



Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 28-Oct-2016 | Report No: PIDISDSC15471

BASIC INFORMATION

A. Basic Project Data

Country Seychelles	Project ID P155642	Parent Project ID (if any)	Project Name Third South West Indian Ocean Fisheries Governance and Shared Growth Project (SWIOFish3) (P155642)
Region AFRICA	Estimated Appraisal Date Feb 15, 2017	Estimated Board Date Aug 15, 2017	Practice Area (Lead) Environment & Natural Resources
Lending Instrument Investment Project Financing	Borrower(s) Republic of Seychelles	Implementing Agency Ministry of Finance, Trade and the Blue Economy	GEF Focal Area Multi-focal area

Proposed Development Objective(s)

The Project Development Objective is to improve management of fisheries and the marine environment, and foster the sustainable development of the fisheries value chains in Seychelles.

Financing (in USD Million)

Financing Source	Amount
Global Environment Facility (GEF)	10.29
International Bank for Reconstruction and Development	10.00
Total Project Cost	20.29

Environmental Assessment Category B-Partial Assessment	Concept Review Decision Track I-The review did not authorize the preparation to continue
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Other Decision (as needed)

The concept review decided to proceed with Track 2 preparation. It also recommended that the safeguards category of the project be B and that the safeguards oversight responsibility be transferred to the Practice Manager.

B. Introduction and Context

Country Context

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 km², almost three thousand 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, limited land, capital, and human resources restrict its ability to benefit from economies of scale in production and economic diversification. High dependency on external markets creates vulnerability to external factors.

Seychelles' comparative advantage lies with its natural capital, vividly preserved by public policies. 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% for animals in general and 50% for plants. 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.

In 2015, Seychelles is the African country with the highest gross domestic product (GDP) per capita. Seychelles' economy expanded strongly in 2015, by 4.3%. Unemployment is low and labor force participation is particularly high, at 70% 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.

Poverty rates in Seychelles are expected to remain among the lowest in the world outside the Organization for Economic Cooperation and Development. Recent estimates show that extreme poverty, using the international poverty line of US\$1.90 per day in 2011 purchasing power parity, stood at 1.1% of the population in 2013. Moderate poverty based on the US\$3.1 per day (in 2011 purchasing power parity) poverty line was 2.5% of the population in 2013. However, inequality is substantial, with a gross income-based Gini index of 0.46 in 2013.

Sectoral and Institutional Context

The fisheries sector is the second most important sector of the Seychellois economy. Its annual contribution to GDP varies from 8 to 20 percent and it employs 17 percent of the total population. Fishing licenses fees provide the government of Seychelles with a substantial source of revenue: during the year 2013, SCR98.9 million and another EUR7.5 million as part of the sectorial support provided by the Fisheries Partnership Agreement with the European Union 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 2012, the value of exports of consumable fish and fish products constituted 93% of the total value of domestic exports.

The sector can broadly be divided into three sub-sectors: (i) the artisanal demersal fishery; (ii) the industrial and semi-industrial pelagic fisheries; and (iii) 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 (Brownspotted 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.

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 km² up to 50m deep that comprises the islands of Mahé, Praslin and La Digue and most of the population. The plateau is fished by 140 whalers and schooners and at least 400 outboard 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 million¹ 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

¹ Vivid Economics (2015). Fisheries recovery on the Mahé Plateau.

the highest levels of fish consumption per capita, approximately 57 kg per annum, with fisheries products accounting for up to 50% of the total protein consumed.

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 longliners. 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% in the Seychelles EEZ. The entire fleet is owned by foreign interests (mostly Spanish, French and Korean). The second most important fishing in terms of tuna catch is made by longliners. 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, the total licensed longliner fleet recorded a catch of 7,400 tons in the EEZ in 2014, which is likely due to an important increase in fishing efforts due to the decrease in Somalia piracy attacks in the region.

Seychelles is a major seafood processing hub and intends to increase the contribution of the seafood industry to its blue 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. Seychelles also hosts the second largest tuna canning factory in the world in capacity, the Indian Ocean Tuna factory. Additional, smaller processing plants target local and export markets. The Government of Seychelles has placed the seafood industry at the center of its blue economy strategy and 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. This strategy is however hindered by high credit interest rates, a poor business environment and infrastructure bottlenecks.

There is increasing evidence that the pressures exerted by the fisheries and tourism sectors on the 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 sub-sectors 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.

The unsustainable use of the marine environment is a major risk to the future of 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 would rapidly lead to a loss of income for fishers and tourism operators, and would jeopardize the local seafood industry and any future investment in the blue economy. It would 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.

Faced with the need to preserve its comparative advantage in natural capital for the future generations, the Government of Seychelles adopted an ambitious marine conservation strategy. Seychelles pledged to protect 30% of its EEZ by 2020 and initiated a marine spatial planning exercise to serve as the foundation of its sustainable blue economy strategy. 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% of the EEZ to be protected as high biodiversity zones, and another 15% to be protected as medium biodiversity zones, allowing for some sustainable economic activities - including controlled fishing. In parallel but in the same framework, Seychelles is also developing management plans for its near-shore 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.

The management of Seychelles marine ecosystems and fisheries is hampered by insufficient financing, capacity, and legal and institutional frameworks. The newly created marine areas will benefit from a constant and indefinite revenue stream of around \$250,000 per year from an endowment fund created with the proceeds of a debt restructuring. 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 is weak and lacks 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.

The SWIOFish3 project will support the Government of Seychelles 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 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 would further increase the pressure on the fisheries.

Relationship to CPF

The project will contribute to Seychelles’ higher level objectives for the sector and for poverty reduction, primarily with the Seychelles 2017 Strategy and the Sustainable Development Strategy 2012-2020. The long-term policy of the Government of Seychelles for the fishing industry is “the promotion of sustainable and responsible fisheries development and optimizing the benefits from this sector for the present and future generations”. The Seychelles 2017 Strategy states that “the fisheries strategy of the Government of Seychelles is to increase the yield, value of the yield and the financial benefit of fisheries to Seychelles by maximizing domestic processing, promoting export and increasing Seychellois stake holding in the industry. The ultimate objective is to turn Seychelles from a mainly fisheries transshipment hub to the primary seafood processing center of the Indian Ocean”. The Sustainable Development Strategy 2012-2020 highlights fisheries and marine resources as key pillars of development.

The project directly addresses the objectives of the World Bank’s engagement in the country and builds on the organization’s comparative advantage. It is aligned with the objectives of the Country Partnership Strategy (2012-2015) to reduce vulnerability and build long term sustainability and focuses on a sector in which the Bank Group has a long-term and regional engagement. It complements a series of World Bank-financed development policy operations that have addressed competitiveness, employment and an improved business environment, based on the private sector as the source of economic growth, and supporting improved efficiency of selected state owned enterprises in the vulnerability and resilience pillar. The project builds on previous and ongoing World Bank initiatives, including on governance reform, statistical capacity building and analysis of the political economy, development policy and the financial sector. It is in line with the African Climate Change Business Plan which looks to support countries, including the

Seychelles, in their adoption of climate-smart ocean economies, resulting in better adaptation to the negative effects of climate change. By supporting building competitiveness and employment and addressing vulnerability and resilience, with a foundation on governance and public sector capacity, the project is also in line with the World Bank's Africa Strategy.

The proposed project is part of the regional South West Indian Ocean Fisheries Governance and Shared Growth (SWIOFish) Series of Projects, which adopts a regional and long term approach to supporting the South West Indian Ocean countries in sustainably developing their fisheries sector. Within the SWIOFish Series of Projects, a first project, SWIOFish1, was approved by the Board on February 27, 2015. SWIOFish1 promotes regional cooperation in the framework of the South West Indian Ocean Fisheries Commission (SWIOFC) to foster sustainable management of the region's fisheries. It also includes national investments in Comoros, Mozambique and Tanzania. The second project, SWIOFish2, under preparation, will pursue the support to regional cooperation with a specific focus on the Indian Ocean Tuna Commission (IOTC), the Indian Ocean Artisanal Fishers Federation, and the group of African and Indian Ocean Developing Island States, and will include national investments in Madagascar. The Republic of Seychelles is already part of the regional component of the first two projects within this Series of Projects, SWIOFish1 and SWIOFish2, through its active role within the SWIOFC and the IOTC. It will benefit from national investments under SWIOFish3.

C. Proposed Development Objective(s)

The Project Development Objective is **to improve management of fisheries and the marine environment, and foster the sustainable development of the fisheries value chains in Seychelles.**

Key Results (From PCN)

The **PDO-level results indicators** of the project are:

- (a) Area with submission for gazettment to the Parliament as sustainable use marine area with agreed-upon management plans developed in a consultative manner (ha)
- (b) Marine areas brought under biodiversity protection (ha) (*core sector indicator*)
- (c) Absolute value of fisheries GDP (USD)
- (d) Share of bycatch processed in Seychelles (%)
- (e) Share of citizens of the Seychelles who participated in consultations on management plans for proposed sustainable use marine protected areas (%)
- (f) Direct project beneficiaries (number), of which female (%)

D. Concept Description

The SWIOFish3 project will support the Government of Seychelles 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 their 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.

Component 1: Expanded sustainable-use marine protected areas (US\$4.15 million). The first component of the project will support the Government of Seychelles 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% of the EEZ as medium biodiversity areas and another 15% as high biodiversity areas. The medium biodiversity areas will allow for some sustainably-managed economic activities, including fisheries and tourism, and 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 Global Environment Facility (GEF) and the United Nations Development Programme. Component 1 will expand the coverage of medium biodiversity areas by supporting their creation, and the preparation of related management plans and specific regulations. It will also support the effective management of these medium biodiversity areas through targeted investments in communication, capacity-building, control and surveillance, environmental research and data collection, promotion of more sustainable practices, economic diversification and transition to alternative livelihoods.

Component 2: Improved governance of priority fisheries (US\$4.15 million). The second component of the project will have a greater focus on fisheries management, including at a national level. It will first support the finalization and the implementation of the Mahé Plateau fisheries management plan, the most important fisheries management instrument of the country. This will entail communication, capacity-building, control and surveillance, environmental research and data collection, promotion of more sustainable practices, economic diversification and transition to alternative livelihoods. In parallel, it will help to prepare and implement other fisheries management plans, including for the sea-cucumber and tuna fisheries. It will also reinforce the country's capacity to manage its sector through a review and update of the fisheries institutional framework, the preparation and implementation of a fleet management and development plan, the strengthening of the fishers association to enhance their participation in fisheries management, and the consolidation of the fisheries and environment statistics and monitoring systems.

Component 3: Sustainable development of the blue economy (US\$16.0 million). 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. It will: (i) strengthen the enabling environment for the seafood industry, in particular related to aquaculture, the port development process and the sanitary monitoring; and (ii) facilitate the expansion of value-chains and promote synergies with other value chains (e.g. tourism). As part of this second sub-component, a Blue Investment Fund will be created with the proceeds of the Blue Bond that will 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. 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, a list of acceptable projects has been developed that includes management prerequisites (e.g. management plan operational).

Component 4: Project management and coordination (US\$1.0 million). The last component will support the coordination and implementation of the project, through a project implementation unit (PIU) and a steering committee.

SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project, essentially in its component 1, 2 and 3, will take place in specific locations around the coast of Seychelles and within its exclusive economic zone, in areas still to be determined.

B. Borrower’s Institutional Capacity for Safeguard Policies

The Ministries involved in project implementation lack experience and capacity in implementing safeguards policies in general, and World Bank procedures in particular. Capacity would be developed during project preparation by hiring and training dedicated staff and capitalizing on other Governmental institutions' experience on the subject.

C. Environmental and Social Safeguards Specialists on the Team

Ruma Tavorath, Peter F. B. A. Lafere

D. 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 ESMF will be drafted during project preparation, and specific ESIA and ESMPs will be prepared once infrastructure investments are confirmed.
Natural Habitats OP/BP 4.04	Yes	The overall impact of the project on natural habitats are expected to be overwhelmingly positive. Nonetheless, potential civil works could have minor small-scale impacts on natural habitats. Provision would be made in the ESMF to adequately address such impacts. If applicable, the ESIA will include a Protected area management plan.
Forests OP/BP 4.36	No	Project activities will not be located or take place in forests.
Pest Management OP 4.09	No	Aquaculture investments are envisaged, but it is not expected that they would involve the use of pesticides or other pest management products.
Physical Cultural Resources OP/BP 4.11	TBD	

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. However the project proposes to develop and implement fisheries management plans and expand areas under sustainable use management. Access restrictions, be it seasonal, temporary or permanent, may provide some prospect for negative impacts on livelihoods for some individuals in some coastal communities, at least in the short-term. As part of project preparation, a Process Framework (PF) will be drafted.
Safety of Dams OP/BP 4.37	No	Project activities will not involve dams.
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	Project activities will not be located or take place in disputed areas.

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Feb 17, 2017

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

It is expected that the safeguard related studies will be launched early in the preparation process, as soon as potential activities are significantly carved out. The safeguards instruments (ESMF and PF) will be prepared alongside the project and finalized, approved and published before its appraisal.

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APPROVAL

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