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Enabling poor rural people
to overcome poverty

President's report

Proposed grant to Eritrea for the Fisheries Development Project

Executive Board — Ninety-ninth Session
Rome, 21-22 April 2010

For: **Approval**

Note to Executive Board members

This document is submitted for approval by the Executive Board.

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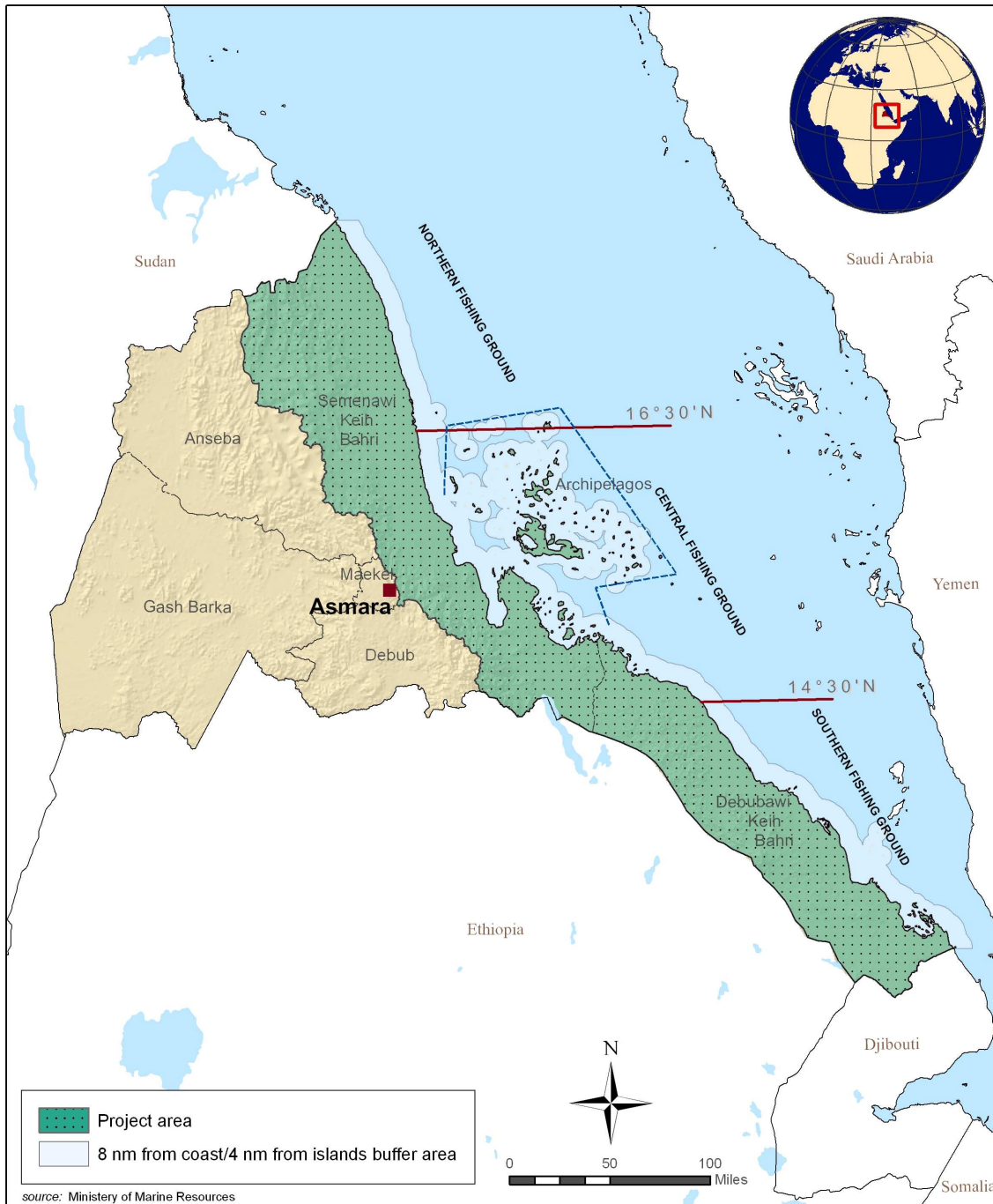
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Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed financing to Eritrea for the Fisheries Development Project, as contained in paragraph 36.

Map of the project area

Eritrea
Fisheries Development Project



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

5-2-2010

Eritrea

Fisheries Development Project

Financing summary

Initiating institution:	IFAD
Recipient:	Eritrea
Executing agency:	Ministry of Marine Resources
Total project cost:	US\$18.14 million
Amount of IFAD grant:	SDR 8.25 million (equivalent to approximately US\$12.58 million)
Contribution of recipient:	US\$5.38 million
Contribution of beneficiaries:	US\$0.18 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Proposed grant to Eritrea for the Fisheries Development Project

I. The project

A. Main development opportunity addressed by the project

1. Poverty in Eritrea is most severe in the coastal plains where high temperatures and lack of water hamper agricultural development. Although the coastal area was once home to a strong fisheries sector, decades of war brought the sector to the point of collapse. Eritrea still has, however, some of the few remaining underexploited fish stocks in the world, but so far little support has been provided to the country's fishing communities to take advantage of these rich resources. By strengthening the artisanal fisheries sector and putting measures in place to ensure sustainable resource management, the project will contribute to reducing poverty and improving food security in this harsh region, while also supporting national food security and poverty reduction goals.

B. Proposed financing

Terms and conditions

2. It is proposed that IFAD provide a grant to Eritrea in the amount of SDR 8.25 million (equivalent to approximately US\$12.58 million), to help finance the Fisheries Development Project.

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

3. The allocation defined for Eritrea under the PBAS is US\$30.2 million (inclusive of a post-conflict allocation of US\$5.0 million) over the 2010-2012 allocation cycle. The proposed financing arrangements are consistent with the PBAS cycle.

Country debt burden and absorptive capacity of the State

4. Under IFAD's Debt Sustainability Framework, Eritrea is eligible for 100 per cent grant financing.

Flow of funds

5. Funds will be disbursed to designated project accounts of implementing agencies based on annual workplans and budgets. Direct payment procedures will apply for contracts awarded under international and national competitive bidding.

Supervision arrangements

6. The project will be supervised by IFAD.

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

7. No exceptions are foreseen.

Governance

8. The following measures are intended to enhance the governance aspects of the grant: (i) competitive bidding for contracts; and (ii) transparent administrative and financial procedures. Formats for submitting financial statements/reports will be agreed with IFAD before the first disbursement, and will be checked for compliance by supervision missions.

C. Target group and participation

Target group

9. The target group consists of poor artisanal fishers using boats and canoes, foot fishers, women, young people, returning internally displaced people and demobilized soldiers. The target group is located around Assab and Massawa and the 70 villages along the Red Sea coast. Particular attention will be given to enabling woman-

headed households (around 30 per cent of the population) to participate in the project and to supporting young people keen to undertake fishing but currently unable to purchase the necessary equipment.

Targeting approach

10. The project will cooperate with fishing communities' elders and village development committees and with local organizations such as the National Union of Eritrean Women and the National Union of Eritrean Youth and Students to mobilize the target groups. It will also build on community traditions of support for the vulnerable to identify households most in need. Artisanal fishers without boats and others interested in fishing will also be supported. All fishers will receive training and input supplies. Training and support for activities such as net-making will be reserved for women. The two *zobas* (regions) constituting the project area are classified as among the poorest in the country, and the per capita income of households of non-boat-owning fishers, canoe operators and foot fishers is less than US\$1 per day. Woman-headed households suffer even greater poverty.

Participation

11. In line with the IFAD Policy on Targeting, the project design process involved extensive stakeholder consultation. Target groups will receive support to form cooperatives to access boats and equipment on credit, and the project offers significant flexibility in size and composition of these cooperatives to cater for the various needs of the beneficiaries. Special facilities will be constructed at training centres to ensure that women can participate in the project. Women will also carry out shore-based activities such as net-making and -mending, processing and marketing and will have the possibility of becoming boat owners and hiring men to fish on their behalf.
12. Representatives of the target group will form part of decision-making bodies, including those related to sector development and coastal zone management. Cooperatives will be encouraged to unite under an apex organization that will give fishers greater control over their livelihoods and the management of fisheries resources. The target group will also be involved in monitoring and evaluation, particularly in relation to measuring improvement of the services provided by the Ministry of Marine Resources and the cooperative support unit (CSU) to be established under the project.

D. Development objectives

Key project objectives

13. The goal of the project is to contribute to household and national food security, alleviate rural poverty and increase the contribution of the fishery sector to the national economy. The central objective is to raise production and productivity of the fisheries sector while conserving fish stocks and the marine ecosystem.

Policy and institutional objectives

14. In addition to strengthening the Ministry of Marine Resources, the project will support the restructuring of the cooperative system and the establishment of a semi-autonomous CSU (replacing the now-defunct cooperative union) to administer fishers' loan repayment and organize training and input supply. The project will encourage cooperatives to organize under an apex union, which will give fishers a strong voice in decision-making processes. An integrated coastal area management board will also be created to reduce conflicts among resource users. A national project coordination office will be set up in the Ministry of Marine Resources to coordinate all fisheries projects, including ongoing initiatives funded by the United Nations Development Programme (UNDP) and two NGOs. Project coordination offices for all development projects will be established in collaboration with the European Union.

15. During project design, the Government agreed to allow fishers to market a percentage of their catch instead of selling all of it to the parastatal fish marketing company. Restructuring of the cooperatives will foster a bottom-up approach to cooperative development. Moreover, the creation of a semi-autonomous CSU is an important step towards providing an independent body supporting the fishers: it is expected that, within the life of the project, the CSU will become fully independent under the management of a fishers' cooperative union.

IFAD policy and strategy alignment

16. The project will build on the experience of previous IFAD-funded operations in the post-conflict recovery period. It is in line with IFAD Policy on Crisis Prevention and Recovery and will contribute to the Fund's strategic goal of combating poverty and hunger in rural areas, as set out in the country strategic opportunities programme. It is aligned with the Fund's overarching goal of empowering rural women and men to achieve higher incomes and improved food security. It will also contribute to several of the objectives of the IFAD Strategic Framework 2007-2010, and is consistent with the IFAD Policy on Targeting and with the Fund's environmental and social assessment procedures.

E. Harmonization and alignment

Alignment with national priorities

17. Since independence, the potential contribution of the fisheries sector to food security and poverty reduction has been recognized, for example in the Government of Eritrea's 1994 Macro Policy Document. Boosting food security and reducing poverty are key goals of national development policies and are priorities in Eritrea's 2004 Interim Poverty Reduction Strategy Paper, its Food Security Strategy, the 1995 National Environment Management Plan for Eritrea, and the Government's 1998 Fisheries Proclamation.

Harmonization with development partners

18. During project design, IFAD consulted all development agencies involved in the fisheries sector in Eritrea, including the Food and Agriculture Organization of the United Nations (FAO), UNDP and the European Union. The project will build on these partnerships, cooperating with FAO and UNDP on specific marketing and information and communication technologies activities and with the European Union in establishing *zoba*-level project coordination offices.

F. Components and expenditure categories

Main components

19. The project has three components: (i) institutional capacity strengthening of the Ministry of Marine Resources (21 per cent of total costs, or US\$3.7 million); (ii) reorganization and strengthening of fishers' cooperatives and support to other artisanal fishers (67 per cent, or US\$12.4 million); and (iii) project implementation support services (12 per cent, or US\$1.96 million).

Expenditure categories

20. There are six expenditure categories: (i) vehicles, boats for the Ministry, equipment and materials (11 per cent of base costs); (ii) civil works (2 per cent); (iii) training, workshops and studies (12 per cent); (iv) initial working capital for cooperatives, fishers' boats, canoes and other fishery equipment (57 per cent); (v) technical assistance (4 per cent); and (vi) operating costs and maintenance (14 per cent).

G. Management, implementation responsibilities and partnerships

Key implementing partners

21. These include the national project coordination office, the various departments of the Ministry of Marine Resources including the *zoba* branches, the fisheries development steering committee, the fisheries development technical coordination committee, the

Manzanar Project (a non-profit initiative based in the Ministry), the CSU and the fishers' cooperative societies themselves.

Implementation responsibilities

22. The project coordination office in the Ministry of Marine Resources will coordinate implementation. A fisheries development technical coordination committee will deal with technical issues and will report to a fisheries development steering committee chaired by the Minister for Marine Resources. The Manzanar Project will be responsible for carrying out mangrove development activities. The CSU will coordinate input supply and operation of the revolving fund.

Role of technical assistance

23. Provisions have been made to provide technical assistance for strengthening the Ministry of Marine Resources including: extension services; an improved statistical system and an enhanced programme of research and stock assessment; review of policies and legislation; operation of the CSU; and monitoring and evaluation systems and project reviews.

Key financing partners and amounts committed

24. The total project cost is US\$18.14 million over six years. The sources of financing are IFAD (US\$12.58 million, or 69 per cent), the Government (US\$5.38 million, or 30 per cent – of which US\$3.43 million will be reflows from an input supply revolving account to be set up by the project); and beneficiaries (US\$0.18 million, or 1 per cent).

H. Benefits and economic and financial justification

Main categories of benefits generated

25. Benefits include: (i) sustainably increased exploitation of Eritrea's marine resources; (ii) reduced poverty and increased food security in the coastal communities and nationally; (iii) increased capacity of cooperatives to undertake fishing, processing, marketing, etc., and to take part in decision-making processes; and (iv) strengthening of the Ministry of Marine Resources and *zoba* branches to support the development of the fisheries sector and to guard against overexploitation and degradation of the marine environment.

Economic and financial viability

26. The economic rate of return for the project has been estimated at 24 per cent. It is expected that cooperative members will earn an average US\$6,240 per year compared with pre-project earnings of US\$1,600. The project is expected to result in an increase in fish catch of 26,400 tonnes per year.

I. Knowledge management, innovation and scaling up

Knowledge management arrangements

27. The baseline study currently being carried out by IFAD will be the first major socio-economic study in the project area. This and other information generated by the project will be stored in a library to be established in the Ministry of Marine Resources. Provisions have been made for sharing knowledge and experience through print and broadcast media, and, in collaboration with UNDP, Internet facilities at the the Ministry will be improved to facilitate access to and sharing of knowledge. Fisher-to-fisher and project visits will be arranged in the region and in developed countries, in partnership with an NGO working in Eritrea, the Danish Society for a Living Sea.

Development innovations that the project will promote

28. Although Eritrea, almost uniquely, still possesses underexploited fish stocks, the project will ensure that increased production does not result in overfishing or damage to the coastal and marine environment. The project design process has been strongly participatory, fostering dialogue between the fishers and the Ministry

of Marine Resources and building trust, which will contribute to the continued presence of fishers in decision-making processes. This is in sharp contrast to top-down models of fisheries development pursued in Eritrea in the past.

Scaling-up approach

29. Starting in 1993, the Sahel Fisheries Project, funded by the Netherlands and the United Nations High Commissioner for Refugees, undertook activities very similar to the core part of this project. It was considered extremely successful until the outbreak of conflict in 1998 when fishers were mobilized and fishing activities were otherwise disrupted. This project follows a similar approach but on a larger scale, broadening the target group and project area, and balancing support for increased fish production with greater measures to ensure sustainability. The project will also build on the successful experiences of operating revolving funds for animal health services in two other IFAD-funded operations in the country, namely the Gash Barka Livestock and Agricultural Development Project and the Post-Crisis Rural Recovery and Development Programme.

J. Main risks

Main risks and mitigation measures

30. The project faces six main risks: (i) possible restarting of border conflict; (ii) restrictive market operations; (iii) limited implementation capacity of the Ministry of Marine Resources; (iv) insufficient technical knowledge and financial constraints of fishers' and producers' organizations; (v) overfishing; and (vi) inability of the domestic market to absorb increased production. Planned mitigation measures include: (i) flexibility in the operation of cooperatives to allow continued operations in case of conflict; (ii) liberalization of market operations and securing of input supply through the establishment of the CSU and a revolving fund; (iii) capacity-building of Ministry of Marine Resources staff; (iv) development of fishers' organizations, training, improved extension services, and provision of management and financial support to cooperatives; (v) strengthening of measures to prevent overfishing; and (vi) support of private-sector marketing and fish quality assurance services to meet export market standards.

Environmental classification

31. Pursuant to IFAD's environmental assessment procedures, the project has been classified as Category B (not likely to have any significant negative environmental impact). An environmental impact assessment is therefore not required.

K. Sustainability

32. The participatory approach in project design has created a sense of ownership among stakeholders and ensured that the project will respond directly to their priority needs, an important foundation for generating the necessary commitment to ensure post-project sustainability. Implementation will be carried out within permanent institutional frameworks. The capacity-building efforts and financial benefits that will accrue to beneficiaries will also enhance sustainability, and efforts to promote a commercial approach to service supply should ensure financially self-sustaining support services. Efforts to increase fish production will be balanced by measures to avoid overexploitation of stocks.

II. Legal instruments and authority

33. A project financing agreement between the State of Eritrea 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.
34. Eritrea is empowered under its laws to receive financing from IFAD.
35. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

III. Recommendation

36. 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 Eritrea in an amount equivalent to eight million two hundred and fifty thousand special drawing rights (SDR 8,250,000) 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 Development Project"

(Negotiations concluded on 22 March 2010)

Grant Number: _____

Project Title: Fisheries Development Project (FDP) (the "Project")

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

and

the State of Eritrea (the "Recipient")

(each a "Party" and both of them collectively 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 eight million two hundred and fifty thousand Special Drawing Rights.

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

3. There shall be a Project Account for the benefit of the Ministry of Marine Resources in the Bank of Eritrea.

4. The Recipient shall provide counterpart financing for the Project in the amount of one million nine hundred and sixty thousand USD.

Section C

1. The Lead Project Agency shall be the Recipient's Ministry of Marine Resources.

2. Additional Programme Parties include but are not limited to service providers and institutions mentioned in Schedule 1.

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

Section D

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

Section E

1. The following are designated as additional general conditions precedent to withdrawal:

- (i) The National Project Coordination Office shall have been established with staff satisfactory to the Fund;
- (ii) The Fisheries Development Steering Committee and the Fisheries Development Technical Coordination Committee shall both have been established with membership satisfactory to the Fund;
- (iii) The charter of the Cooperative Support Unit in a form satisfactory to the Fund shall have been approved by the Recipient.

2. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Fund:

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

For the Recipient:

Minister of Marine Resources
P.O. Box 923
Asmara, Eritrea

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 shall directly benefit about 6,000 households in the coastal area (the "Project Area") including existing artisanal fishers and others who would like to become involved in the fisheries sector including, inter alia: youths; demobilised soldiers; Internally Displaced People; and women and women headed households (WHHs). At least 1,500 of the households to benefit directly will be WHHs. A total of about 300 government staff will benefit.

2. *Goal.* The goal of the Project is to contribute to national and household food security and the alleviation of rural poverty, in line with the major development priorities of the Government of Eritrea.

3. *Objectives.* The objective of the Project is to raise production and productivity of artisanal fishers while conserving fishery and other marine resources.

4. *Components.* The Project shall consist of the following Components:

4.1 Component 1: Strengthening the Institutional Capacity of the Ministry of Marine Resources

- (a) Capacity building in the Marine Resources Development Department and the Marine Resources Regulatory Services Department;
- (b) Improvement of Landing Site Infrastructure and Infrastructure Support Services;
- (c) Strengthening of the Zoba Branches of the Ministry of Marine Resources;
- (d) Supporting the Integrated Coastal Area Management Authority;
- (e) Expanding and strengthening the Hirgigo Fisheries Training Centre;
- (f) Supporting the work of the Manzanar Mangrove Project; and
- (g) Support for aquaculture development.

4.2 Component 2: Reorganisation and Strengthening of the Fishers' Cooperatives and Support to other Artisanal Fishers

- (a) Re-organisation of old cooperatives and establishment of new ones;
- (b) Establishment of the Cooperative Support Unit;
- (c) Building the capacity of fishers and equipping them; and
- (d) Improvements to post-harvest handling and processing and support to Cooperatives and small fish traders marketing.

4.3 Component 3: Project Implementation Support Services

- (a) Establishment of National Project Coordination Office and provision of technical assistance and logistical and material support;
- (b) Training of Project staff;
- (c) Project management, monitoring and evaluation; and
- (d) Support to National Fisheries Cooperation domestic fish marketing services.

II. Implementation Arrangements

1. The Project shall be implemented within the government's decentralized institutional framework involving coordinated implementation by the Ministry of Marine Resources (MMR), the MMR Zoba branch and the coastal fishing communities. The overall management of the Project shall be the responsibility of the MMR under the direct supervision of the Minister of Marine Resources. The **National Project Coordination Office** in the Office of the Minister shall arrange overall coordination of implementation including preparation of the Annual Work Plan and Budget (AWPB), procurement, progress reporting, monitoring and evaluation and financial management. The Office shall also ensure timely preparation and submission of the Review Reports, Project Completion Report and the Annual Audit reports.
2. Within the Ministry of Marine Resources the **Office of the Minister** shall be responsible for the review and updating of fisheries sector policies, strategy, and regulations. It shall ensure the establishment and effective operation of the Integrated Coastal Area Management Authority including the Board, the technical committee and the operating office. It shall ensure a timely preparation of Integrated Coastal Area Management Plan in collaboration with the coastal fishing communities and other stakeholders including, inter-alia, Ministry of Agriculture, Ministry of Land, Water and Environment (MLWE), Ministry of Public Works, Ministry of Transport and Communications, Ministry of Tourism, National Fisheries Cooperation (NFC), and commercial fishing enterprises.
3. The oversight responsibility will be entrusted to a **Fisheries Development Steering Committee** (FDSC), which will be chaired by the Minister of Marine Resources and will include the Minister of Land, Water and Environment, the Governors of the Northern Red Sea and Southern Red Sea Zobas, the Directors General of the Departments of Marine Resources Development and Marine Resources Regulatory Services, and the Director General of the Environment Department of MLWE, or such other members as may be agreed from time to time by the Recipient and the Fund. The Project Coordinator shall be the Secretary. The FDSC shall ensure that the Project is implemented within the national policy and strategy, approve AWPB and ensure resolution of conflicts or bottlenecks that may arise during implementation. It shall review and approve all reports including, inter-alia, the AWPB, audit reports, progress and Monitoring and Evaluation reports, Review Reports and Project Completion Report before forwarding to IFAD. The Committee will meet on a six monthly basis.
4. A **Fisheries Development Technical Coordination Committee** shall be established within MMR and will be chaired by a Director General of the MMR nominated by the Minister, and include the other Director General of MMR, the Director of Human Resource Department and Training, the Heads of the two Zoba Branches of MMR, the Director of NFC, the Project Coordinator and four representatives of fishing communities, (two of whom will be women) or such other members as may be agreed from time to time by the Recipient and the Fund. The Head of the Cooperative Support Unit will be the Secretary. The committee will meet quarterly. It will review progress of implementation, resolve any technical issues, review the AWPB and ensure its technical coherence and consistency with the Project design report and endorse it before presentation for approval by the steering committee.
5. The MMR **Marine Resources Development Department** (or, in the event of the reorganization of the Lead Project Agency, such other division as may be agreed between the Recipient and the Fund) shall ensure that technical support services for effective fishing are provided, and oversee infrastructure development at the landing sites as well as provide operation and maintenance services and supervision of the use of the facilities. The Department will provide technical backstopping to Zoba Branches for effective extension services.

6. The **Marine Resources Regulatory Services Department** (or, in the event of the reorganization of the Lead Project Agency, such other division as may be agreed between the Recipient and the Fund) shall be responsible for quality assurance and certification services, provide control, monitoring and surveillance services including registration of fishers, and shall ensure the protection of marine environment; supervision of the preparation and implementation of the Integrated Coastal Area Management Plan and shall maintain necessary data on fish landing and the marine resources situation. It shall ensure that fishing and other maritime operations are carried out within the National Environmental Management Plan that ensures sustainable resource use.
7. The **Manzanar Project**, which is based within the MMR, shall be responsible for carrying out the mangrove development activities; and provide training in and promotion of production of animal feed using fish waste and mangrove tree seeds.
8. The **Zoba Branches of the MMR** shall be charged with the day-to-day operation of the Project including the effective management of the landing sites, provision of extension and cooperative support services, regulatory and post harvest and marketing services and production of progress reports.
9. The Board of the **Cooperative Support Unit (CSU)** shall determine its policies and define the strategy for the CSU's operation. It shall provide overall supervision and control of its operations. The CSU shall provide day-to-day support for the development and operation of cooperatives, including organization and supervision of training, operation of input supply along with the management of the fisheries input supply revolving account. It shall also promote the marketing activities of the cooperatives and backstop the financial management of cooperative societies including ensuring prompt repayment for inputs which may be provided to them on credit. It shall encourage the cooperative societies to develop unions which can assume responsibility for the management of the CSU not later than the fifth year of the Project. The CSU shall provide market information and other market support services to cooperatives for fish and fish product marketing domestically and internationally. Based on the reports from the societies, the unit shall submit to the National Project Coordination Office, monthly, quarterly, bi-annual and annual reports on the functioning of cooperatives including their production, financial status and the operation of input supply and the revolving account.
10. The **National Fisheries Cooperation (NFC)** shall continue marketing fish nationally and for export. However, the Recipient shall encourage the cooperatives and the private sector to undertake fish marketing to create competition and promote better pricing.
11. The **Fishers Cooperative Societies** shall be responsible for fishing and for the sale of part of their catch. Since they have not developed necessary marketing capacity, they shall initially sell, on their own, a proportion (20%) of their catch while the NFC shall be obliged to buy the rest. Each cooperative society shall operate a small office which will be run by a member trained to keep records of operations including production, sales and assets/liabilities. The officer shall produce monthly, quarterly, six monthly and annual reports. He/she shall keep simple financial records in accordance with cooperative legal requirements. The female members of the cooperatives shall undertake marketing of that proportion of the catch earmarked for direct sale and engage in other fishery related operations. The Technical Assistance staff, head of CSU and CSU staff shall provide needed support to ensure efficient operation of the societies. The Accounting Officers of CSU shall provide supervision of the society accounts on a monthly basis. Independent auditors shall be appointed by the MMR to audit the accounts of the societies and to produce a consolidated audited account annually for the cooperatives. The report shall be submitted to the financial controller in the National Project Coordination Office and will

form part of the annual Project report. Each cooperative/group shall save on a regular basis at least 15% of its net revenue to build-up necessary assets and provide for working capital. Governance will follow standard cooperative practices.

12. **Operation of the Input Supply and Input Revolving Account.** The CSU will build-up the procurement packages for input supply based on requests from fishers' cooperatives, groups and other fishers reflecting their needs and requirements detailed in business plans. The packages shall be procured using the services of the MMR procurement unit or by the cooperative societies if they will express the desire to do so with advisory support from the CSU. The two warehouses and the seven outlets will be the centres of sales/distribution. The inputs including boats, fishing gear and others will be provided on credit in kind to cooperative societies and groups meeting the specified criteria, or in cash. An input revolving account shall be opened in a commercial bank with a good number of branches in the Project area. The head of CSU, the Financial Controller of CSU and head of the MMR Finance and Administration Division shall operate the account. The operational modalities of the input revolving account shall be fully described in the Project Implementation Manual.

13. The **Integrated Coastal Area Management Authority**, once established, will ensure effective implementation of the policies and strategies for integrated coastal management, using the services of the MMR Departments, it will prepare the Integrated Coastal Management Plan. It will ensure the coordination of coastal area development, provide useful linkages with international best practices, as well as ensure that Environmental Impact Assessments are prepared and implemented for all development activities in the coast.

14. **Project Implementation Manual (PIM).** The MMR shall finalise the PIM, including a Financial Management Manual. The MMR shall submit the PIM to the Fisheries Development Steering Committee for approval. When so approved, the Project Coordinator shall forward the PIM to the Fund for comments and no objection. The PIM shall be submitted to the Fund no later than six months after the Project becomes operational.

Schedule 2

Allocation Table

1. *Allocation of Grant Proceeds.* 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)	Percentage of financing under the Grant
I. Vehicles, MMR boats, equipment and materials	1 130 000	100% net of taxes
II. Civil Works	180 000	100% net of taxes
III. Training, Workshops and studies	1 350 000	100% net of taxes
IV. Initial working capital for Cooperatives, fishers' boats, canoes and other fisheries equipment	3 770 000	100% net of taxes
V. Technical Assistance	420 000	100% net of taxes
VI. Operating costs and maintenance	1 000 000	100% net of taxes
VII. Unallocated	400 000	
TOTAL	8 250 000	

2. *Start-up Costs.* Withdrawals to meet the costs of starting up the Project shall be subject to advance approval by the Fund.

Schedule 3

Special Covenants

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Recipient to request withdrawals from the Grant Account if the Recipient has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

1. The Recipient shall strengthen the Ministry of Marine Resources (MMR), in particular its Marine Resources Development Department and Marine Resources Regulatory Services Department, Hirgigo Fisheries Training Centre and the Zoba Branches of MMR to carry out the implementation of the Project.
2. The policies and strategies for fisheries sector development shall be reviewed by MMR in light of the planned socio-economic development no later than the end of the second Project Year.
3. The Recipient shall ensure that the Integrated Coastal Area Management Plan shall be prepared by the Integrated Coastal Area Management Board, and that the Fisheries Management Plan (FMP) shall be reviewed and updated by MMR. The FMP shall include incentives structured to encourage operation of fishers, particularly artisanal fishers.
4. The Recipient shall ensure that existing Fishers Cooperatives shall be reorganized to improve efficiency and the development of new cooperatives and groups, including special women's cooperatives, shall be promoted. The cooperative system shall be strengthened including the evolution of Unions and Associations to provide support services to members. The existing Fishermen Cooperative Association shall also be reorganized and strengthened, however membership by societies shall be voluntary and the Association shall not undertake any credit guarantee for the societies/groups. The Recipient shall not provide any financial support for the reorganisation which will be at the initiative of cooperative societies.
5. The Recipient shall ensure that MMR shall facilitate the artisanal fishers self-marketing of their catch according to agreed percentages with an initial 20% to be reviewed upward as cooperative societies marketing capacity increases.
6. The Recipient shall ensure that each agency involved in the implementation of the Project shall keep independent accounts to record all transactions financed from the Grant.
7. The Recipient shall ensure that two Project Reviews shall be carried out in Project Year 3 and Project Year 5 and reports submitted to the Fund and that agreed recommendations shall be implemented forthwith.
8. The Recipient shall ensure that the operations of the Cooperative Support Unit shall be assessed as to readiness to become an independent agency outside MMR, not later than two years of its operation.

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- (i) Gender, International Fund for Agricultural Development, Rome.
- (ii) Community Development Funds, International Fund for Agricultural Development, Rome
- (iii) Project Targeting, International Fund for Agricultural Development, Rome
- (iv) Monitoring and Evaluation, International Fund for Agricultural Development, Rome

IFAD (2005). Eritrea. Gash Barka Livestock and Agricultural Development Project: Mid-Term Review Report, International Fund for Agricultural Development, Rome.

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Logical framework

Narrative Summary	Performance Indicators	Means of Verification	Assumptions
Goal Improvement of food security and alleviation of rural poverty	<ul style="list-style-type: none"> At least 60% of poor rural households in the coastal community become food secured 10% reduction in the prevalence of malnutrition for children under five At least 75% of artisanal fishing households of which at least 35% are woman headed households improved their fishing and household assets 	<ul style="list-style-type: none"> Baseline study Ministry of Health Health & Nutrition Studies MMR annual report M&E report/Special Studies 	<ul style="list-style-type: none"> No resumption of border conflict/ Political stability Enabling macro- micro policies in place
Development Objective To raise production and productivity of artisanal fishers while conserving marine resources	<ul style="list-style-type: none"> Increase in the artisanal annual fish catch by 300%. Maximum Sustainable Yield (MSY) stabilized Illegal fishing reduced by at least 60% 	<ul style="list-style-type: none"> Special studies Project report MMR Annual report M&E reports 	<ul style="list-style-type: none"> Political stability. Policy/ strategies & Management plan for fisheries in place
Programme Outputs			
Output 1: Strengthening the Institutional capacity of the Ministry of Marine Resources 1.1 Capacity building for Fisheries Resources Development Department 1.2 Institutional strengthening of Fisheries Regulatory Services department 1.3 Strengthening Hirgigo Fisheries Training Centre 1.4 Zonal Branches of MMR strengthened	<ul style="list-style-type: none"> Extension messages developed, improved field extension services operational. All extension staff retrained to provide improved extension services Mariculture & aquaculture technologies developed & 100 small-producers in pilot production The infrastructure at landing sites progressively upgraded meeting requirements of increased fish production. Two ice making machines provided by PY2, & 3 cold-stores provided. The staff of Fisheries Regulatory Department retrained & provided logistics to regularly inspect the processing plants, the fish retail outlets, & open fish markets Integrated Coastal Area Management plan produced not later than the end of PY₃. A fish production & marine resource library established & operational by end of PY3 Policies & strategy for fishery sector development reviewed & updated not later than PY3. Updated fishery management plan produced by PY2. Training facilities of Hirgigo Fisheries Training Centre expanded & training capacity expanded from 60 trainees to 150 per year at least 20% of the trainees are women Capacity of the two zonal branches improved to supervise field operations Data collection system established & operational 	<ul style="list-style-type: none"> MMR Annual report Project Progress report M&E report Special studies Project Completion Report (PCR) Departmental Progress report Project Supervision Report MMR Annual report Project review reports M&E reports Training centre annual reports 	<ul style="list-style-type: none"> Political stability. Border conflict not resumed. Technical assistance staff recruited timely Counterpart fund provided on time and on schedule. Facilities for monitoring, surveillance and control made available. UNDP support to quality certification & market access is effectively implemented
Output 2: Reorganization and strengthening of fisheries cooperatives and support to other Artisanal fisheries 2.1 Establishment of Cooperative Support Unit 2.2 Building the capacity of fishers cooperatives/groups and equipping them.	<ul style="list-style-type: none"> National legal/regulatory policies & institutional framework established & operational by PY₃ 150 Cooperative societies/groups established- which 20% women established cooperatives. The existing input supply warehouses & offices in Massawa & Assab rehabilitated, equipped & operational ; & six sub-centres for input supply established & operational 200 fully equipped boats/canoes provided to cooperative societies & groups Credit recovery rate is not less than 90% CSU become self-financing by PY₄ 2250 cooperative society members are trained in improved fishing techniques Cooperatives established Unions by PY₅ Fish marketing outlets established & operated by cooperatives Fishers increase their catch by not less than 300% 	<ul style="list-style-type: none"> Progress report MMR Annual report Project progress report Supervision reports Project review reports M&E reports Special studies PCR 	<ul style="list-style-type: none"> No border conflict Political stability No government interference in cooperative management CSU is legally established
Output 3: Project Implementation Support Services Project Implementation Support Services	<ul style="list-style-type: none"> KM & information dissemination system established & operational not later than the end of PY₂ Fisheries Sector Projects Coordination arrangements established & become functional The M/E system is established & operational Two Project review reports prepared & actions on recommendations taken. 	<ul style="list-style-type: none"> MMR Annual Report Project progress reports Project supervision report M&E report Project review reports/PCR 	<ul style="list-style-type: none"> No border conflict Political stability UNDP Project Implemented