the Seychelles Fishing Authority, was established in 1984 as a parastatal organization to manage fisheries and fishing areas, develop the sector, assist in the formulation of policy and in negotiations, and conduct research and training. Seychellois fishers are grouped under several fishers associations, organized by fishery and geography. The management of the regional tuna and tuna-like fisheries falls under the mandate of the Indian Ocean Tuna Commission (IOTC).

7. **The sector can broadly be divided into three subsectors: (a) the artisanal demersal fishery, (b) the industrial and semi-industrial pelagic fisheries, and (c) the seafood processing industry.** Demersal fish live on or near the bottom of the sea. The main species targeted by the demersal fisheries are Bourgeois (emperor red snapper), Job (green jobfish), and Maconde (brown-spotted grouper). Pelagic fish live in open waters, neither close to the bottom of the sea nor near the shore. The main species targeted by the pelagic fisheries are yellowfin tuna, skipjack tuna, and bigeye tuna.

8. **The artisanal demersal fishery is of paramount importance to the Seychellois.** It is largely limited to the Mahé Plateau, an area of around 41,000 km<sup>2</sup> and up to 75 m deep that comprises the islands of Mahé, Praslin, and La Digue, where most of the population lives. The plateau is fished by 140 whaler- and schooner-type vessels and at least 400 outboard motor vessels, as well as sport and recreational fishing boats. These vessels go to sea for a day to a week and use hook and line and traps. The total annual landed catch amounts to more than 4,000 tons, valued at around US\$12.5 million,<sup>6</sup> and supplies most of the domestic market. This supply is critical to the local tourism industry and to the food security of Seychellois. Seychellois have one of the highest levels of fish consumption per capita, approximately 57 kg per year and almost exclusively produced by the artisanal demersal fishery, with fisheries products accounting for up to 50 percent of the total protein consumed.

9. **The industrial, and to a lesser extent the semi-industrial, pelagic fisheries account for the lion's share of the catch.** They are located offshore, in deeper waters, and involve significantly larger vessels: purse seiners and long-liners. In 2014, a total of 44 purse seiners were licensed to fish within the Seychelles EEZ and reported a total catch of 280,000 tons of tuna, of which 20 percent from the Seychelles EEZ. The fleet is owned by foreign interests (mostly Spanish, French, and Korean). The second

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<sup>6</sup> Vivid Economics. 2015. *Fisheries Recovery on the Mahé Plateau*.

most important fishing for tuna catch is made by long-liners. In 2014, a total of 142 vessels were licensed to fish within the Seychelles EEZ, out of which 36 vessels were Seychelles registered. After a dramatic decrease in catches and the reaching of a record low of 1,343 tons in 2011, which is likely due to increasing Somalia piracy attacks in the region, the total licensed long-liner fleet recorded a catch of 7,400 tons in the EEZ in 2014, following decreasing piracy activities.

10. **The Seychelles is a major seafood processing hub and intends to increase the contribution of the seafood industry to its economy.** Port Victoria is the most important tuna hub in the Western Indian Ocean, with almost 250,000 tons of purse-seined tuna transshipped and landed in 2014. The Seychelles also hosts the second largest tuna canning factory in the world in terms of capacity, the Indian Ocean Tuna factory. Additional, smaller processing plants target local and export markets. The GOS aims at progressively increasing the share of landed catch that is processed locally instead of being transshipped, targeting in particular bycatch and byproducts of the tuna industry.

11. **Recognizing how critical the ocean and coastal spaces are to its future, the Seychelles is refocusing its development around a blue economy.** The country defines the blue economy as the array of economic activities that directly or indirectly take place in the ocean and coastal areas, use outputs from the ocean, and place 'goods and services' into ocean's activities; as well as the contribution of these activities to economic growth and social, cultural and environmental wellbeing. The GOS is currently developing the National Blue Economy Roadmap, whose overarching goals are to diversify the economy, create high value jobs, ensure food security, and sustainably manage and protect the marine environment.

12. **There is increasing evidence that the pressures exerted by the fisheries and tourism sectors on the coastal and marine natural resources are reaching unsustainable levels.** Declining catch rates of the main species of fish are worrying indicators of the health of the ecosystems. Most of these pressures come from overfishing in the artisanal, recreational, and sport fishing subsectors and from an increasing environmental footprint of the tourism industry. They are particularly acute on the Mahé Plateau, where the population and economic activity are concentrated. The fisheries are open-access, which impedes any action to limit the fishing effort and ensure their sustainability.

13. **The unsustainable use of the marine environment is a major risk to the future of the Seychelles' blue economy.** The country's comparative advantage lies in its natural capital and the tourism and fisheries sectors are overly dependent on the health of coastal and marine ecosystems. Depleting fisheries will rapidly lead to a loss of income for fishers and tourism operators and will jeopardize the local seafood industry and any future investment in the blue economy. It will also pose significant risk to nutrition and food security in the country, where almost all the fish that is consumed is fished locally. The substitution of protein in the local diet from fish to less healthy sources is expected to lead to nutrition and public health issues, including obesity and diabetes. It will also increase the country's reliance on imports. These impacts could be compounded by climate change, the effects of which are still uncertain for the Seychelles environment and economy and will require that stocks are managed with precaution to ensure their resilience.

14. **Faced with the need to preserve its comparative advantage in natural capital for the future generations, the GOS adopted an ambitious marine conservation strategy.** The country is currently protecting 55 percent of its land mass and 0.02 percent of its EEZ, under the administration of a number

of different government institutions, parastatals, and nongovernmental organizations. The Seychelles pledged to protect 30 percent of its EEZ by 2020 and initiated a marine spatial planning exercise to serve as the foundation of its blue economy approach. This marine spatial planning exercise started in 2015 and aims at improving the planning and management of the country's vast maritime space. It will progressively identify and gazette areas amounting to 15 percent of the EEZ to be protected as high biodiversity zones and another 15 percent to be protected as medium biodiversity zones, allowing for some sustainable economic activities—including controlled fishing. In parallel, but in the same framework, the Seychelles is also developing management plans for its nearshore fisheries, including the first fisheries management plan for the Mahé Plateau, with a view to progressively transition from an open-access fishery to a more controlled fishery. The Mahé Plateau fisheries management plan is currently being prepared and will follow a continuous improvement approach, focusing on easy-gain and priority species during the first years of its implementation and progressively moving to a more comprehensive coverage of the demersal fisheries.

15. **The management of Seychelles marine ecosystems and fisheries is hampered by insufficient financing, capacity, and incomplete legal and institutional frameworks.** The newly created marine areas will benefit from a constant and indefinite revenue stream of around US\$250,000 per year from an endowment fund created with the proceeds of a debt restructuring.<sup>7</sup> The total available funding will not be sufficient to allow for the effective management of the marine areas and the fisheries of the Mahé Plateau, potentially making them theoretical initiatives and jeopardizing the achievement of their objectives. In addition, the enabling environment for marine resources management requires stronger human capacity, clear policies and strategies, and surveillance capacity. The knowledge of the environmental, social, and economic state of the fisheries is deficient and current capability for applied fisheries research is insufficient. While many of these constraints are recognized by the sector, they contribute to deficiencies in the management of small-scale fisheries and monitoring of the offshore tuna fisheries.

16. **SWIOFish3 will support the GOS in achieving its objectives of marine conservation and sustainable development of the blue economy.** It will specifically address gaps in financing, capacity, and institutional frameworks to ensure a sustainable management of the identified sustainable-use marine protected areas (Component 1) and of the Mahé Plateau fisheries (Component 2). This will lay the ground for the sustainable development of the fisheries value chains and the improvement of the enabling business climate (Component 3). The expansion of the fisheries value chain will be a key element of adherence and compensation for any restrictive measure implemented as part of the management of the marine areas. However, it will be decisive that strong fisheries management measures are in place while fisheries value chains are developed to avoid creating a price signal that will further increase the pressure on the fisheries.

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<sup>7</sup> In 2015, the Nature Conservancy raised US\$15.2 million in impact capital loans and US\$5 million in grants to buy back US\$21.6 million of Seychelles debt. The cash flow from the restructured debt is payable to and managed by an independent, nationally based, public-private trust fund called SeyCCAT. Debt service payments fund three distinct streams: (a) work on the ground that will help reduce risk through improved management of coasts, coral reefs, and mangroves; (b) repayment of impact investors; and (c) capitalization of SeyCCAT's endowment, which can then support conservation work into the future. SeyCCAT will receive semiannual payments from the GOS to finance conservation activities on the ground and also to capitalize an endowment, with 35 percent of these payments being used to capitalize an endowment that is invested to generate long-term sustainable financing for carrying out SeyCCAT's objectives once the GOS payments end (after 20 years).

### C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

17. **The Project Development Objective (PDO) is to improve management of marine areas and fisheries in targeted zones and strengthen fisheries value chains in the Seychelles.**

Key Results

18. **The PDO-level results indicators of the project are as follows:**

- (a) Sustainable-use marine protected areas with a Management Effectiveness Tracking Tool (METT) score of 50 or higher (ha)
- (b) Share of key demersal indicator species stable or rebuilding in the Mahé Plateau fisheries (%)
- (c) Ratio between consumer price per kilogram and landed catch price per kilogram in artisanal fisheries (%)
- (d) Share of bycatch landed and sold in the Seychelles (%)
- (e) Share of citizens of the Seychelles who rate management of sustainable-use marine protected areas and selected fisheries as 'Satisfactory' or above (disaggregated by sex and age) (%)

### D. Project Description

19. **SWIOFish3 will support the GOS in achieving its dual objective of marine resources conservation and expansion of the seafood value chains.** Seafood value chains are a cornerstone of the country's blue economy strategy and their expansion is expected to deliver long-term, resilient growth, jobs, and food security and will be the focus of Component 3. However, this development will not be sustainable if the marine resource base is not properly managed, which will be supported by Components 1 and 2. Because marine and coastal resource management will potentially translate into reduced access to the resource, Component 3 will compensate fishers for any loss of access and foster adherence to the management measures. As such, Components 1, 2, and 3 are intimately linked.

20. **SWIOFish3 will create a Blue Grants Fund and a Blue Investment Fund to contribute to this dual objective.** These two funds will be capitalized with the proceeds of the Blue Bond<sup>8</sup> to be issued by

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<sup>8</sup> The Blue Bond will generally follow the 'Green Bond' model that has been used by governments, development banks, and corporations to fund projects with positive environmental and climate benefits. Because the Seychelles bond will fund an ocean-based project and virtually all Green Bonds have funded terrestrial projects, this offering could be differentiated as a 'Blue Bond'.

the GOS with the support of the World Bank and the GEF. The activities eligible for the Blue Grants Fund will contribute to the expansion of the sustainable-use marine protected areas network under Component 1, and to the management of fisheries under Component 2. The Blue Investment Fund will be created as a revolving fund to extend commercial loans to projects aimed at sustainably expanding the seafood value chains under Component 3.

21. **Component 1: Expanded sustainable-use marine protected areas (US\$4.15 million, including US\$2.65 million GEF and US\$1.5 million Blue Bond).** The first component of the project will support the GOS in implementing its pledge to protect an increasing share of its maritime space. It will build on the marine spatial planning exercise that the Government is currently undertaking through a scientific and consultative process. This exercise will progressively identify 15 percent of the EEZ as medium biodiversity areas and another 15 percent as high biodiversity areas. The medium biodiversity areas will allow for some sustainably managed economic activities, including fisheries and tourism, and will be gazetted as 'sustainable-use marine protected areas'. They will be the focus of Component 1. The high biodiversity areas will be managed under stricter protection and will be supported by a parallel project financed by the GEF and the United Nations Development Programme (UNDP).<sup>9</sup> Subcomponent 1.1 will expand the coverage of sustainable-use marine protected areas through research, the preparation of related management plans and specific regulations, and consultations to periodically revise their zoning. Subcomponent 1.2 will enhance the effective management of these sustainable-use marine protected areas through targeted investments in communication, capacity building, control and surveillance, environmental research and data collection, and promotion of more sustainable practices. Approximately 10 percent of the Blue Bond proceeds will be channeled through the Blue Grants Fund to strengthen the sustainable-use marine protected areas network (subcomponent 1.3). Component 1 will generate climate adaptation co-benefits by expanding the protection of marine biodiversity and strengthening the resilience of the coasts and oceans to climate change.

22. **Component 2: Improved governance of priority fisheries (US\$4.15 million, including US\$2.65 million GEF and US\$1.5 million Blue Bond).** The second component of the project will have a greater focus on fisheries management at a national level. Subcomponent 2.1 will support the finalization and the implementation of the Mahé Plateau and the Praslin fisheries management plans, the most important fisheries management instruments of the country. This will entail communication, capacity building, control and surveillance, environmental research and data collection, promotion of more sustainable practices, and economic diversification. In parallel, it will help prepare and implement other fisheries management plans, including for the sea cucumber and tuna fisheries at the national level, thus covering over 90 percent of the fisheries in value and volume. It will also prepare and implement a fleet management and development plan and provide technical assistance to the fishers association to enhance their participation in fisheries management. Sub-component 2.2 will consolidate the existing fisheries and marine environment statistics by developing a fisheries information management system and providing targeted training to government statisticians. It will also improve the fisheries economic monitoring by financing technical assistance, training and operational costs of the nascent Fisheries Economic Intelligence Unit, and by designing and setting up a satellite economic account for fisheries. Subcomponent 2.3 will reinforce the country's capacity to manage its fisheries sector through a review and update of the fisheries institutional framework, the drafting of a fisheries sector policy note, assessing the current public support to the sector, and capacity building and ad-hoc technical assistance

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<sup>9</sup> The UNDP/GEF project is still in early preparation stage and is expected to be presented at the GEF Council in May 2017.

for the relevant public entities. Approximately 10 percent of the Blue Bond proceeds will be channeled through the Blue Grants Fund to contribute to the management of these fisheries (subcomponent 2.4). Component 2 will generate climate adaptation co-benefits by fostering sustainable and ecosystem-based management of fisheries and strengthening the resilience of the coasts and oceans to climate change.

23. **Component 3: Sustainable development of the blue economy (US\$16.0 million, including US\$4 million IBRD and US\$12 million Blue Bond).** Component 3 will help finance the sustainable development of the Seychelles blue economy and support increased value addition in the aquaculture, industrial, semi-industrial, and artisanal fishing and processing sectors. Subcomponent 3.1 will facilitate the expansion of seafood value chains and promote synergies with other value chains (for example, tourism), including through targeted studies (identification of opportunities), capacity building to fishers and operators, and investments in initiatives led by artisanal fishers (including an innovative fish auction house and a labeling scheme for sustainable artisanal fisheries). Subcomponent 3.2 will strengthen the enabling environment for local investments in the aquaculture sector (environmental and social impact assessments, capacity building, and training courses and long-term human capital development plans). Subcomponent 3.3 will finance studies and technical assistance to improve the planning and decision-making mechanisms related to investments in the blue economy. It will in particular finance the different feasibility studies linked to activities eligible under the Blue Investment Fund. It will also develop the understanding of the role of women and youth in the sector and propose and implement strategies to close any gender or age gaps. In addition, it will develop and implement policies and standards to improve recruitment and retention of local crew and skippers with a view to improving the labor conditions and the attractiveness of jobs at sea for the Seychellois, including women and youth. Subcomponent 3.4 will augment Seychelles' ability to export its seafood products by investing in its sanitary and phytosanitary monitoring capacity (enhanced monitoring program, training, equipment and technical assistance). Approximately 80 percent of the Blue Bond proceeds will be channeled through the Blue Investment Fund to finance private and public investments aimed at facilitating the implementation of the Mahé Plateau fisheries management plan and the transition from open-access to better controlled fisheries (subcomponent 3.5). These investments will include alternative business opportunities for fishers in the seafood value chain, the restructuring of fishing capacity, and the rebuilding of fish stocks. To avoid that these investments create a price signal that would increase the pressure on the resource, the GOS developed a list of acceptable projects that includes management prerequisites (for example, management plan operational). To some extent, Component 3 will generate climate adaptation co-benefits by diversifying the Seychelles' economy and reducing its vulnerability to the impacts of climate change.

24. **Component 4: Project management and coordination (US\$1.0 million IBRD).** The last component will support the coordination and implementation of the project, through a Project Implementation Unit (PIU) and a Steering Committee. These implementation arrangements are described in further details in section IV. Implementation.

## E. Implementation

### Institutional and Implementation Arrangements



25. **The project is prepared and will be implemented jointly by the Ministry of Finance, Trade, and Economic Planning (MFTEP); the Department of the Blue Economy in the Office of the Vice-President; the Ministry of Agriculture and Fisheries; and the Ministry of Environment, Energy, and Climate Change.** The MFTEP leads the preparation and implementation of the project. It has the mandate, convening power, and vision necessary to oversee the preparation and implementation of the project, as well as sufficient management and fiduciary capacity to ensure efficient coordination of project activities. The MFTEP is supported by the Department of the Blue Economy in relation to technical coordination of the project. The other two ministries have the technical expertise to implement the project activities and are responsible for their respective activities, but will not have any fiduciary oversight. The Ministry of Environment, Energy, and Climate Change is mostly involved in Component 1, while the Ministry of Agriculture and Fisheries and the Seychelles Fishing Authority is leading the implementation of Components 2 and 3, for the most part.

26. **A PIU is embedded within the MFTEP and works in close collaboration with the other ministries and agencies.** The PIU is in charge of coordinating the implementation of the project activities and is solely responsible for procurement and the financial management of the project. The Project Coordinator, a staff of the Department of the Blue Economy, is seconded by an Assistant financed by the project and will be in charge of the overall project coordination and management. A Financial Management and Procurement Specialist assisted by a Financial Management Assistant and a Procurement Assistant have been designated within the existing MFTEP Project Coordinating Unit, currently in charge of the fiduciary aspects of several World Bank-financed projects. An Environmental and Social Specialist and a Monitoring and Evaluation (M&E) Specialist will also be nominated no later than six months after the project is declared effective. In addition, starting in 2018, the Ministry of Agriculture and Fisheries and the Ministry of Environment, Energy, and Climate Change will each appoint a Project Manager, to support the planning, implementation, and reporting of the project activities pertaining to their ministry and reporting to the Project Coordinator.<sup>10</sup>

27. **The PIU is preparing and will implement the project under the oversight of a Steering Committee.** The MFTEP chairs the Steering Committee, which also includes representatives from the Ministry of Agriculture and Fisheries; the Ministry of Environment, Energy, and Climate Change; the Ministry of Foreign Affairs and Transport; the Seychelles Fisheries Authority; the Seychelles National Parks Authority; and the Seychelles Port Authority. The GOS is preparing the Project Operations Manual, detailing the implementation arrangements and the procedures to follow to implement the project activities, and will submit it to the World Bank before negotiations.

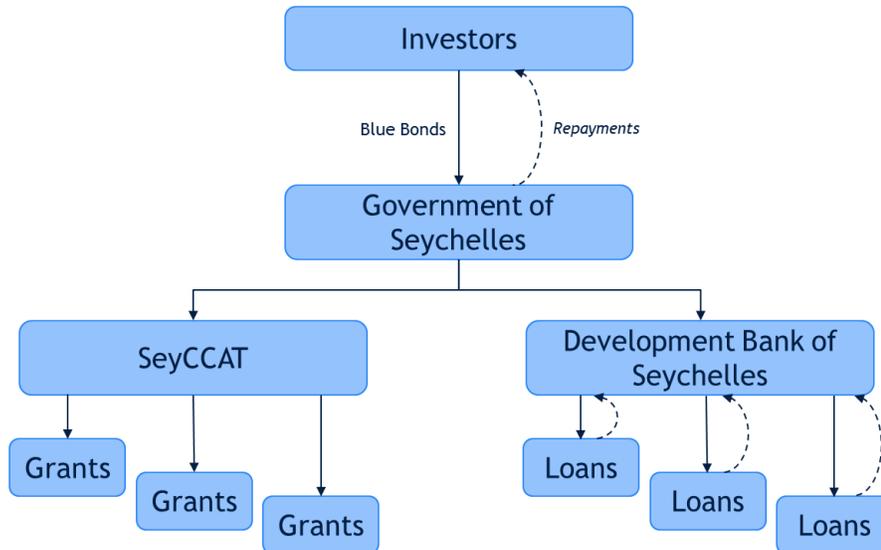
28. **The proceeds of the Blue Bond will follow two tracks.** Under the first track, the MFTEP will sign a Subsidiary Agreement with the Seychelles Conservation and Climate Adaptation Trust (SeyCCAT) whereby a percentage of the Blue Bond proceeds (notionally US\$3 million) will be transferred to SeyCCAT to establish a Blue Grants Fund. Grants will be made to public and private entities on a project proposal basis to fund activities related to the operationalization of sustainable-use marine protected areas, the implementation of the Mahé Plateau fisheries management plan, and the transition from open-access to better controlled fisheries. Under the second track, the MFTEP will sign a Subsidiary

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<sup>10</sup> Due to the small labor market and the budget planning process, these positions will be filled when the 2018 budget is approved. In the meantime, the current Project Coordinator and Assistant are able to handle project activities through approval and early implementation.

Agreement with the Development Bank of the Seychelles (DBS) whereby a percentage of the Blue Bond proceeds (notionally US\$12 million) will be transferred to the DBS for the establishment and management of a Blue Investment Fund. Commercial loans will be made to projects consistent with the provisions of the Mahé Plateau fisheries management plan and with a specific focus on economic diversification and sustainability. While the Blue Investment Fund will be capitalized by the Blue Bond proceeds, the repayment of the Blue Bond is considered an obligation of the GOS and will not be linked financially to the Blue Investment Fund.

**Figure 1. Flow of Funds of the Blue Bond Proceeds**



**F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)**

The project will take place in specific locations around the coast of Seychelles and within its exclusive economic zone. Component 1 will primarily target the future sustainable-use marine protected areas, which precise location remain to be determined. Component 2 will have a strong focus on the Mahé Plateau.

**G. Environmental and Social Safeguards Specialists on the Team**

Ruma Tavorath, Peter F. B. A. Lafere

## SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	Small-scale, localized negative effects may arise during the implementation of limited, site-specific civil works envisaged under the project. These may include rehabilitation or expansion of fisheries infrastructure (landing sites, warehouses, markets, office buildings) and construction of aquaculture facilities (hatcheries, laboratories). An Environmental and Social Management Framework has been prepared by the Government, and specific Environmental and Social Management Plans will be prepared once infrastructure investments are confirmed and for the proposals funded under the Blue grants fund and Blue investment loans
Natural Habitats OP/BP 4.04	Yes	This policy has been triggered since Seychelles is a marine and terrestrial biodiversity hotspot, and many of its natural habitats are legally protected. The overall impact of the project on natural habitats are expected to be overwhelmingly positive. Nonetheless, potential civil works could have minor to moderate small-scale and localized impacts on natural habitats. Provisions have been made in the Environmental and Social Management Framework to adequately address such impacts. As per the criteria included in the ESMF, the project design avoids any construction activity in and around of the protected marine or terrestrial areas and those which have negative impacts on coral reefs, marine ecosystems and associated fauna and flora
Forests OP/BP 4.36	No	Not Applicable.
Pest Management OP 4.09	No	Aquaculture investments are envisaged, but it is not expected that they would involve the procurement, use or promotion of any pesticides, herbicides or similar other synthetic chemicals.
Physical Cultural Resources OP/BP 4.11	No	Based on assessment of records on maritime or terrestrial archaeological work in Seychelles and the fact that the development of the small and medium scale aquaculture subprojects likely to receive financing will not disturb the sea floor where shipwrecks might be found, OP 4.11 on Physical Cultural Resources was not triggered
Indigenous Peoples OP/BP 4.10	No	Project activities will not impact any indigenous

		groups recognized under this policy.
Involuntary Resettlement OP/BP 4.12	Yes	The project is not expected to involve land acquisition leading to involuntary resettlement of project-affected persons, as project infrastructure will take place on already existing sites. However, the project proposes to strengthen the effective management and protection of natural resources in nearshore or offshore waters as well as potentially expand areas under protection. These access restrictions, whether seasonal, temporary, or permanent, may provide some prospect for negative impacts on livelihoods for some individuals in some coastal communities, at least in the short term. The Government has prepared a Process Framework which will address these issues in a consultative and inclusive manner.
Safety of Dams OP/BP 4.37	No	Project activities will not involve dams and there will be no activities that invest on dams or water retention structures.
Projects on International Waterways OP/BP 7.50	No	Project activities will not be located or take place in international waterways.
Projects in Disputed Areas OP/BP 7.60	No	The policy is not applicable because there are no disputed areas in Seychelles

## KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

### A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The project is classified as Category B, in accordance with World Bank Safeguards Policies. Regarding applicable safeguard policies, Environmental Assessment (OP/BP 4.01) is triggered as the project may have localized negative impacts stemming from limited infrastructure investments (such as building, renovation, or expansion of small value chain infrastructures, including aquaculture). Likewise, Natural Habitats (OP/BP 4.04) has been triggered as the project is expected to have impacts on the coastal and marine environment from activities such as the expansion of seafood value chains and aquaculture subprojects.

The project will also make specific provisions for enforcement of access restrictions to some fishing grounds through fisheries management and marine protected areas. This triggers the Involuntary Resettlement safeguard policy (OP/BP 4.12). Although the project will not finance activities that involve physical resettlement of persons as a result of involuntary land acquisition, there may be some temporary loss of access or revenue when some small localized civil-works are being undertaken.

Large-scale, significant, and/or irreversible environmental impacts are not expected.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:  
No indirect and/or long term impacts due to anticipated future activities in the project area are envisaged.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

The project builds in strategically into the strategy of the Seychelles for developing its blue economy. A marine spatial planning exercise was started by the Government in 2015 to serve as the foundation of its blue economy approach and aims at improving the planning and management of the country's vast maritime space (starting at 15 percent of the EEZ to be protected as high biodiversity zones and another 15 percent to be protected as medium biodiversity zones, allowing for some sustainable economic activities—including controlled fishing). Seychelles is also developing management plans for its nearshore fisheries with a view to progressively transition to more controlled fishery. No additional alternatives have been considered as this project is supporting the Government in providing the most environmentally sound management options for the sector.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The Government has prepared an Environmental and Social Management Framework (ESMF) which details screening procedures for environmental and social impacts and outlines proposed mitigation measures, which will be incorporated into site-specific Environmental and Social Management Plans (ESMPs). The ESMF also builds in requirements for public consultations and information disclosure, and appropriate grievance handling procedures and arrangements for monitoring of the ESMPs.

Eligibility criteria for both loans and grants includes the compliance with environmental and social safeguards (developing and implementing site-specific ESMPs and compliance with occupational health and safety issues). The criteria also state that activities included in the Exclusion list, as provided in the ESMF will not be considered for financing. Proponents have to prepare and submit ESMPs along with their technical proposals and allow the Environmental and Social Specialist of the PIU to undertake regular monitoring and supervision of the ESMPs.

The Government has also prepared a Process Framework to avoid, minimize or mitigate potential adverse effects of access restrictions and ensure project affected persons are meaningfully consulted and enabled to participate in project activities that may affect them. Public consultations will be held and information disclosed, and appropriate grievance-handling procedures and arrangements will be prepared. A Livelihood Restoration Plan will be developed to improve or restore the livelihoods of project affected persons to pre-displacement levels while maintaining the sustainability of the protected area.

The Ministries involved in project implementation lack experience in implementing safeguards policies in general, and World Bank procedures in particular. Capacity will be developed during project preparation by hiring and training dedicated staff and capitalizing on other Governmental institutions' experience on the subject. The World Bank will provide training and capacity building to stakeholders and the PIU will be responsible for the compliance with ESMF and the implementation of the Process Framework. A formal, detailed GRM will also be developed to include specific grievance procedures, including both informal (i.e., customary) and formal grievance mechanisms.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The key stakeholders are individuals, households, or communities who may lose some or all of their livelihoods from fishing or fisheries-related activities, as a result of project investments in improved fisheries management. Fishers,

particularly artisanal and semi-industrial fishers, are central to the consultation efforts that have been undertaken by the Government and that will be continued under the project. The project will also improve the capacity of these fishers to contribute to these consultations, by organizing them, raising their awareness and training them.

**B. Disclosure Requirements**

**Environmental Assessment/Audit/Management Plan/Other**

Date of receipt by the Bank	Date of submission to InfoShop	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
12-May-2017	12-May-2017	

**"In country" Disclosure**

Seychelles  
 11-May-2017

Comments

**Resettlement Action Plan/Framework/Policy Process**

Date of receipt by the Bank	Date of submission to InfoShop
12-May-2017	12-May-2017

**"In country" Disclosure**

Seychelles  
 11-May-2017

Comments

**C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)**

**OP/BP/GP 4.01 - Environment Assessment**

Does the project require a stand-alone EA (including EMP) report?

Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

Yes

#### **OP/BP 4.04 - Natural Habitats**

Would the project result in any significant conversion or degradation of critical natural habitats?

No

If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?

NA

#### **OP/BP 4.12 - Involuntary Resettlement**

Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Yes

#### **The World Bank Policy on Disclosure of Information**

Have relevant safeguard policies documents been sent to the World Bank's Infoshop?

Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

Yes

#### **All Safeguard Policies**

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

**CONTACT POINT**

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**APPROVAL**

Task Team Leader(s):	Benjamin Garnaud Xavier F. P. Vincent
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**Approved By**

Safeguards Advisor:		
Practice Manager/Manager:	Benoit Bosquet	16-May-2017



Country Director:	Mark A. Austin	17-May-2017
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