

Document: EB 2010/101/R.37/Rev.1
Agenda: 14(e)(vi)
Date: 15 December 2010
Distribution: Public
Original: English

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Enabling poor rural people
to overcome poverty

President's report

Proposed grant to the Republic of Yemen for the Fisheries Investment Project

Note to Executive Board representatives

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Executive Board — 101st Session
Rome, 14-16 December 2010

For: Approval

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Abbreviations and acronyms

DPPR	Development Plan for Poverty Reduction
EOF	Economic Opportunities Fund
EU	European Union
IsDB	Islamic Development Bank
MFI	microfinance institution
MFW	Ministry of Fish Wealth

Republic of Yemen

Fisheries Investment Project

President's report



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD

6-10-2010

Republic of Yemen

Fisheries Investment Project

Financing summary

Initiating institution:	IFAD
Recipient:	Republic of Yemen
Executing agency:	Economic Opportunities Fund (EOF)
Total project cost:	US\$30.9 million
Amount of IFAD grant:	SDR 5.8 million (equivalent to approximately US\$9.1million)
Cofinancier(s):	Islamic Development Bank (IsDB) European Union (EU) Microfinance institutions (MFIs) EOF
Amount of cofinancing:	IsDB: US\$11.3 million equivalent EU: US\$5.3 million equivalent EOF: US\$2.8 million equivalent MFIs: US\$0.8 million equivalent
Terms of cofinancing:	IsDB: loan EU: grant MFIs: loan EOF: equity contribution
Contribution of recipient:	US\$0.1 million
Contribution of beneficiaries:	US\$1.5 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed grant to the Republic of Yemen for the Fisheries Investment Project, as contained in paragraph 40.

Proposed grant to the Republic of Yemen for the Fisheries Investment Project

I. The project

A. Main development opportunity addressed by the project

1. The project addresses the opportunity to add value and increase returns across the fisheries value chain, particularly for poor fishers, while introducing measures to protect the resource base and reverse the over-exploitation of valuable species. In response, it will invest in sustainable resource management, upgrade the fisheries value chain and strengthen its vertical integration, and develop aquaculture.
2. The project addresses three key priorities of the Government and IFAD: (i) to create sustainable pro-poor investments aligned with the Government's poverty reduction and economic growth policies and IFAD's strategic objectives; (ii) to introduce a private-sector-led approach to development; and (iii) to manage development resources transparently and efficiently on the basis of public-private partnership.

B. Proposed financing

Terms and conditions

3. It is proposed that IFAD provide a grant under the Debt Sustainability Framework to the Republic of Yemen in the amount of SDR 5.8 million (equivalent to approximately US\$9.1 million) to help finance the Fisheries Investment Project.

Relationship to the IFAD performance-based allocation system (PBAS)

4. The allocation defined for Yemen under the 2010-2012 PBAS cycle is US\$32.1 million. The proposed financing falls within this allocation.

Relationship to national medium-term expenditure framework criteria

5. The project is consistent with the Government's medium-term expenditure framework as articulated in the Development Plan for Poverty Reduction (DPPR) 2006-2010.

Relationship to national sector-wide approaches or other joint funding instruments

6. The project is consistent with the Government's DPPR, which identifies economic growth led by the private sector as the major poverty reduction instrument, and promotes private-sector partnerships, fisheries sector efficiencies, rural enterprises and microfinance services.

Country debt burden and absorptive capacity of the State

7. Under IFAD's Debt Sustainability Framework, the Republic of Yemen is currently classified as a "red light" country, making it eligible for IFAD financial assistance on 100 per cent grant terms.

Flow of funds

8. IFAD grant proceeds will be channeled through a designated account in favour of the Economic Opportunities Fund (EOF) to finance eligible expenditures. The designated account will be established in a bank acceptable to IFAD. Financial flows will be

based on approved annual workplans and budgets, and subject to annual independent audit processes.

Supervision arrangements

9. The project will be directly supervised by IFAD. IFAD will administer the grant, supervise the project and support implementation as required. There will be at least one full supervision mission and one follow-up mission per year. IFAD's direct supervision will include modules covering all aspects of fiduciary compliance.

Exceptions to IFAD General Conditions for Agricultural Development Financing and operational policies

10. No exceptions are foreseen.

Governance

11. The project will be managed by the EOF, a public-private partnership working to improve the economic status of poor women and men in rural areas. The EOF will operate based on principles of good governance, equity, efficiency, transparency, sustainability, business ethics and corporate social responsibility. The EOF's management structure includes an internal audit unit reporting directly to the chief executive officer.
12. Several additional measures will be introduced to enhance the governance framework. Fishers' organizations will participate in decision-making, planning, implementation and monitoring, while the Fishers' Cooperative Union will be strengthened to effectively represent its members at policy, operational and advocacy levels. The EOF will establish a system of checks and balances to control financial management, supplemented by annual audit exercises undertaken by external auditors. Evaluation studies and impact assessment exercises will be outsourced to independent institutions to ensure objectivity. Finally, a grievance mechanism will be established to allow fishers to challenge unfavourable administrative decisions.

C. Target group and participation

Target group

13. Within the coastal zones of selected governorates, the project's target groups consist of small fishers (small boat owners and crew members), fishers' organizations, poor households interested in engaging in aquaculture, and poor households interested in starting up microbusinesses in response to market demand for goods and services.

Targeting approach

14. The project will apply the mechanisms outlined in the IFAD Policy on Targeting to ensure that poor fishers have priority in accessing investments, including:
 - (i) geographical targeting prioritizing coastal governorates with high poverty levels;
 - (ii) enabling measures to ensure that implementers and service providers are committed to the objective of supporting the poor; (iii) self-targeting of non-fisheries activities which are not expected to be of interest to the better-off; and (iv) direct targeting to ensure that the poor are the primary beneficiaries of training and equipment for improved fish handling.

Participation

15. The project will apply a participatory approach for the selection of beneficiaries and infrastructure investments. Fishers' organizations will participate in project planning and implementation, and will own, manage and operate productive infrastructure and assets. Formal interaction among fishers' organizations and EOF will be organized periodically to ensure that the project's strategic and operational agenda is driven by the concerns of the target groups. The beneficiaries for microbusinesses will be selected through a participatory approach to identify vulnerable households in fishing communities which are capable of engaging in such businesses. The project's

monitoring and evaluation (M&E) system will include participatory community-based monitoring mechanisms.

D. Development objectives

Key project objectives

16. The project goal is to improve the economic status of small fisher households. The objective is to create sustainable and diversified economic opportunities for poor women and men in fishing communities.

Policy and institutional objectives

17. The project will implement, in the fisheries sector, the Government's economic growth and poverty reduction policy framework. It will strengthen fisheries governance and management by enhancing the capabilities of key stakeholders (Ministry of Fish Wealth, fishers' cooperatives and the Fishers' Cooperative Union) and improving their interrelationships.
18. The project's institutional objectives are to strengthen the EOF, empower fishers' cooperatives as representative local institutions serving their members, and expand the outreach of microfinance institutions in rural areas.

IFAD policy and strategy alignment

19. The project is consistent with the IFAD Strategic Framework 2007-2010 and the country strategic opportunities programme for Yemen (2008-2013). It is compliant with applicable IFAD policies regarding private-sector development, targeting, gender equity, rural finance, and environmental and social assessment. The project is an integral part of the country programme under the 2010-2012 PBAS cycle.

E. Harmonization and alignment

Alignment with national priorities

20. The project concept has been developed by IFAD and the Government, and is closely aligned with the Government's DPPR 2006-2010.

Harmonization with development partners

21. The project has been designed in coordination and synergy with partners operating in the fisheries sector, notably the World Bank and the European Union (EU). It is complementary to the fisheries, rural finance and microenterprise support projects financed by multilateral and bilateral institutions in Yemen. The project will be cofinanced by the Islamic Development Bank (IsDB) and the EU.

F. Components and expenditure categories

Main components

22. There are two investment components: sustainable resource management and value chain development.

Expenditure categories

23. There are seven expenditure categories: infrastructure (13 per cent of costs); vehicles, equipment and materials (3 per cent); training, technical assistance and contractual services (25 per cent); financial instruments (43 per cent); studies (9 per cent); salaries and allowances (6 per cent); and operation and maintenance (1 per cent).

G. Management, implementation responsibilities and partnerships

Key implementing partners

24. The project will be managed by EOF, whose board of directors consists of representatives from the public and private sectors.

Implementation responsibilities

25. The project will be implemented by contractual service providers under performance-based, results-oriented contracts. Service providers will include: (i) preselected

public institutions such as the Fisheries Research Authority, the fisheries authorities, the Aquaculture Research Centre, the General Investment Authority and the Small and Medium Enterprise Promotion Service; (ii) private-sector entities such as fishers' organizations, processors/exporters, engineering companies, construction firms, microfinance institutions (particularly Al-Amal Microfinance Bank) and insurance companies. The procurement and contracting of service providers will comply with the respective guidelines of the Government, IFAD and the cofinanciers.

Role of technical assistance

26. The project will finance technical assistance for systems development and capacity-building purposes as appropriate. Technical assistance will focus on sustainable resource management (regulatory compliance and risk management, fisheries research and management), value chain development (strengthening of fishers' cooperatives and aquaculture development) and financial services (financial products for coastal communities).

Status of key implementation agreements

27. EOF will enter into contractual agreements with service providers for the implementation of project activities, as well as partnership agreements with complementary projects and institutions with similar objectives. Such agreements will be finalized, negotiated and signed during implementation as appropriate.

Key financing partners and amounts committed

28. The total project cost is US\$30.9 million over six years. The sources of financing are IFAD (29 per cent), IsDB (37 per cent), EU (17 per cent), EOF (9 per cent), beneficiaries (5 per cent), microfinance institutions (2 per cent), and the Government (1 per cent).

H. Benefits and economic and financial justification

Main categories of benefits generated

29. The project is expected to directly benefit 45,000 households, consisting of some 360,000 people, through sustained increases in incomes and/or employment opportunities. It will also generate a range of important environmental, fisheries management, governance and social benefits.

Economic and financial viability

30. The project's economic internal rate of return is 32 per cent and its net present value is US\$105.1 million over a 15-year analytical period. The project is fairly robust in the event of delays in the flow of benefits or unforeseen cost overruns.

I. Knowledge management, innovation and scaling up

Knowledge management arrangements

31. The project will introduce new approaches to value chain development, investment financing and institutional arrangements in Yemen. Knowledge will be captured by EOF, public institutions and the IFAD country team, and will be applied to improve implementation and share operational experiences. The results of fisheries and aquaculture research will be published. The project will contribute to knowledge networking at the country and regional levels and within IFAD.

Development innovations that the project will promote

32. The project will promote four innovations: (i) the use of a public-private partnership for project management in support of economic growth and poverty reduction; (ii) investment in sustainable resource management, with economic returns generated from value addition on existing production levels; (iii) the introduction of a venture capital financing modality for productive infrastructure development; and (iv) an expansion in the outreach of financial services to coastal areas.

Scaling-up approach

33. The project is designed to create the potential for systematically expanding, replicating, adapting and sustaining successful resource management and value chain investments over time and across new locations. Through its venture capital modality for integrated landing complexes and other investments, and through its forward-looking resource management instruments, the project will create the pathways, drivers and space for scaling up, while EOF's public-private partnership is configured to mobilize additional resources from other financiers.

J. Main risks**Main risks and mitigation measures**

34. The project faces several major risks, which are mitigated in project design or will be transferred to third parties: (i) security risks, mitigated by the careful selection of project locations; (ii) piracy risks, mitigated by fisheries management planning, on-board security equipment and insurance products; (iii) Ministry of Fish Wealth (MFW) restructuring risks, mitigated by ensuring that various resource management activities can be executed under the existing ministry structure; (iv) institutional weaknesses, mitigated by ensuring that the project is managed by EOF and implemented by contracted service providers; and (v) governance risks, mitigated by strengthening fishers' organizations and ensuring their participation in planning and implementation.

Environmental classification

35. Pursuant to IFAD's environmental assessment procedures, the project is classified as a Category A operation as a result of plans to develop infrastructure in coastal areas. As the precise locations of investments will be identified during implementation, a preliminary environmental impact assessment has been undertaken to identify areas of vulnerable ecosystems along the coast, provide guidelines for environmentally-friendly landing site design and propose an environmental management plan for the integrated landing complexes.

K. Sustainability

36. The exit strategy and post-project sustainability considerations are built into the design of the project, as follows: (i) institutional sustainability is guaranteed by EOF, which will gradually become financially sustainable; (ii) sustainable resource management will be supported through the licensing system combined with low-cost fisheries management techniques; (iii) vertical value chain integration will create financial incentives for sustained collaboration between fishers' organizations and processors/exporters; and (iv) professional management of contracts with the private sector will ensure sustainable infrastructure management.

II. Legal instruments and authority

37. A project financing agreement between the Republic of Yemen and IFAD will constitute the legal instrument for extending the proposed financing to the recipient. A copy of the negotiated financing agreement is attached as an annex.
38. The Republic of Yemen is empowered under its laws to receive financing from IFAD.
39. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

III. Recommendation

40. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a grant to the Republic of Yemen in an amount equivalent to five million eight hundred thousand special drawing rights (SDR 5,800,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President

Negotiated financing agreement: "Fisheries Investment Project"

(Negotiations concluded on 27 November 2010)

Grant Number: _____

Project Title: Fisheries Investment Project (the "Project")

The International Fund for Agricultural Development (the "Fund" or "IFAD")

and

The Republic of Yemen (the "Recipient")

(each a "Party" and both of them collectively the "Parties")

WHEREAS:

A. The Recipient has requested financing from the Fund for purposes of partially financing the Project described in schedule 1 to this Financing Agreement;

B. The Islamic Development Bank (the "IDB") intends to extend financing in the form of a loan (the IDB loan) to the Recipient of approximately eleven million three hundred thousand United States Dollars (USD 11 300 000) equivalent to assist in co-financing the Project on terms and conditions to be set forth in an Agreement (the "IDB Financing Agreement") between the Recipient and the IDB;

C. In order to provide additional financing for the implementation of the Project, the Fund will receive a contribution from the European Community which the Fund has agreed to make available to the Recipient, in the form of a Grant and in the amount of four million and five hundred thousand Euro (EUR 4 500 000 which includes IFAD's administrative and management fees), in accordance with the terms of the Contribution Agreement to be entered between the Fund and the Commission of the European Communities; and

D. The Fund adheres to the principles and guidelines as set out in the Financial and Administrative Framework agreement (FAFA) entered into between the EU and the UN of 29 April 2003 and to which the Fund acceded in 27 September 2004.

NOW THEREFORE the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2), and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.

3. The Fund shall provide a Grant to the Recipient (the "Financing"), which the Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the Grant is five million eight hundred thousand special drawing rights (SDR 5 800 000).

2. The first day of the applicable Fiscal Year shall be 1st January.

3. There shall be a Designated Account in USD for the purpose of financing the Project. The Designated Account shall be opened and maintained in the Central Bank of Yemen or in a commercial bank licensed by the Central Bank of Yemen, acceptable to IFAD. Upon the Recipient's request, IFAD shall make one or more withdrawals of up to USD 1 300 000 in the aggregate from the Grant account on behalf of the Recipient and deposit such amount in the Designated Account. The Designated account shall be operated by EOF and shall be protected against set off, seizure or attachment on terms and conditions proposed by the Recipient and accepted by IFAD.

4. There shall be a Project Account in YER for the benefit of the Project in a commercial bank acceptable to the Fund or in the Central Bank. This account shall be used for local expenditures. The Chief Executive Officer and the Chief Financial Officer of the Economic Opportunities Fund (EOF) will be authorized to operate the account.

5. The Recipient shall provide counterpart financing for the Project in the amount of one hundred forty thousand United States dollars (USD 140 000) equivalent.

Section C

1. The Lead Project Agency shall be the Economic Opportunities Fund (the EOF).

2. The following are designated as additional Project Parties (stake holders): contracted service providers; pre-selected public institutions such as the Ministry of Fish Wealth (MFW), the Fisheries Research Authority (FRA), the Fisheries Authorities (FAs), the Yemen Coast Guard, the Aquaculture Research Authority, the General Investment Authority (GIA) and the Small and Medium Enterprise Promotion Service (SMEPS), as well as private sector entities such as fishers' organizations, processors/exporters, engineering companies, construction firms, microfinance institutions (particularly Al Amal Microfinance Bank) and insurance companies.

3. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

Section D

The Grant will be administered and the Project supervised by the Fund.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:

- (a) The Project Implementation Manual, or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior consent of the Fund, and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project.
- (b) Any competent authority has taken action for the dissolution of the EOF, the modification of the distribution of membership between public and private sectors of the EOF's Board of Directors, or the merging of the EOF with any other institution; and the Fund has determined that any such event listed above is likely to have a material adverse effect on the Project.
2. (a) The following are designated as additional general conditions precedent to withdrawal:
- (i) The composition of the Board of Directors of EOF is approved by IFAD;
- (ii) The EOF's CEO and CFO will be selected on competitive basis, and their respective nominations are approved by IFAD.
- (b) The following is designated as an additional specific condition precedent to withdrawal under Component 1 (Sustainable Resource Management): The Fisheries Authorities (FA) and the Fisheries Research Authority (FRA) are established and staffed.
3. This Agreement is subject to ratification by the Recipient.
4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Fund:

International Fund for
Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

For the Recipient:

Minister for Planning and International
Cooperation
Ministry of Planning and International
Cooperation
P.O. Box 175
Sana'a, Republic of Yemen

This agreement, dated _____, has been prepared in the English language in six (6) original copies, three (3) for the Fund and three (3) for the Recipient.

For the Fund

For the Recipient

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The project's direct target groups consist of i) small fishers (small boat owners and crew members), ii) fishers' organizations and, iii) poor households (particularly with entrepreneurial young women and men) which are interested to develop aquaculture or to establish micro-businesses responding to market demand for products and services.
2. *Project Area.* The project is national in scope and covers all nine maritime governorates along the Yemeni coast, namely Hajjah, Hodeida, Taiz, Lahej, Aden, Abyan, Shabwah, Hadramaut and Al Mahara.
3. *Goal and Objective.* The project's goal is to improve the economic status of small fisher households. Its objective is to create sustainable economic opportunities for poor women and men in fishing communities.
4. *Outputs.* The project is expected to: improve knowledge on the status of fisheries resources; develop and implement plans for the sustainable management of fisheries resources; improve and expand the licensing system to all value chain actors; empower fisheries inspectors to enforce regulations; develop safety-at-sea regulations and improve safety awareness; stimulate the growth and technological improvement of the fisheries value chain and of rural businesses; link fishers' organisations with processors/exporters through contractual arrangements; promote compliance with international food quality and safety standards; develop modern economic infrastructure in support of the fisheries value chain; create a legal framework and services for aquaculture; strengthen fishers' organizations and assist fishers to form new organizations where existing organizations are weak; and, expand the rural outreach of financial institutions and enhance access to sustainable rural financial services.
5. *Components.* The Project shall consist of two components: (a) sustainable resource management; and, (b) value chain development.

A. Component 1: Sustainable Resource Management

This component aims to enable the MFW to develop, execute and enforce fisheries management measures in order to ensure the sustainability of the fisheries resource base. It will create the required legal, institutional and human resource capabilities and will support the development of fisheries research capacity to improve the scientific knowledge base on which informed fisheries management decisions can be taken.

A.1. Sub-component: Regulatory Compliance and Risk Management. This sub-component will support the improvement and expansion of the fisheries licensing system. It will also train and equip MFW fisheries inspectors and YCG officers to enforce regulations and to improve at sea and on-shore monitoring, control and surveillance. Safety-at-sea will be improved by introducing regulations on safety equipment and fishing vessel construction, and access to adapted insurance products will further reduce fishers' vulnerability to risk.

A.2 Sub-component: Fisheries Research and Management. This sub-component will support fisheries research activities and fisheries management planning. It will build FRA's capacity to provide research services and technical, scientific and strategic advice for

fisheries management. It will upgrade FRA's equipment and facilities, train research staff, and strengthen management capacity. It will support the development and execution of fisheries management plans for selected species/geographical regions of commercial and/or ecological importance which are currently threatened by fishing activities. It will also support a major stock assessment programme on commercially important species in the Red Sea and Gulf of Aden to determine the extent of over-fishing, inform sustainable resource management, and allow the long-term strategic development of the sector.

B. Component 2: Value Chain Development

This component aims to sustainably increase the incomes of poor fishers, micro and small entrepreneurs, and women and men workers in fisheries communities.

B.1 Sub-component: Value Chain Modernisation. This sub-component will invest in fisheries value chain upgrading, aquaculture, export and domestic market expansion, and micro/small enterprise development. It will support fishers to improve quality of landed fish, facilitate integration with processors/exporters, and foster contractual linkages between fishers' organisations and processors/exporters. The value chain will be upgraded by providing fishers with training, enhancing access to improved technologies, improving fish handling practices, ensuring the integrity of the cold chain, and promoting compliance with hygiene/quality standards. The project will invest, jointly with selected fishers' organisations, in mother/transport boats and ice plants using financial instruments such as venture capital financing modalities. It will also invest in grant-financed public and social infrastructure, and in equity-financed productive infrastructure, jointly with selected fishers' organisations, within selected landing sites. The productive infrastructure will be developed through financial instruments such as venture capital financing modalities. Investments will be subject to environmental impact assessment. The project will develop aquaculture in a technically sound and environmentally sustainable manner. It will assist Government to develop a proper legal and institutional framework and strategy for aquaculture. It will provide technical training and business support to poor coastal women and men interested in aquaculture, facilitate vertical integration with processors/exporters through supply chain managers, and promote joint venture investments between processors/exporters and fish farmers. The project will also promote the creation or expansion of relevant micro and small enterprises in coastal communities.

B.2 Sub-component: Fishers' Organizations and Financial Services. This sub-component will strengthen the capabilities of fishers' organisations to represent their communities at policy and strategic levels, to own and manage assets, and to provide services to their members. Based on a comprehensive due diligence exercise for fishers' cooperatives, the project will work with selected well-performing fishers' cooperatives for investments in value chain upgrading. Where existing organizations are weak, the project will assist local communities to establish new fishers' organisations. The project will also increase the outreach of microfinance institutions in coastal areas, and will support the development of new products and services adapted to fishers, their households and their organizations in order to ensure access to diversified financial products and services. The project will support licensed microfinance institutions to utilise the Post Office network to channel funds to and from fishers' communities.

II. Implementation Arrangements

A. Project Management

1. The Economic Opportunities Fund (EOF), created by Presidential Decree, will be the Lead Project Agency and will be responsible and accountable for the management and implementation of the Project. The EOF is a public-private partnership working to improve the economic status of poor women and men in rural areas. It is governed by a Board of Directors representing the public and private sectors. The Board is responsible and accountable for guiding the EOF under principles of good governance, transparency, equity, business ethics, efficiency, sustainability and corporate social responsibility. Under the Project, the MFW and a fisheries-related private sector entity will become EOF Board members. The EOF will convene regular meetings with participating fishers' organizations to ensure that its strategic and operational agenda is driven by the concerns of the target groups.

2. The EOF consists of three offices: the administration office responsible for financial management, procurement and contracting, monitoring and evaluation; the investment office responsible for managing value chain investments, economic infrastructure and financial services; and, the capacity building office responsible for mobilising beneficiary organizations and organising advisory services. A project liaison unit will be established within MFW for coordination of the sustainable resource management component. The EOF's CEO and core professional staff will be selected by the Board based on a competitive recruitment process subject to IFAD approval, and will receive highly competitive salary levels

B. Project Implementation

1. The project will be managed by the EOF and implemented by contractual service providers on performance-based contracts. The procurement and contracting of service providers for the implementation of Project activities will be subject to IFAD prior review and concurrence.

2. The annual work plan and budget (AWPB) will be prepared by office managers of the EOF through a participatory approach with stakeholders, internally reviewed and consolidated, and approved by the EOF's CEO. The proposed AWPB will subsequently be reviewed and approved by the EOF's Board of Directors, and then submitted to Recipient, IFAD and cofinanciers for review and concurrence.

Schedule 2

Allocation Table

1. *Allocation of Grant Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the grant and the allocation of the amounts of the grant to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Grant Amount Allocated (expressed in SDR)	% of eligible expenditure to be financed
I. Vehicles, Equipment and Materials	330 000	100% net of taxes and co-financer's contributions
II. Training, TA and Contractual Services	2 190 000	100% net of taxes, co-financiers', beneficiaries' and EOF contributions
III. Financial Instruments	2 385 000	100% net of taxes, co-financiers', beneficiaries' and MFIs' contributions
IV. Operating Costs	315 000	100% net of taxes, co-financiers' and EOF contributions
Unallocated	580 000	
TOTAL	5 800 000	

(b) The terms used in the Table above are defined as follows:

- (i) "vehicles, equipment and materials" includes the cost of vehicles, equipment, materials, inputs and similar items;
- (ii) "financial instruments" includes venture capital modalities, insurance products and other financial instruments;
- (iii) "operating costs" includes the costs of salaries, allowances and all other operating costs.

Schedule 3*Special Covenants*

For the purposes of this Agreement the Recipient shall ensure that the following provisions are complied with:

1. Gender. The Recipient shall ensure that the Project benefits are also delivered to poor rural women in the Project area. The Project AWPB and progress reports shall be disaggregated by gender as appropriate.
2. Until such time that the FAs and FRA are established and staffed, the Recipient shall indicate in each withdrawal application whether the related expenditures are linked to Component 1 (Sustainable Resource Management).

Key reference documents

Country reference documents

Development Plan for Poverty Reduction 2006-2010

IFAD reference documents

Country Strategic Opportunities Paper 2008-2013 (2007)

Project Concept Note and Key Files (2010)

Project Final Design Report (2010)

Other miscellaneous reference documents

Yemen Country Profile 2009, Economist Intelligence Unit (2009)

Yemen Country Reports, January-October 2010 (2010)

Country Assistance Strategy 2010-2013, International Development Association (2009)

FAO Yearly Statistics (FAOSTAT, AQUASTAT)

Logical framework

Objective Hierarchy	Key Performance Indicators	Monitoring Mechanisms and Information Sources	Assumptions(A)/Risks (R)
Goal			
Economic status of poor rural women and men improved	<ul style="list-style-type: none"> Households with improved asset ownership index Reduction in prevalence of malnutrition for children Households receiving project services Households with increased incomes/food security 	<ul style="list-style-type: none"> Baseline & impact surveys (gender disaggregated) M&E and impact assessments Government health/socio-economic statistics Project completion report RIMS annual reporting and impact surveys 	<ul style="list-style-type: none"> Stable internal security (A) Reduction of acts of piracy (A) Governance improves (A) Macro-economic conditions improve
Purpose/Objective			
Sustainable economic opportunities for poor fishers and fishers' households created	<ul style="list-style-type: none"> Sustainable integrated landing complexes operational Sustainable mother ships/transport boats operational Sustainable aquaculture farms in production Viable MSEs after 3 years Full-time job equivalents created by gender Beneficiaries receiving services by gender 	<ul style="list-style-type: none"> M&E evaluation and assessment Monitoring/control data from MFW Fishers' Cooperative Union/Yemen Seafood Exporters Associations data Fisheries management plans and annual reviews 	<ul style="list-style-type: none"> Stable internal security (A) Reduction of acts of piracy (A) MFW restructuring completed (A) Law for aquaculture enacted (A) Drop in fish prices market (R) Decline in fish stocks (R)
Outputs			
Ministry of Fish Wealth's capacities strengthened	<ul style="list-style-type: none"> Laws/regulations enforced by trained inspectors Licensing system strengthened and fees allocated Safety-at-sea regulations enforced MFW and YCG staff trained and equipped 	<ul style="list-style-type: none"> Enforcement statistics from MFW and YCG Licensing statistics from MFW Monitoring/control data from MFW M&E evaluation and assessment 	<ul style="list-style-type: none"> MFW restructuring completed (A)
Fisheries resources properly managed	<ul style="list-style-type: none"> Biological status of high value fish stocks updated Fisheries management plans implemented Depleted fish stocks regenerated Fishers' cooperatives involved in fisheries management 	<ul style="list-style-type: none"> Stock assessment report Fisheries management plans M&E evaluation and assessment Fishers' cooperatives reports 	<ul style="list-style-type: none"> MFW restructuring completed (A) Licensing system implemented (A) Fishers' cooperatives involved (A)
Diversified fisheries value chains developed	<ul style="list-style-type: none"> Integrated landing complexes constructed Health and quality standards are complied with Forward contracts signed by fishers' organisations Aquaculture law enacted and activities implemented Fish products exported to high value markets; 	<ul style="list-style-type: none"> M&E evaluation and assessment Landing complex reports Contracts with processors/exporters Aquaculture statistics Export statistics from Government and exporters 	<ul style="list-style-type: none"> Exporters/processors interested in contracts with fishers' organizations (A) Export markets accessible to Yemeni products (A);
Fishers' organizations capacities strengthened	<ul style="list-style-type: none"> Fishers' organizations comply with regulations Fishers' organizations participate in management Fishers' organizations own/manage landing sites Union of Fishers' Cooperatives is strengthened. 	<ul style="list-style-type: none"> M&E evaluation and assessment Ministry of Social Affairs registry Fishers' cooperatives reports Project reports 	<ul style="list-style-type: none"> Cooperatives closed by Government (R)