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Enabling poor rural people
to overcome poverty

President's report

Proposed loan to the Republic of Seychelles for the

Competitive Local Innovations for Small-scale Agriculture Project

Note to Executive Board representatives

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For: **Approval**

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Abbreviations and acronyms

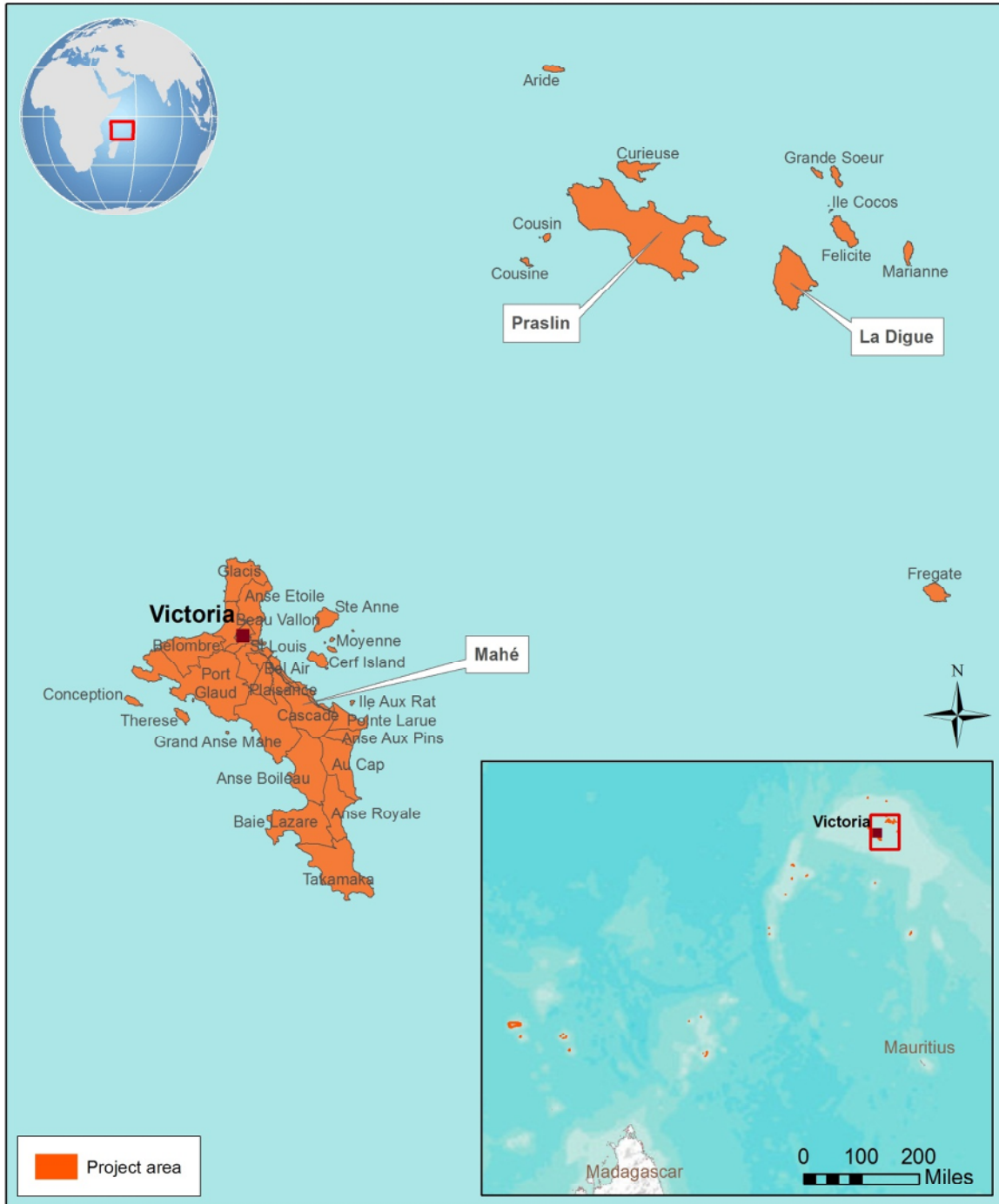
M&E	monitoring and evaluation
MNRI	Ministry of Natural Resources and Industry
PMU	project management unit
PPP	public-private partnerships

Map of the project area

Seychelles

Competitive Local Innovations for Small-Scale Agriculture Project (CLISSA)

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 | 14-01-2013

Republic of Seychelles

Competitive Local Innovations for Small-scale Agriculture Project

Financing summary

Initiating institution:	IFAD
Borrower:	Republic of Seychelles
Executing agency:	Ministry of Natural Resources and Industry
Total project cost:	US\$3.7 million
Amount of IFAD loan:	SDR 1.98 million (equivalent to approximately US\$3.0 million)
Terms of IFAD loan:	15 years, including a grace period of 3 years, with an interest rate equal to the reference interest rate per annum as determined by the Fund semi-annually
Cofinancier(s):	Private companies, other donors
Amount of cofinancing:	Approximately US\$368,000
Terms of cofinancing:	To be determined
Contribution of borrower:	US\$282,000
Contribution of beneficiaries:	US\$91,000
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed loan to the Republic of Seychelles for the Competitive Local Innovations for Small-scale Agriculture Project, as contained in paragraph 31.

Proposed loan to the Republic of Seychelles for the Competitive Local Innovations for Small-scale Agriculture Project

I. Strategic context and rationale

A. Country and rural development and poverty context

1. Seychelles has a multi-ethnic population of 91,000 and a GDP per capita of US\$9,028.¹ About 17 per cent of the population lives below the poverty line, set at 13,554 Seychelles rupees (SCR) (approximately US\$1,055) per adult-equivalent per year. The United Nations Development Programme ranked Seychelles 52nd out of 187 countries on the basis of its Human Development Index (HDI) of 0.773 in 2011.² This high HDI has been attained through sustained economic growth and continued public investment in social welfare services since the country's independence in 1976. Economic growth during the last 20 years has been led by tourism and industrial fisheries, with both sectors being kick-started by substantive public investment. Meanwhile, the growth rate of agriculture has been lagging behind. In 2010, the tourist sector contributed 28.2 per cent to GDP and fisheries, 8.4 per cent,³ compared with only 1.9 per cent for agriculture. In response to improved terms of trade for agricultural products, declines in food self-sufficiency and increasing under- and unemployment in some areas of the island economy, agriculture and livestock have recently gained renewed importance.

B. Rationale and alignment with government priorities and RB-COSOP

2. The project will seize opportunities for the agricultural sector and address the threats emerging with increasing liberalization by supporting market-oriented agricultural activities. In September 2011, Seychelles signed the Comprehensive Africa Agriculture Development Programme (CAADP) Compact. The CAADP framework is aligned to the Seychelles Medium-term National Development Strategy 2013-2017, the National Food Security Strategy 2008-2011 (which succeeds the Agricultural Development Strategy 2007-2011) and the Seychelles National Agricultural Investment Programme. Core issues related to the crop and livestock subsectors, as outlined in the National Food Security Strategy and the Seychelles Sustainable Development Strategy 2011-2020, include the need to address aspects of the liberalization process.
3. The project's strategic focus will not be on the whole value chain but instead on some of the main weaknesses that characterize the economic activities of small farmers and fishers and inhibit their ability to compete in markets. Support will be

¹ Central Bank of the Seychelles, 2011.

² UNDP. Human Development Report. 2011.

³ Central Bank of the Seychelles, 2011.

delivered quickly and efficiently; it will be aimed at systematically linking sellers with buyers; and it will be closely monitored through a beneficiary database that will track project results, outcomes and impacts during implementation, allowing for fine-tuning of implementation performance.

4. Since Seychelles has a minimum performance-based allocation system (PBAS) allocation, no results-based country strategic opportunities programme (RB-COSOP) is envisaged.

II. Project description

A. Project area and target group

5. The project will be national in coverage. Its key interventions will be on the three main islands of La Digue, Mahé and Praslin, where the large majority of the population is based (the "Inner Islands"). In 2010, Seychelles had a population of 90,945 inhabitants, living in 24,770 households. About 8,662 households (35 per cent) were involved in crop production, mainly vegetables and fruit, but also small quantities of root crops (cassava, sweet potatoes). An estimated 3,061 households (12.4 per cent) were raising livestock, mainly chickens and pigs. Some 3,484 households (14.1 per cent) were involved in fisheries and around 7,500 households (30.3 per cent) were occupied with some form of backyard gardening.
6. The project will contribute to the promotion of profitable small-scale production technologies (horticulture and livestock), the creation of agricultural microenterprises and jobs in the promoted agricultural and fishing activities, and infrastructure improvements. It will also strengthen the capacity of public and private institutional stakeholders that provide services to the target group. Its target group will consist of smallholder producers, small-scale processors and marketers, and microentrepreneurs, in particular women and young people. The project will directly benefit approximately: (i) 768 farmers producing for the domestic market; (ii) 1,330 people dependent on artisanal fishing, fish handling and processing; and (iii) 7,500 additional households involved in some form of backyard gardening, in particular the households living below the poverty line.

B. Project development objective

7. The project's goal is to contribute to equitable and sustainable pro-poor agricultural and rural economic growth and employment. Its development objective is to promote modern and sustainable agricultural and fishery practices, and to increase and diversify market access for smallholder farmers and fishers.

C. Components/outcomes

8. The project will have four components:
 - (a) **Enhancing business arrangements through capacity development of small farmers, rural microentrepreneurs and fishers.** Under this component, the project will establish business ventures between small farmers and fishers and buyers. It will support the strengthening of small actors and value chain participants in agriculture, fisheries and livestock, enabling them to respond more effectively to changing market conditions. Activities will comprise training, communication support, studies, support to demonstration units, agriculture revival packages, extension and business facilitation.
 - (b) **Improving access to agricultural and rural finance.** Credit funds will be provided to participating banks in tranches and disbursed in line with lending performance. Banks will apply their prevailing terms and conditions without subsidizing services under the project.

- (c) **Strategic capacity strengthening and infrastructure.** The project will strengthen public-sector institutions and build or improve small infrastructure to meet the requirements of the promoted agricultural and fishing activities.
- (d) **Project management.** A project management unit (PMU) will be located in the Office of the Principal Secretary in the Ministry of Natural Resources and Industry (MNRI). Monitoring and evaluation (M&E) will be mainstreamed in MNRI and the National Bureau of Statistics, and make use of existing mechanisms for generating knowledge relating to the well-being of the target groups. The PMU may recruit specialized international expertise in the form of individual specialists to work under the overall guidance of the head of the PMU.

III. Project implementation

A. Approach

- 9. MNRI will have overall responsibility for project implementation and will coordinate with the Ministry of Finance, Trade and Investment and other relevant ministries and agencies. The PMU will be responsible for the day-to-day activities of the project, and will ensure the timely and results-oriented delivery of services by all stakeholders, and the monitoring of progress and impact. The project will finance the required equipment, studies and training of staff, and operating costs. It will also finance knowledge management and the establishment and operation of an M&E system.

B. Organizational framework

- 10. A national project steering committee will be established within MNRI, and will be chaired by the Minister for Natural Resources and Industry. In line with the project's philosophy of close partnerships with private-sector agencies at different levels, the steering committee will consist of an equal number of private-sector and government representatives.
- 11. The steering committee will meet twice a year and/or on an ad hoc basis. It will (i) provide guidance to the project and its implementation strategy, (ii) oversee planning, (iii) review and approve annual workplans and budgets prior to their submission to IFAD, and (iv) review implementation progress and outcomes. In addition, the committee will ensure appropriate and timely coordination with initiatives financed by other donors and/or the Government.

C. Planning, monitoring and evaluation, and learning and knowledge management

- 12. The project M&E system will generate relevant "knowledge products" such as process documentation, case studies, preliminary impact assessments, and assessments of the promoted agricultural and fishing activities and of good practice in business facilitation. These will be used to disseminate relevant lessons learned through a range of knowledge-sharing processes.

D. Financial management, procurement and governance

- 13. Overall responsibility for financial management will rest with the Ministry of Finance and will include: managing the flow of loan resources and the dual currency account (operative in United States dollars and Seychelles rupees) that will be opened at the Central Bank of Seychelles (CBS) to receive the initial deposit and replenishments; ensuring fund disbursement to the PMU from the CBS account on the basis of actual needs; and managing counterpart funds, which will be in a counterpart fund account also opened at CBS.
- 14. Disbursements will be made against withdrawal applications prepared by the PMU and signed by the Ministry of Finance. Withdrawal applications may be accompanied by certified statements of expenditure (SOEs) in the case of

expenditures below a specified threshold, as indicated in the letter to the borrower, and may be amended from time to time. SOEs will be kept at the PMU and made available for audits and for review by supervision missions. Replenishments will be finalized according to the pace of disbursements and the performance of the partner banks as related to their portfolio of project-supported clients.

15. The accounts relating to the project will be audited annually by the Auditor General of the borrower or by a firm appointed by the Auditor General acceptable to IFAD. Expenses related to this audit will be borne by the borrower. Any external audit deemed necessary will be undertaken by an independent firm acceptable to IFAD, and the cost of such audit will be financed by withdrawal from the loan account. The audit will be performed in accordance with the International Standards on Auditing complemented by terms of reference acceptable to IFAD. A certified copy of the audit report, which will cover the financial statements, use of resources, operations and management, and onlending resources, will be delivered to IFAD within six months of the end of each fiscal year in line with IFAD's General Conditions for Agricultural Development Financing.
16. In the 2011 Public Expenditure and Financial Accountability Framework, Seychelles was rated as well-performing in the area of procurement. Overall procurement responsibility will rest with the PMU, and procurement will be authorized only against the procurement plans in approved annual workplans and budgets, specifying items to be procured, activities to which the procurement relates, and the appropriate procurement methodology. Procurement will be in accordance with the borrower's guidelines to the extent these are consistent with the IFAD Project Procurement Guidelines for items financed by the proceeds of the loan.

E. Supervision

17. The project will be directly supervised by IFAD. During the first year, a start-up workshop will be organized. Supervision missions will take place at least once a year. Additional implementation support missions will be organized if required and may focus on: (i) the establishment of project and fiduciary management structures; (ii) the M&E system; (iii) knowledge management; and (iv) the provision of support in the project's different innovation areas. The presence of a regional IFAD office in Nairobi, Kenya, and the IFAD office in Antananarivo, Madagascar, will help guarantee cost-effective supervision and an Indian Ocean regional focus.

IV. Project costs, financing, benefits

A. Project costs

18. The total costs over the five-year implementation period, including contingencies, taxes and duties, are estimated at US\$3.7 million. They include US\$3.4 million in base costs and US\$0.2 million in physical and price contingencies. The foreign exchange element is estimated at 2 per cent of total cost.

B. Project financing

19. The project will be financed by an IFAD loan of US\$3 million (80.2 per cent of the total cost). The Government will provide a financial contribution of US\$0.28 million (7.5 per cent) covering taxes and duties on imported goods, and value added tax. Beneficiary contributions are estimated at US\$0.09 million (2.4 per cent). The private sector is expected to contribute US\$0.12 million (3.2 per cent) and other donors, US\$0.25 million (6.6 per cent). The financing plan by category of expenditure is reflected in the following table.

Seychelles

Competitive Local Innovations for small-Scale /

Disbursement Accounts by Financiers

(US\$ '000)

	IFAD		Private Companies		Other Donors		Producers		Government		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
A. Civil Works and Infrastructure	922	98.8	-	-	-	-	-	-	11	1.2	933	24.9
B. Vehicles, Equipments and Goods												
Vehicles	29	50.0	-	-	-	-	-	-	29	50.0	57	1.5
Equipment & goods	-	-	120	21.2	248	43.8	91	16.1	107	18.9	566	15.1
Subtotal	951	61.6	120	7.8	248	16.1	91	5.9	135	8.7	1,556	41.6
C. Technical Assistance												
Service Providers & Studies	61	100.0	-	-	-	-	-	-	-	-	61	1.6
Training and Workshops	777	100.0	-	-	-	-	-	-	-	-	777	20.8
Subtotal	838	100.0	-	-	-	-	-	-	-	-	838	22.4
D. Credit	1,000	100.0	-	-	-	-	-	-	-	-	1,000	26.7
E. Salaries & Allowances	200	59.5	-	-	-	-	-	-	136	40.5	336	9.0
F. Operation & Maintenance	11	99.4	-	-	-	-	-	-	0	0.6	11	0.3
Total PROJECT COSTS	3,000	80.2	120	3.2	248	6.6	91	2.4	282	7.5	3,741	100.0

C. Summary benefit and economic analysis

20. Climate change adaptation will mainly be reflected in the reduction of non-renewable energy consumption and risk profiling of production systems, as farmers will have better control over water management and production will fluctuate less; transportation by sea and air of imported products will be decreased; and fish species being targeted and marketed by artisanal fishers will be diversified, taking pressure off fish species that are at risk of being overfished. Other project benefits will derive from: (i) productivity increases in vegetable, fruit and livestock production resulting from farmers' using good production practices that are better adapted to climate risks once their market linkages and higher prices are ensured through better business arrangements, and extension is provided; (ii) increases in farm-gate prices – estimated at 5 per cent for vegetables, 6 per cent for fruit and 2 per cent for livestock – through project activities; (iii) decreases in the cost of production in the long run, which will be realized during the latter part of the project; and (iv) increases in fishers' incomes as a result of assured markets through better business arrangements.
21. The project's economic rate of return (ERR) was based on economic benefits calculated for a 20-year period. A simulation and sensitivity analysis was carried out to estimate the ERR and the cost-effectiveness of the investments. A number of scenarios were tested to establish the project's economic viability in the event of adverse factors. The base case scenario yields an economic internal rate of return of 31 per cent, and the net present value at a 12 per cent discount rate is SCR 26,322 for a period of 20 years. Given the cost of capital of 12 per cent, the project is economically viable.

D. Sustainability

22. The project will be implemented mainly through existing public and private institutions. The implementation of activities through public-private partnerships (PPPs) is a preferred way of sustaining benefits after project closure. The project will improve the business skills of project beneficiaries, who will then be better able to innovate and successfully compete in the liberalized economy. The project is also designed to stop harmful practices and encourage environmentally sustainable practices and the protection of small farming and artisanal fisheries production systems. These two systems will be embedded within the tourism and fisheries sectors, which together are the mainstay of the national economy.

E. Risk identification and mitigation

23. Three risks have been identified. The first one is that improvements are not sustainable over time because business ventures are not consolidated enough and are vulnerable to both internal shocks (related to health, ownership rights or access to credit) and external shocks (related to climate or the international economic situation). This could cause some small farmers and fishers to "fall back" into their initial status or worse, despite any progress they may have achieved with project support. To mitigate this risk, the project will emphasize the private-sector-

driven nature of its support, and will diversify household-level economic activities. The second risk is that service providers lack the capacity to deliver the range of high- quality business support services required. To mitigate this risk, procurement of service providers may involve direct contracting, and international technical assistance may be used to strengthen service provider capacity. The third risk is that collective infrastructure is not maintained properly. To mitigate this risk, a specialized business lawyer will carefully analyse PPP agreements to integrate the necessary legal provisions that address risks associated with property rights, the maintenance of infrastructure and equipment, and the conditions and safeguards for the transfer of these facilities to beneficiaries.

V. Corporate considerations

A. Compliance with IFAD policies

24. The design of the project complies with IFAD policies and is aligned with the IFAD Strategic Framework 2011-2015. The project is consistent with the principles behind the strategic framework, and was assessed with reference to IFAD policies pertaining to targeting, gender, private-sector partnerships, enterprise development, rural finance, natural resource management, climate change and the environment.

B. Alignment and harmonization

25. The project is aligned with the Seychelles Medium-term National Development Strategy 2013-2017 and the National Food Security Strategy 2008-2011. It will seek to harmonize its interventions with future projects covering the same or similar domains, such as the planned African Development Bank-funded project for the rehabilitation of irrigation infrastructure.

C. Innovations and scaling up

26. In addition to the introduction of new technologies, innovation will consist mostly of a PPP model locally adapted to agriculture and fisheries, and developed in partnership with the hotel and restaurant industry. This model may be scaled up in countries with similar contexts, including in other types of interventions more oriented towards value chain development. The project will further scale up, in part, a successful approach for providing non-financial business development services piloted in Madagascar, and its approach to financial business development services may be further scaled up by participating banks. These approaches may later be considered for inclusion in a wider regional programme covering several countries in the Indian Ocean.

D. Policy engagement

27. At the policy level, engagement and cooperation among key government agencies (including the Gender Secretariat and the Agency for Social Protection), commercial banks and the national credit union will seek to ensure that efforts to promote small-scale agriculture and artisanal fisheries are harmonized with current social and gender policy and that the targeting of vulnerable groups is given priority. Close collaboration and partnership with banks will provide lessons for policy improvements with respect to agricultural finance in particular. Enabling measures will be taken to create and sustain a policy and operational environment favourable to poverty targeting, such as policy dialogue on inclusive policies, awareness-raising and capacity-building. The Government of Seychelles will also produce an annual statement of policy changes undertaken, together with their expected impact, if any, on project activities.

VI. Legal instruments and authority

28. A project financing agreement between the Republic of Seychelles and IFAD will constitute the legal instrument for extending the proposed loan to the borrower. A copy of the negotiated financing agreement is attached as an annex.
29. The Republic of Seychelles is empowered under its laws to receive financing from IFAD.
30. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VII. Recommendation

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

RESOLVED: that the Fund shall provide a loan on ordinary terms to the Republic of Seychelles in an amount equivalent to one million nine hundred and eighty thousand special drawing rights (SDR 1,980,000), 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: "Competitive Local Innovations for Small-scale Agriculture Project"

(Negotiations concluded on 26 March 2013)

Loan Number: _____

Project Title: Competitive Local Innovations for Small-Scale Agriculture Project (the "Project")

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

and

The Republic of Seychelles (the "Borrower")

(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 Loan to the Borrower (the "Financing"), which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the Loan is SDR 1 980 000.
2. The Loan is granted on ordinary terms with a maturity period of 15 years including a grace period of three (3) years.
3. The Loan Service Payment Currency shall be the US dollar.
4. The first day of the applicable Fiscal Year shall be 1 January.
5. Principal and interest shall be payable on each 15 May and 15 November.
6. There shall be a Designated Account for the benefit of Ministry of Finance, Trade and Investment ("MOFTI") at the Central Bank of Seychelles ("CBS").

7. The Borrower shall provide counterpart financing for the Project in the amount of USD 282 000.

Section C

1. The Lead Project Agency shall be the Ministry of Natural Resources and Industry (MNRI).

2. MOFTI, the Seychelles Agriculture Agency (SAA), the Seychelles Fishing Authority (SFA) and any other entities with implementation responsibilities, acceptable to the Fund, shall be designated as additional Project Parties.

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

Section D

The Loan shall be administered and the Project supervised by the Fund.

Section E

1. The following are designated as additional grounds for suspension of this Agreement: The Project Implementation Manual ("PIM") or any provision thereof has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund after consultation with Borrower has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project, and the Borrower has not taken any measures to remedy the situation.

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

(a) The PIM, covering, among other things, the technical, operational, organisational, financial and staff requirements necessary to implement all activities under this Agreement, shall have been adopted by the Lead Project Agency in the form approved by the Fund; and

(b) The Project Management Unit (PMU) staff, including a National Project Coordinator (NPC), Programming and M&E Officer and Financial Controller, acceptable to the Fund, shall have been appointed following a transparent competitive process.

3. The following is designated as a specific condition precedent to withdrawal under Category 4 (Credit) of the Allocation Table set forth in paragraph 1 of Schedule 2 hereto:

(a) A Subsidiary Performance-Based Loan Agreement, acceptable to the Fund, shall have been executed by the Lead Project Agency, following consultation with MOFTI, with each and every financial institution participating in the Project, outlining the terms and conditions of credit financing and on-lending thereto in accordance with Schedule 1, Section II, paragraph 9 of this Agreement.

4. This Agreement is subject to ratification by the Borrower.

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

For the Borrower:

Minister of Finance, Trade and Investment
Ministry of Finance, Trade and Investment
Liberty House
Victoria, Seychelles

For the Fund:

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

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 Borrower.

THE REPUBLIC OF SEYCHELLES

[]

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Kanayo F. Nwanze
President

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project shall target smallholder producers, small scale processors and marketers, micro-entrepreneurs, women and youth. The target group will consist of approximately: (i) 768 farmers who are producing for the domestic market; (ii) 1330 people dependent on artisanal fishing, fish handling and processing; and (iii) 7500 households which are involved in some form of backyard gardening, in particular those below the poverty line living on the main islands of Mahé, Praslin and La Digue.

2. *Goal.* The goal of the Project is to contribute to equitable and sustainable pro-poor agricultural and rural economic growth and employment.

3. *Objectives.* The objectives of the Project are to promote modern and sustainable agricultural and fishery practices, and to increase and diversify market access for smallholder farmers and fishers.

4. *Components.* The Project shall comprise the following Components: (i) *Enhancing business arrangements through capacity development of small farmers, rural micro entrepreneurs and fishers;* (ii) *Improving access to agricultural and rural finance;* (iii) *Strategic capacity building and infrastructure, and (iv) Project management.*

4.1. Component 1: Enhancing business arrangements through capacity development of small farmers, rural micro-entrepreneurs and fishers. This component aims to establish business ventures between small farmers and fishers and buyers and strengthen the capacity of small-scale actors in agriculture, fisheries and livestock to respond to market signals. Through a flexible business model, this component shall deliver support services targeting business development and promoting innovative technologies and environmentally-friendly value chains.

4.1.1. *Sub-component 1.1: Public Private Partnerships (PPP) and technology development.* This sub-component of the Project shall focus on capacity building of small farmers and fishers by professional public and private institutions to promote technology adoption, business development and business management. With the assistance of Technical Working Groups and other stakeholders, technology packages and trials shall be identified and their environmental efficiency and sustainability shall be assessed. This sub-component shall furthermore build on the Tourism Sustainability Label by promoting the marketing and usage of local products.

4.1.2. *Sub-component 1.2: Food security and productivity development.* This sub-component of the Project shall promote home gardens by addressing inefficiencies and supporting value chains through training and other forms of capacity development to improve food security and enhance productivity and market linkages at the household level.

4.2. Component 2: Improving access to agricultural and rural finance. This component shall facilitate the provision of the required financial services to transform the ailing agricultural sector and improve access to finance for smaller farmers, producers, fishers and rural micro-entrepreneurs. Access to financing shall be improved by the development of innovative agricultural and value chain financing models to be piloted and consequently scaled-up through partner financial institutions.

4.3. Component 3: Strategic capacity building and infrastructure. This component shall strengthen public sector and collective institutions by providing the necessary and complementary public goods to enable implementation of component 1 and ensure institutional continuity beyond the term of this Project.

4.3.1. *Subcomponent 3.1: Strategic capacity building.* This sub-component shall strengthen capacity of selected public and private actors involved in the implementation of Component 1, by providing capacity building including human resources support and guidance for public sector and collective institutions, equipment and small-scale infrastructure development, aligned to the work of other financing partners.

4.3.2. *Sub-component 3.2: Public and collective infrastructure.* This sub-component aims to finance enabling small rural infrastructure, including public and collective investments for irrigation and water harvesting necessary for the implementation of Component 1.

4.4. Component 4: Project management. This component shall provide effective technical, financial and contract management of the Project. The PMU shall exercise management and controlling functions including the recruitment of specialised expertise. The Project shall finance the required equipment, studies and training of staff, operating costs and the establishment of a Monitoring & Evaluation (M&E) System as well as a Knowledge Management System.

II. Implementation Arrangements

5. A National Project Steering Committee ("NPSC") shall be established under the chairmanship of the Minister, MNRI and composed of an equal number of private sector and government representatives. The NPSC shall provide guidance to the Project and review the implementation progress and impact. The NPSC shall meet as and when required and no less than twice every year.

6. A PMU embedded in the MNRI shall be established. The PMU shall be responsible for the implementation of the day-to-day activities and the monitoring of progress and impact of the Project. The PMU shall include a NPC, a programming and M&E officer, a financial controller, as well as the required support staff.

7. To advise on and support the implementation of the agricultural/livestock, rural and microfinance and fishery aspects of components 1 and 2 of the Project, Technical Working Groups (TWGs) composed of stakeholder groups and key institutions shall be established. The TWGs shall be coordinated by the PMU and shall convene on a regular basis. The composition of the TWGs shall include, among others:

- (a) The TWG on Agriculture: Representatives from farmers, service providers in the livestock sector, Seychelles Hospitality and Tourism Association (SHTA), the Seychelles Chamber of Commerce and Industry (SCCI), Local Government, the SAA, the Small Enterprise Promotion Agency (SEnPA), the Island Development Company (IDC), the Seychelles Farmers Association (SeyFA), the Development Bank of Seychelles (DBS), an environmental Non-Governmental Organisation, as well as private entrepreneurs.
- (b) The TWG for Rural and Agricultural Finance: Representatives from MOFTI and from financial institutions.
- (c) The TWG on Fisheries: Representatives from the Seychelles Fishing Boat Owners Association, the SFA, SHTA, SCCI, Seychelles National Parks

Authority (SNPA), Marine Conservation Society Seychelles (MCSS), SEnPA, IDC and DBS.

8. The Lead Project Agency shall enter into a MOU with each and every other Project Party, specifying the scope of the work to be undertaken, expected deliverables, estimated budget for specific activities, as well as clearly defined performance evaluation criteria. Each MOU shall be monitored closely by the PMU and shall: (a) specify that a register of assets acquired with the proceeds of the Loan shall be maintained by each Project Party and that at completion of the Project implementation, such assets shall be transferred to the Borrower; and (b) be submitted to the Fund for its prior approval. Each MOU may not be modified without the prior consent of the Fund.

9. Following consultation with MOFTI, the Lead Project Agency shall enter into a Subsidiary Performance-Based Loan Agreement with each and every financial institution participating in the implementation of activities under Component 2 of the Project. Each such financial institution shall meet eligibility criteria acceptable to the Fund and shall be selected following a transparent competitive process. The Subsidiary Performance-Based Loan Agreements shall clearly specify the scope of the work to be undertaken, expected targets, estimated budget for specific activities, maximum loan amount, on-lending rates as well as clearly defined target indicators. Each Subsidiary Performance-Based Loan Agreement shall be monitored closely by the PMU and renewed annually based on satisfactory performance. Each Subsidiary Performance-Based Loan Agreement shall be submitted to the Fund for its prior approval and may not be modified without the prior consent of the Fund.

10. A Mid-Term Review ("MTR") shall be carried out in the Project's third year of implementation by the Lead Project Agency and the Fund jointly. The MTR shall cover, among other things: (i) the physical and financial progress as measured against Project Annual Work Plans and Budgets (AWPBs) and against Project objectives; (ii) the overall Project performance as well as the performance and financial management of contracted implementing partners; (iii) an assessment of the efficacy of technical assistance and training programmes; (iv) the proposed use of uncommitted funds made available to the financial institutions participating in the Project; and (v) the proposed terms of an exit strategy.

Schedule 2

Allocation Table

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

Category	IFAD Loan Amount Allocated (expressed in SDR)	Percentage
1. Civil Works and Infrastructure	548 000	100% Net of Taxes, private companies', other donors', producers' and Government Contributions
2. Vehicles	17 000	100% Net of Taxes and Government Contribution
3. Technical Assistance and Training	498 000	100%
4. Credit	594 000	100%
5. Recurrent Costs		
(a) Salaries and Allowances	118 000	100% Net of Government Contribution
(b) Operations and Maintenance	7 000	100% Net of Government Contribution
6. Unallocated	198 000	
TOTAL	1 980 000	

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

1. Civil Works and Infrastructure includes Eligible Expenditures for Equipment and Goods

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 Borrower to request withdrawals from the Loan Account if the Borrower 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. *Monitoring.* The Lead Project Agency shall monitor the Project and in partnership with other designated Project Parties, generate data and information on Project activities, output and outcomes in a manner satisfactory to the Fund. The Lead Project Agency shall also collect information on Project impact..
2. *Resource Protection.* The Borrower shall take all reasonable measures to ensure that existing laws are enforced to safeguard water, forest and wildlife resources in the Project Area. The Borrower shall take all measures to ensure sustainability of the Project without any detriment to the environment and shall promote natural resources' sustainability.
3. *Operation and Maintenance.* The Borrower shall ensure that adequate human and financial resources shall be provided to support the operation and maintenance of Project-financed investments and recurrent costs of the Project operations both during and after the Project Implementation Period, at least for the useful life of such investments.
4. *Authorisation.* The Borrower shall provide each Project Party with such delegations of authority or other authorisations as may be required under its national procedures to implement the Project in Accordance with this Agreement.
5. *Use of Vehicles and Other Equipment.* The Borrower shall ensure that all vehicles and other equipment transferred and or procured under the Project are dedicated solely to Project use.
6. *Policy Framework.* The Borrower shall provide the Fund with an annual statement of undertaken policy changes in the agricultural, fisheries, tourism and other related sectors together with an assessment of their expected impact on the Project, for the duration of the Project.
7. *Financial Statements.* Each Subsidiary Performance-Based Loan Agreement shall specify that the financial institution participating in the implementation of the Project shall make available to the Borrower, through the PMU, the statement of sources and uses of funds related to Project activities under their respective responsibility in respect of each Fiscal year within two (2) months of the end of each Fiscal year. The PMU shall attach these statements of sources and uses of funds to its own financial statements for subsequent submission to the Fund.
8. *Audit Reports.* The Borrower shall ensure that each Subsidiary Performance-Based Loan Agreement specifies that the financial institution participating in the implementation of the Project shall appoint an external independent auditor to audit their financial statements relating to the Project. These audit reports shall be submitted to the Borrower, through the PMU, within five (5) months after the end of each Fiscal Year for subsequent submission to the Fund.

Logical framework

Objective Hierarchy	Key Performance Indicators	Means of Verification	Assumptions
Goal			
To contribute to sustainable pro-poor economic growth and employment and resilience to external shocks and trends	<ul style="list-style-type: none"> ▪ Employment (full and part time) in agriculture, fisheries and rural micro enterprises ▪ Un-and Under-employment developments ▪ Absolute levels of contribution of GDP to agriculture 	<ul style="list-style-type: none"> - National Bureau of Statistics - Ministry of Social Affairs - Agricultural Census - Other reference surveys 	
Development Objective			
Promote modern and sustainable agricultural and fisheries practices to increase and diversify market access for smallholder farmers, fishers and rural micro entrepreneurs	Separate for agriculture, fisheries, rural micro enterprises & all gender disaggregated <ul style="list-style-type: none"> ▪ Incremental number of people served ▪ Incremental jobs created ▪ Incremental use of financial services (loans, current acct. deposits, in future also leasing & hire purchase) 	<ul style="list-style-type: none"> - MTR and PCR surveys - Relevant GoS statistics (Min. Of Social Affairs) - Project M&E system (see below) 	Present high level of commitment from GoS, private sector operators and public and parastatal agencies can be sustained throughout CLISSA
Project Outcomes			
Outcome 1: small farmers, artisanal fishers and rural micro entrepreneurs have capacity to identify and service market demand	Separate for agriculture, fisheries, rural micro enterprises & all gender disaggregated <ul style="list-style-type: none"> • Surveys and post training evaluations to establish changes in skills and awareness of trained project beneficiaries 	<ul style="list-style-type: none"> - Surveys - Ex-post evaluations of trainings 	The awareness raising (“Buy Seychellois”) and associated surge in demand for locally produced food will be sustained and therefore will not lead to consumers shifting preferences towards national production
Outputs: facilitation, training, communication, studies, demonstration units	<ul style="list-style-type: none"> • People trained in post-production, processing and marketing • Processing, marketing, storage facilities constructed/rehabilitated • Number of farmers, fishers, household gardeners reached • Number and effectiveness of trials (released for dissemination) • Number of equipment accessed (by gender and age) • People trained in business and entrepreneurship skills • Number of agricultural revival kits (<50) 	<ul style="list-style-type: none"> - PMO monitoring reports - Status and completion reports of contracted service providers 	
Outcome 2: Improved access to equitable financial services	<ul style="list-style-type: none"> • Number of small farmers and rural micro entrepreneurs accessing credit and other financial services (deposit, current account, etc.) • Quality of loan portfolio • Evidence of mainstreaming project services and experience into general business 	<ul style="list-style-type: none"> - Internal and external monitoring reports - 6 monthly project progress reports to be submitted by participating banks 	<ul style="list-style-type: none"> ▪ Adequate bank capitalization to take on external line of credit ▪ Bank-internal procedures permit scaling up and mainstreaming of CLISSA pilot products and services ▪ Farmers accept to invest in technologies through credit
outputs: competitive refinancing lines for beneficiaries established on commercial and non-subsidized terms at all levels	<ul style="list-style-type: none"> • Amounts of refinancing through CLISSA (disbursements) 	<ul style="list-style-type: none"> - Internal monitoring reports 	
Outcome 3: Capacity of public service providers strengthened and technologies made available and public and small-scale collective	<ul style="list-style-type: none"> ▪ Effectiveness: Improved performance of public service providers ▪ Effectiveness of productive infrastructure [by type] ▪ Likelihood of sustainability of productive infrastructure [by type] 	<ul style="list-style-type: none"> - Internal and external monitoring reports - Beneficiary assessment 	<ul style="list-style-type: none"> ▪ Parallel financing by other donors and Government of Seychelles is

Objective Hierarchy	Key Performance Indicators	Means of Verification	Assumptions
infrastructure upgraded Outputs: Investments in equipment, institutional support, training, trails; road spot improvements, water-harvesting infrastructure, storage facilities, equipment sheds, other small infrastructure	<ul style="list-style-type: none"> ▪ People trained in infrastructure management ▪ Staff of service providers trained ▪ Infrastructure by type and number 	reports - Internal monitoring reports - Internal monitoring reports	forthcoming ▪ Interest in PPP is sustained by all stakeholders