
President's report
Proposed Debt Sustainability Framework grant
The State of Eritrea
Sustainable Fisheries Livelihoods Programme

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Action: The Executive Board is invited to approve the recommendation contained in paragraph 58.

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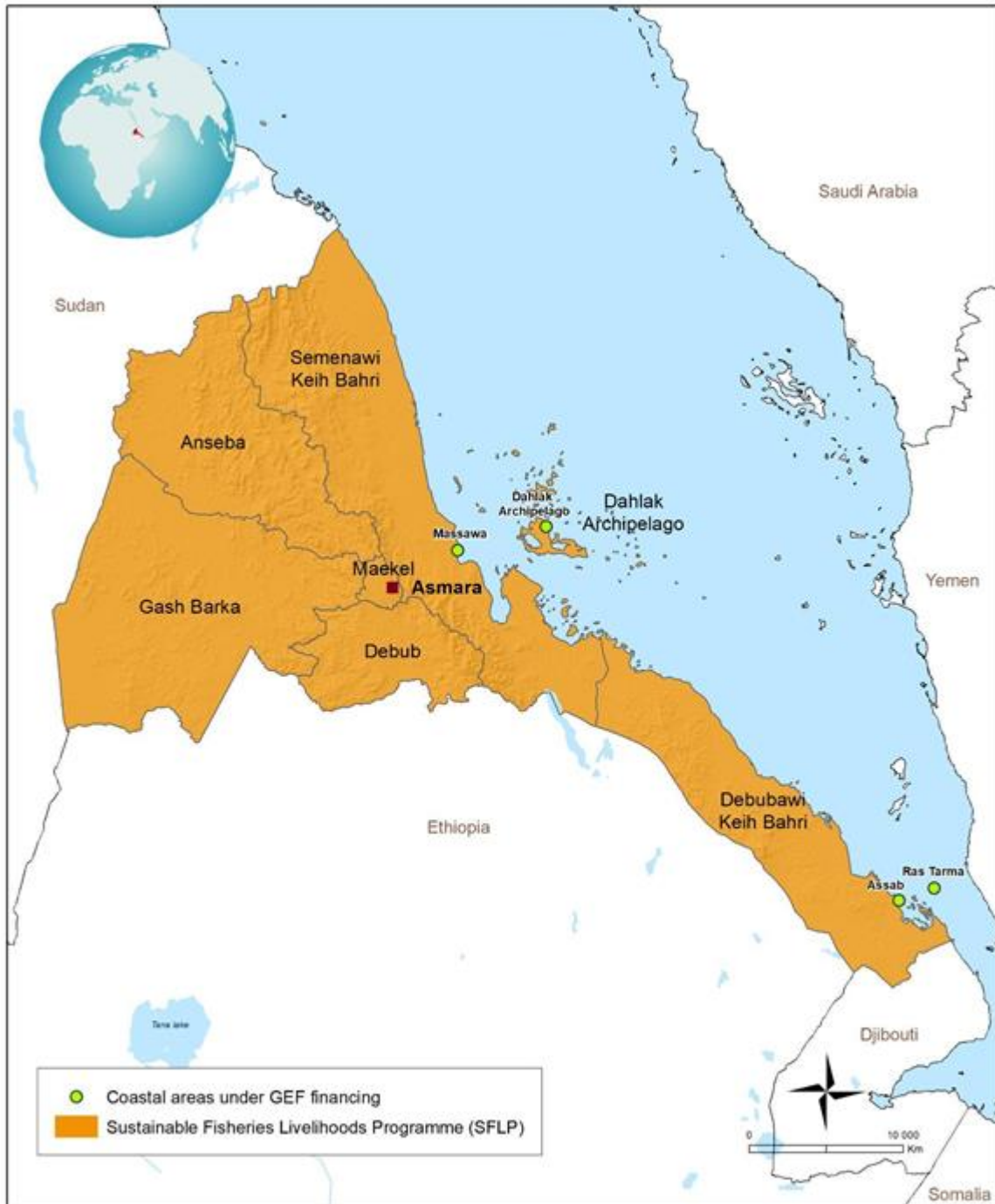
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Project delivery team

| | |
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Map of the programme area



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 | 23-09-2024

Financing summary

| | |
|--|---|
| Initiating institution: | International Fund for Agricultural Development |
| Borrower/recipient: | Government of the State of Eritrea |
| Executing agency: | Ministry of Marine Resources |
| Total programme cost: | US\$32.272 million |
| Terms of IFAD financing: | Debt Sustainability Framework (DSF) grant |
| Amount of IFAD grant (DSF): | US\$15.396 million |
| Cofinancier: | Global Environment Facility |
| Amount of cofinancing: | US\$10 million |
| Terms of cofinancing: | Grant |
| Contribution of borrower/recipient: | US\$6.875 million |
| Amount of IFAD climate finance: | US\$8.803 million |
| Cooperating institution: | Directly supervised by IFAD |

I. Context

A. National context and rationale for IFAD involvement

National context

1. The State of Eritrea's political context has been shaped by decades of conflict, particularly with Ethiopia, culminating in a peace agreement in 2018 that lifted United Nations sanctions and offered new growth prospects. Economically, the country is exploring its underutilized fisheries resources, which could significantly enhance food security and generate foreign currency. Socially, Eritrea faces challenges, including high malnutrition rates, particularly among children, and gender disparities, with women largely engaged in low-paying jobs despite their crucial role in household and community activities. Efforts to empower women and improve nutritional outcomes are vital for the country's development.
2. Fragility in the country is linked to: (i) critical environmental issues, increased climatic variability, recurring drought, flash flooding and sea level rise; (ii) limited institutional implementation capacity within government systems, procurement delays and limited availability of service providers; (iii) limited access to new fishing technologies and inputs; (iv) potential risks of siltation, endangering dams and reservoirs, and the livelihoods of fishers; and (v) socio-political developments in the region, including repeated sanctions, the ongoing conflict in the Sudan and, more recently, in the Red Sea.

Special aspects relating to IFAD's corporate mainstreaming priorities

3. In line with IFAD's mainstreaming commitments, the programme has been validated as:
 - Including climate finance
 - Nutrition-sensitive
 - Including adaptive capacity
4. **Gender.** Eritrea faces significant gender and social inclusion challenges, as women make up 55 per cent of the population and 46.9 per cent of the labour force but often work in low-skilled, low-paying jobs. Despite initiatives to improve women's access to credit and vocational training, systemic barriers limit their economic participation and empowerment. Cultural norms further exacerbate inequality, restricting the involvement of women and marginalized groups in decision-making processes and economic activities.
5. **Youth.** Young people in Eritrea encounter high unemployment and underemployment rates, with many lacking access to vocational training. This exclusion extends to decision-making roles, undermining their contributions to community development. Economic hardships drive many young Eritreans to seek opportunities abroad, resulting in brain drain.
6. **Nutrition.** High rates of malnutrition affect Eritrea, particularly among children under five, with stunting rates at 50.3 per cent, well above the regional average. Low dietary diversity and food insecurity, exacerbated by limited access to clean water and poor hygiene, further compromise health outcomes.
7. **Climate and environment.** Eritrea is highly vulnerable to climate change, facing increased drought frequency and erratic rainfall patterns. Environmental degradation, including deforestation and desertification, threatens agriculture and fisheries, intensifying food insecurity. Additionally, biodiversity loss from habitat degradation undermines ecosystem health, while challenges in managing inland and coastal water resources can lead to conflicts and reduced access for communities. Poor waste management and pollution further complicate development efforts, endangering both human health and environmental sustainability.

Rationale for IFAD involvement

8. IFAD is the leading international development partner in Eritrea's fisheries sector, having collaborated with the Government since 2010. This establishes IFAD's credibility and comparative advantages in depth of knowledge, lessons, experience, data and information, networks and capacities developed over the years to respond to the sector-wide challenges.
9. In the post-conflict context, IFAD aims to strengthen institutions, support women and youth, and enhance natural resource management through the Sustainable Fisheries and Livelihoods Programme (SFLP). This initiative aligns with IFAD's strategic objectives to improve resilience to climate change, access to sustainable technologies, and overall food and nutrition security. Transitioning from phase 1 to phase 2 will depend on specific triggers, including completion of essential studies and assessments.
10. IFAD's extensive experience in the fisheries sector, focus on inclusivity and commitment to capacity-building uniquely position it to effectively implement this programme, leveraging global insights to promote sustainable and equitable growth in Eritrea.

B. Lessons learned

11. The programme leverages lessons from previous IFAD projects in Eritrea, including the Fisheries Resources Management Project (FReMP) and the Fisheries Development Project (FDP). Key lessons emphasize the importance of providing adequate time and technical assistance for developing rural cooperatives, addressing capacity gaps and staff turnover in project coordination, and establishing effective monitoring and evaluation (M&E) systems from the start. Procurement strategies must be planned early to navigate local supplier limitations, while enhancing climate change and environmental management capacities is crucial. Early recruitment of social inclusion officers will ensure targeted engagement and labour risk monitoring. The programme will also focus on building sustainable institutions and human capacity for long-term success, and will strengthen the integrated fisheries monitoring centre to support effective fisheries management and conservation.

II. Programme description

A. Objectives, geographical area of intervention and target groups

12. The programme goal is to contribute to improved food security, nutrition, climate resilience and reduced poverty among rural poor households.
13. The programme development objective is to enhance sustainable fisheries resources development and ecosystem conservation, increase resilience to climate change and improve beneficiaries' livelihoods, putting emphasis on nutrition, income and food security.
14. **Geographical area of intervention.** The programme will cover Eritrea's six *zoba* [regions], which include two coastal *zoba*—Southern Red Sea and Northern Red Sea—and four inland *zoba*: Anseba, Gash Barka, Maekel and Debub. Within these regions, the programme will focus on specific subregions and target 21 dams in the hinterland during phase 1, gradually expanding based on lessons learned and capacity.
15. **Target groups.** The programme aims to assist approximately 21,320 households, representing around 106,600 individuals. Targeted groups will include 40 per cent women, 20 per cent youth and 5 per cent persons with disabilities, with women-headed households making up 30 per cent of beneficiaries. SFLP will focus on small-scale fishing communities, including foot fishers and artisanal boat crews. The selection criteria for beneficiaries will consider poverty levels, nutrition profiles,

gender and youth engagement, ensuring a holistic approach to targeting those most vulnerable to poverty and food insecurity.

B. Components, outcomes and activities

16. The programme will have the following components: (i) enhanced sustainable conservation of fisheries resources and ecosystem management; (ii) enhanced nutrition-sensitive fish value chain development; and (iii) programme coordination and institutional and policy strengthening.

Component 1: Enhanced sustainable conservation of fisheries resources and ecosystem management.

17. This component focuses on strengthening the fisheries monitoring centre to enhance monitoring, control and surveillance capabilities aimed at eliminating illegal fishing and supporting ecosystem health. By building capacities for sustainable resource management, the programme aims to ensure healthier fish populations and ecosystems. Additionally, community-based initiatives will be promoted to link livelihoods to ecosystem health, particularly benefiting women and marginalized groups. Limited mangrove afforestation and reforestation efforts will also be undertaken to restore coastal ecosystems, which are vital for biodiversity and provide critical habitats for fish.

Component 2: Enhanced nutrition-sensitive fish value chain development.

18. This component calls for improving the fish value chain through production, preservation and processing activities. Establishing cooperatives and enhancing access to climate-smart fishing inputs will increase the productivity and resilience of artisanal fishers, ensuring a steady supply of nutritious fish. The development of value-added fish products, such as solar-dried and processed fish, will target local and regional markets, thereby improving fishers' incomes and addressing dietary diversity. Moreover, gender-sensitive nutrition education initiatives will promote fish consumption in communities, helping to improve overall health outcomes and nutritional standards.

Component 3: Programme coordination and institutional and policy strengthening.

19. This component aims to strengthen the capacities of programme management entities at national and local levels to ensure effective programme implementation and M&E. Training programmes will enhance skills in financial management and procurement, leading to more efficient operations. Furthermore, partnerships will be developed to facilitate multi-sectoral collaboration for nutrition initiatives, leveraging resources and expertise from various sectors. The establishment of a comprehensive fisheries information management system will enhance data collection and analysis, supporting informed decision-making and promoting sustainable practices in fisheries management.

C. Theory of change

20. The programme aims to improve livelihoods, food security, nutrition and climate resilience and reduce poverty among rural households through sustainable fisheries development and ecosystem conservation. It addresses barriers like limited access to technology, climate vulnerability, weak market access and high post-harvest losses, while also targeting gender inequalities and malnutrition.
21. The programme will enhance fish production and post-harvest activities by building Ministry of Marine Resources (MMR) and value chain capacities, improving access to technologies and supporting coastal ecosystem management. It will strengthen processing and marketing through capacity development and gender-sensitive nutrition education.

22. To enhance sector management, SFLP will facilitate policy dialogue, develop institutional capacities and improve MMR's ability to implement safeguards. Expected outcomes include better-managed fisheries, increased production and marketing of fish, and stronger policies for fisheries management.
23. The theory of change emphasizes that benefits depend on both climatic factors and the relevance of activities to local contexts. A variety of nutrition pathways will promote food availability, enhance livelihoods, improve fish consumption knowledge and empower women.

D. Alignment, ownership and partnerships

24. The programme will contribute to the Sustainable Development Goals (SDGs) by addressing poverty (SDG 1), food security (SDG 2), gender equality (SDG 5), climate action (SDG 13) and sustainable marine resource management (SDG 14). By enhancing fisheries and improving nutrition, it aims to foster inclusive growth in rural communities.
25. The programme aligns with the Government's MMR Strategic Plan 2024-2030 and Aquaculture Strategy 2023-2028, focusing on sustainable resource management and food security, thus supporting the broader vision for agricultural and blue economy industrialization.
26. To enhance effectiveness, the implementing ministry will partner with United Nations agencies, NGOs and local organizations. Collaborations with the Food and Agriculture Organization of the United Nations and the United Nations Children's Fund will provide technical assistance in fisheries and nutrition, while local partnerships will strengthen community engagement and capacity-building.
27. These strategic alignments and partnerships will create a comprehensive framework to address rural challenges and advance national and global development goals.

E. Costs, benefits and financing

28. Programme component 1 (enhanced sustainable conservation of fisheries resources and ecosystem management), component 2 (enhanced nutrition-sensitive fish value chain development), and subcomponent 3.2 (develop MMR's institutional and policy formulation capacity) are partially counted as climate finance. As per the multilateral development banks' methodologies for tracking climate change adaptation and mitigation finance, the total amount of IFAD climate finance for this programme is estimated as US\$8.803 million.

Programme costs

29. The total investment and recurrent costs for SFLP, including price and physical contingencies, are estimated at US\$32.3 million. The programme will be implemented over a period of 10 years in two phases. The total funding includes base costs estimated at US\$30.4 million, and estimated price and physical contingencies of US\$1.9 million. The overall investment costs have been estimated at US\$25.8 million (80 per cent of base costs) and recurrent costs at US\$6.5 million (20 per cent of base costs).
30. The programme will be financed by IFAD, the Global Environment Facility (GEF) and the Government of the State of Eritrea. The breakdown of the costs by component and subcomponent in United States dollars is shown in table 1 below. Table 2 shows the breakdown of the costs by expenditure category in United States dollars.

Table 1
Programme costs by component and subcomponent and financier
 (Thousands of United States dollars)

| <i>Component/subcomponent</i> | <i>IFAD DSF grant</i> | | <i>GEF</i> | | <i>Borrower/recipient</i> | | <i>Total</i> | |
|---|-----------------------|-----------|---------------|-----------|---------------------------|-----------|---------------|------------|
| | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> |
| 1. Enhanced sustainable conservation of fisheries resources and ecosystem management | | | | | | | | |
| 1.1. Rehabilitation of coastal ecosystems and livelihoods development | 986 | 39 | 1 419 | 56 | 121 | 5 | 2 526 | 8 |
| 1.1. Sustainable inland dam fisheries, ecosystems and livelihoods | 3 625 | 97 | - | - | 103 | 3 | 3 728 | 12 |
| Subtotal | 4 611 | 74 | 1 419 | 23 | 224 | 4 | 6 254 | 19 |
| 2. Enhanced nutrition-sensitive fish value chain development | | | | | | | | |
| 2.1 Fish production, preservation and processing | 6 150 | 46 | 7 200 | 53 | 171 | 1 | 13 521 | 42 |
| 2.2 Marketing and consumption of fish and fish products | 2 050 | 89 | 138 | 6 | 113 | 5 | 2 301 | 7 |
| Subtotal | 8 200 | 52 | 7 338 | 46 | 284 | 2 | 15 822 | 49 |
| 3. Programme coordination and institutional and policy strengthening | | | | | | | | |
| 3.1. Programme coordination and implementation | 2 140 | 25 | 168 | 2 | 6 308 | 73 | 8 616 | 27 |
| 3.2. Develop MMR's institutional and policy formulation capacity | 445 | 28 | 1 076 | 68 | 59 | 4 | 1 580 | 5 |
| Subtotal | 2 585 | 25 | 1 244 | 12 | 6 367 | 62 | 10 196 | 32 |
| Total | 15 396 | 48 | 10 000 | 31 | 6 875 | 21 | 32 272 | 100 |

Table 2
Programme costs by expenditure category and financier
 (Thousands of United States dollars)

| <i>Expenditure category</i> | <i>IFAD DSF grant</i> | | <i>GEF</i> | | <i>Borrower /recipient</i> | | <i>Total</i> | |
|-------------------------------|-----------------------|-----------|---------------|-----------|----------------------------|-----------|---------------|------------|
| | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> |
| Investment costs | | | | | | | | |
| 1. Civil works | 2 680 | 33 | 5 258 | 65 | 146 | 2 | 8 084 | 25 |
| 2. Equipment and materials | 673 | 59 | 418 | 37 | 53 | 5 | 1 144 | 4 |
| 3. Goods, services and inputs | 7 724 | 70 | 3 026 | 28 | 225 | 2 | 10 975 | 34 |
| 4. Technical assistance | 1 883 | 63 | 1 070 | 36 | 62 | 2 | 3 015 | 9 |
| 5. Training | 1 868 | 94 | 60 | 3 | 51 | 3 | 1 980 | 6 |
| 6. Vehicles | 568 | 95 | - | - | 30 | 5 | 598 | 2 |
| Total investment costs | 15 396 | 60 | 9 832 | 38 | 567 | 2 | 25 796 | 80 |
| Recurrent costs | | | | | | | | |
| 1. Salaries and allowances | - | - | 168 | 3 | 5 508 | 97 | 5 676 | 18 |
| 2. Operating costs | - | - | - | - | 800 | 100 | 800 | 3 |
| Total recurrent costs | - | - | 168 | 3 | 6 308 | 97 | 6 476 | 20 |
| Total | 15 396 | 48 | 10 000 | 31 | 6 875 | 21 | 32 272 | 100 |

Table 3

Programme costs by component and subcomponent and programme year (PY)

(Thousands of United States dollars)

| <i>Component/subcomponent</i> | <i>PY1</i> | <i>PY2</i> | <i>PY3</i> | <i>PY4</i> | <i>PY5</i> | <i>PY6</i> | <i>PY7</i> | <i>PY8</i> | <i>PY9</i> | <i>PY10</i> | <i>Total</i> |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | <i>Amount</i> | <i>Amount</i> | <i>Amount</i> | <i>Amount</i> | <i>Amount</i> | <i>Amount</i> | <i>Amount</i> | <i>Amount</i> | <i>Amount</i> | <i>Amount</i> | <i>Amount</i> |
| 1. Enhanced sustainable conservation of fisheries resources and ecosystem management | | | | | | | | | | | |
| 1.1. Rehabilitation of coastal ecosystems and livelihoods development | 455 | 581 | 536 | 136 | 156 | 151 | 153 | 154 | 156 | 48 | 2 526 |
| 1.2. Sustainable inland dam fisheries, ecosystems and livelihoods | 135 | 527 | 1 407 | 1 281 | 189 | 189 | - | - | - | - | 3 728 |
| Subtotal | 590 | 1 108 | 1 943 | 1 417 | 345 | 340 | 153 | 154 | 156 | 48 | 6 254 |
| 2. Enhanced nutrition-sensitive fish value chain development | | | | | | | | | | | |
| 2.1. Fish production, preservation and processing | 4 | 358 | 3 307 | 2 825 | 645 | 1 017 | 2 108 | 1 614 | 1 166 | 477 | 13 521 |
| 2.2. Marketing and consumption of fish and fish products | 138 | 584 | 573 | 659 | 63 | 63 | 63 | 52 | 53 | 53 | 2 301 |
| Subtotal | 142 | 942 | 3 880 | 3 484 | 708 | 1 080 | 2 171 | 1 666 | 1 219 | 530 | 15 822 |
| 3. Programme coordination and institutional and policy strengthening | | | | | | | | | | | |
| 3.1. Programme coordination and implementation | 1 144 | 844 | 824 | 944 | 803 | 809 | 797 | 777 | 777 | 897 | 8 617 |
| 3.2. Develop MMR's institutional and policy formulation capacity | 6 | 189 | 287 | 159 | 159 | 156 | 156 | 156 | 156 | 156 | 1 579 |
| Subtotal | 1 150 | 1 033 | 1 111 | 1 103 | 962 | 964 | 953 | 933 | 933 | 1 053 | 10 196 |
| Total | 1 882 | 3 083 | 6 934 | 6 004 | 2 015 | 2 385 | 3 277 | 2 753 | 2 308 | 1 631 | 32 272 |

Financing and cofinancing strategy and plan

31. The programme will be financed as follows: The approved IFAD financing is US\$15.39 million (48 per cent of the total costs). As per the confirmed lending terms, this will be provided through a Debt Sustainability Framework grant. Cofinancing from GEF is estimated at US\$10 million (31 per cent). This includes the direct GEF budget for the project, estimated at US\$8.93 million, and the balance of US\$1.06 million allocated to agency fees and a project preparation grant for designing the GEF project.
32. Domestic cofinancing from the Government will amount to US\$6.86 million (21 per cent) in cash and in kind (US\$6.29 million and US\$0.57 million, respectively) to finance operational costs, seminars, workshops, repairs and maintenance of facilities, as well as duties and taxes. The breakdown of components and expenditure categories by financier is presented in the tables above.

Disbursement

33. The main disbursement categories are civil works and goods, services and inputs, covering 25 per cent and 34 per cent of the overall programme costs respectively. Other disbursement categories under this programme are: (i) equipment and materials; (ii) technical assistance; (iii) training; (iv) vehicles; (v) salaries and allowances; and (vi) operating costs. Recurrent costs account for 20 per cent of the overall programme costs.

Summary of benefits and economic analysis

34. The programme's economic analysis indicates significant benefits from its interventions, including increased fish production, improved marketing, dietary diversification, better ecosystem management and job creation. With total costs of US\$32.3 million, the cost per beneficiary household is estimated at US\$1,514, or US\$303 for each household member. Over a 10-year period, the estimated economic costs are US\$332.3 million, resulting in an economic rate of return of 18 per cent and a baseline positive net present value of US\$32.5 million over a period of 20 years.

Exit strategy and sustainability

35. The programme prioritizes sustainability in three key areas: institutional, technical and environmental. It engages decentralized government structures and multi-sectoral committees to enhance food and nutrition policies, ensuring long-term impact. Capacity-building promotes sustainable fisheries practices and gender equality, while environmental sustainability focuses on climate-resilient initiatives like solar drying and mangrove planting.
36. The programme also emphasizes innovative resource management and economic viability through sound business practices. The exit strategy ensures lasting benefits by fostering partnerships with the Government and local communities for effective implementation and monitoring.

III. Risk management

A. Risks and mitigation measures

37. The programme's overall inherent and residual risks are assessed as substantial. The table below presents the magnitude of selected risks; a more detailed account of the programme's risk profile is presented in appendix III.

Table 4
Overall risk summary

| <i>Risk areas</i> | <i>Inherent risk rating</i> | <i>Residual risk rating</i> |
|--|-----------------------------|-----------------------------|
| Country context | Substantial | Substantial |
| Sector strategies and policies | Moderate | Moderate |
| Environment and climate context | High | High |
| Project scope | Low | Low |
| Institutional capacity for implementation and sustainability | Substantial | Substantial |
| Financial management | High | High |
| Project procurement | Substantial | Substantial |
| Environment, social and climate impact | Substantial | Low |
| Stakeholders | Moderate | Moderate |
| Overall | Substantial | Substantial |

B. Environment and social category

38. The programme has a moderate environmental and social classification due to its limited site-specific negative impacts, while its environmental management focus is expected to yield primarily positive outcomes. Key initiatives include enhancing MMR management through spatial planning and advanced monitoring tools, improving livelihoods with sustainable aquaculture and renewable energy, and drafting conservation plans for threatened ecosystems. However, the risk of excluding vulnerable groups, such as women, youth and persons with disabilities, necessitates the use of participatory methods to ensure their needs are addressed and negative social consequences are minimized.

C. Climate risk classification

39. Eritrea faces substantial climate risks, ranking low on the Notre Dame Global Adaptation Index (ND-GAIN), with increasing droughts, extreme and rising temperatures (up to 1.70°C by 2050), and reduced rainfall projected. These conditions threaten fishing assets and marine ecosystems, while rising sea temperatures and salinity impact food security and landscape integrity. Despite these challenges, the programme aims to enhance resilience through risk-management activities, allowing adaptation to changing fish stocks. Mitigation measures will address climate risks, and a targeted adaptation assessment will identify effective strategies for high-risk projects.

D. Debt sustainability

40. The sustainability of the programme is anchored in three main areas. First, it leverages decentralized government structures to ensure strong ownership and commitment from the Government, fostering strategic partnerships that enhance food and nutrition policies for long-term benefits. Second, it emphasizes capacity-building for technical staff and communities to adopt sustainable fisheries practices, alongside a gender empowerment strategy to address barriers for women and ensure lasting impacts. Finally, the programme promotes environmental resilience through climate-smart fisheries practices and conservation initiatives, such as solar-drying facilities, to mitigate land degradation and enhance biodiversity, thereby ensuring sustainable resource management.

IV. Implementation

A. Organizational framework

Programme management and coordination

41. The programme will unfold over 10 years in two distinct phases. The first preparatory phase (years one to three) will focus on building institutional capacity, developing sustainable fisheries management plans and conducting necessary

assessments, such as feasibility studies and environmental impact evaluations. This foundational work will set the stage for the second investment phase (years four to ten), which aims to expand infrastructure, improve processing and distribution systems, and enhance domestic and international fish markets. The transition between phases will depend on achieving specific milestones, with the design of the second phase influenced by the outcomes of the first and the evolving context of Eritrea's fisheries sector.

42. MMR will serve as the lead agency for the programme, employing a decentralized management structure that involves various government institutions and private sector entities. A programme steering committee, co-chaired by the Minister for Marine Resources and Minister for Finance and National Development, and/or representatives of those ministries, will provide oversight and strategic guidance, while a project technical committee will support the steering committee by reviewing technical documents and facilitating inter-ministerial collaboration. This governance framework aims to ensure effective implementation and alignment with broader sector policies and strategic goals.

Financial management, procurement and governance

43. The programme's financial management will be centralized under the MMR as the lead implementing agency. This structure enables streamlined oversight and accountability. The programme will maintain linkages with other initiatives through a common programme management unit, promoting shared resources and expertise. Financial arrangements will adhere to International Public Sector Accounting Standards, ensuring high-quality reporting and transparency. Automation will be achieved through QuickBooks accounting software, facilitating timely and accurate financial reporting. The programme will align with national systems to promote mainstreaming and efficiency in fund flows. Financial statements will be submitted annually to IFAD, and independent audits will comply with international auditing standards, ensuring thorough evaluation and transparency. The disbursement methodology will include statements of expenditure, allowing for a flexible and results-based approach. Lessons learned from other projects in the country will inform best practices, and special disbursement conditions may be established to address specific risks.
44. The procurement implementation will follow IFAD's Project Procurement Handbook due to limitations in the Government's procurement framework. A comprehensive procurement risk assessment will identify key risks, with mitigation strategies in place to minimize their impact. The programme will rely on IFAD's guidelines while integrating local procurement systems to the extent feasible. The risk-based plan will include regular monitoring and review of procurement activities, ensuring compliance and effectiveness. Additional procedures will be established by both the borrower and IFAD to enhance oversight and consistency with procurement guidelines.
45. The governance structure for the programme will include a dedicated oversight body within the MMR to ensure accountability and compliance with programme objectives. Audit arrangements will be managed by an independent local authority, which will receive and investigate allegations of prohibited practices. This structure is designed to maintain integrity and transparency throughout programme implementation. Adherence to IFAD's anticorruption guidelines will be mandatory, emphasizing the prevention of fraud and misconduct. The programme will adopt robust fiduciary and administrative practices to ensure that funds are utilized appropriately for their intended purposes.

Target group engagement and feedback and grievance redress

46. A detailed stakeholder engagement plan will be developed to outline the schedule, activities and budget for involving key stakeholders and beneficiaries in the programme's targeting, social inclusion and nutrition strategies, enhancing

transparency and accountability. Community-based methods will be employed for participant selection to increase outreach, particularly to those who are geographically, physically or socially isolated. Additionally, community conversations will create a platform for discussing nutrition and childcare practices, allowing for validation of programme interventions to ensure they meet the needs and expectations of beneficiaries.

Grievance redress

47. The SFLP will implement a grievance redress mechanism (GRM) that combines existing formal and informal systems, including labour assessment and management procedures. Each *zoba* will establish a grievance redress committee to resolve disputes, with unresolved issues escalated through the appropriate legal channels. Programme staff will receive training on the GRM, and stakeholders will be educated on their rights regarding labour violations. For gender-based violence and harassment, reported grievances will be promptly addressed, ensuring access to necessary medical support. Additionally, the IFAD Complaints Procedure allows individuals to report concerns directly to IFAD regarding violations of social and environmental policies, with a strict zero-tolerance stance on sexual exploitation and abuse, managed by IFAD's Ethics Office.

B. Planning, monitoring and evaluation, learning, knowledge management and communications

48. The programme will utilize insights from existing IFAD-supported projects in Eritrea to create a community-driven planning approach that ensures transparency and stakeholder involvement through the National Project Coordination Office (NPCO). The planning cycle will align with the Government's fiscal year and will involve local communities in developing annual workplans, which will undergo review and approval by relevant authorities, including IFAD.
49. A comprehensive M&E system will be implemented to track progress on gender inclusion, nutrition outcomes and environmental safeguards, supported by digital tools and geographical information systems for effective data collection. Additionally, a knowledge management and communication strategy will promote sharing best practices and policy engagement, utilizing South-South and Triangular Cooperation initiatives to enhance capacity-building and improve the livelihoods of rural communities in Eritrea.

Innovation and scaling up

50. The programme aims to strengthen the fisheries sector through sound business practices, innovative technologies and resource management. Key initiatives include solar refrigeration, fuel-efficient boat engines and improved resource monitoring to reduce the carbon footprint. The programme will also focus on climate-smart technologies that lessen women's workloads in value addition. Additionally, it promotes carbon sequestration through mangrove afforestation and planting multi-purpose trees, enhancing livelihoods for coastal women. Capacity-building for solar drying of small pelagic fish at the Ras Tarma plant will further enhance value addition and economic benefits.

C. Implementation plans

Implementation readiness and start-up plans

51. MMR will lead SFLP implementation with structures at NPCO and *zoba* levels similar to those employed in FReMP. IFAD will undertake periodic M&E and supervision missions to assess the status of programme implementation and evaluate the direction with respect to its objectives, outputs and outcomes. A draft annual workplan, 18-month procurement plan and programme implementation manual will be required as part of the design and will be approved along with the project design report. This will save a substantial amount of time at the beginning of programme

implementation. The other steps to be taken as part of implementation are outlined below.

52. Additional steps to be taken to minimize the start-up delays and long gestation periods that hinder effective programme inception are as follows: (i) the SFLP NPCO will largely build on the existing structures and mechanisms of past IFAD-funded projects in Eritrea, specifically FReMP and FDP. This will contribute to a seamless adaptation by bringing into SFLP the lessons, experiences and achievements of FReMP and other past IFAD projects in Eritrea; and (ii) the Government will undertake a performance evaluation of FReMP's project management team and staffing prior to the completion date for recommendation to IFAD for appointments. Having staff in their respective positions by the time of SFLP effectiveness should ensure a good start to programme implementation while advancing staff experience.

Supervision, midterm review and completion plans

53. The programme will have joint supervision and implementation support missions conducted by IFAD and the Government at least once a year, adapting to specific needs. These missions aim to assess programme progress, follow up on prior recommendations, support the NPCO and partners, and identify any implementation bottlenecks.
54. Additionally, a midterm review will be conducted during phase II to evaluate the programme's effectiveness and suggest necessary adjustments, while a programme completion review at the end of the implementation period will document achievements and impacts. This review will include evaluations and impact studies upon completion to compare beneficiary livelihoods before and after the programme's interventions, ensuring a thorough understanding of the programme's effects.

V. Legal instruments and authority

55. A financing agreement between the Government of 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 appendix I.
56. The State of Eritrea is empowered under its laws to receive financing from IFAD.
57. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

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

RESOLVED: that the Fund shall provide a Debt Sustainability Framework grant to the State of Eritrea in an amount of fifteen million three hundred ninety-six thousand United States dollars (US\$15,396,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario
President

Negotiated financing agreement: "Sustainable Fisheries Livelihoods Programme (SFLP)"

Negotiations concluded on 7 November 2024

FINANCING AGREEMENT

Grant No:

Programme name: Sustainable Fisheries Livelihoods Programme (the "SFLP" or "Programme")

The State of Eritrea, represented by the Ministry of Finance and National Development (the "Recipient")

and

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

(each a "Party" and collectively, the "Parties")

WHEREAS the Recipient has requested a grant from the Fund for the purpose of financing the Programme described in Schedule 1 to this Agreement;

WHEREAS, the Fund has agreed to provide financing for the Programme;

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. This Agreement comprises the following: the Main Document (Whereas and Sections A-E), the Programme 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, amended as of December 2022, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement, except for the provisions that refer to Loan financing which shall not apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.
3. The Fund shall provide a Grant (the "Financing") to the Recipient, which the Recipient shall use to implement the Programme in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the grant is fifteen million three hundred ninety-six thousand United States Dollars (USD 15 396 000).
2. The first day of the applicable Fiscal Year shall be 1 January.
3. A Designated Account in US Dollars, operated by the Ministry of Marine Resources, shall be opened at the Bank of Eritrea to receive the proceeds of the grant. The Recipient shall inform the Fund of the officials authorised to operate the Designated Account.
4. There shall be a Programme operational account in local currency (Nakfa) to receive the proceeds of the Financing from the IFAD Designated Account, for the exclusive benefit of the Programme.

5. The Recipient shall provide counterpart financing for the Programme in an amount equivalent to six million eight hundred seventy-five thousand United States Dollars (USD 6 875 000) to cover duties and taxes, operational costs, repairs and maintenance of facilities.

Section C

1. The Lead Implementing Agency shall be the Ministry of Marine Resources of the State of Eritrea.

2. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Programme.

3. The Programme Completion Date shall be the tenth anniversary of the date of entry into force of this Agreement, or such other date as the Fund may designate by notice to the Recipient, and the Financing Closing Date shall be 6 months later, or such other date as the Fund may designate by notice to the Recipient.

4. Procurement of goods, works and services from the Financing shall be carried out in accordance with the IFAD Project Procurement Guidelines and as provided for in the Project Procurement Arrangements letter (PAL). IFAD's prior reviews and No Objections shall be routed through IFAD's Online Procurement End-to-End (OPEN) system.

Section D

1. The Fund will administer the Grant and supervise the Programme.

Section E

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

- (a) The Project Implementation Manual (PIM) and/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 the Recipient, has determined that it has had, or is likely to have, a material adverse effect on the Programme.
- (b) In the event that the Recipient did not request a disbursement of the Financing for a period of at least 12 months without justification.

2. The following are designated as additional grounds for cancellation of disbursements:

- (a) In the event that the Recipient did not request a disbursement of the Financing for a period of at least 12 consecutive months without justification subsequent to the first eighteen (18) months from the entry into force of the Agreement.

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

- (a) The IFAD no objection to the Programme Implementation Manual (PIM) shall have been obtained.
- (b) Key Programme staff have been appointed as per Section II of Schedule 1 of this Agreement.
- (c) The Designated Account in USD shall have been opened by the Recipient.

- (d) A suitable off-the-shelf accounting software shall have been procured, installed and implemented at National Programme Coordination Office (NPCO).
- (e) The 18 months Annual Work Plan and Procurement Plan have received IFAD's Non-Objection.

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

For the Recipient:

Minister of Finance and National Development
Ministry of Finance and National Development
P.O Box. 198
Asmara, Eritrea

Minister of Marine Resources
Ministry of Marine Resources
P.O Box. 27
Massawa, Eritrea

For the Fund:

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

This Agreement has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Recipient.

THE STATE OF ERITREA

"[Authorised Representative Name]"
"[Authorised Representative title]"

Date: _____

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

"[Authorised Representative Name]"
"[Authorised Representative title]"

Date: _____

Schedule 1

Programme Description and Implementation Arrangements

I. Programme Description

1. *Target Population.* The program has a target beneficiary of 21,320 households (106,600 people), made up of 40% women, 20% youth and 5% people with disabilities. Women-headed households will form 30% of beneficiaries assuming 5 people per household. Programme area. The Programme's geographical area covers Eritrea's six Zobas and 67 sub-Zobas, made up of 2 coastal Zobas (Southern Red Sea and Northern Red Sea) and 4 inland Zobas (Anseba, Gash Barka, Maekel and Debub). Marine and coastal activities will be mostly concentrated around Southern and Central Dankalia sub-Zobas in ZSRS, and around Massawa, Dahlak and Gelalo sub-Zobas in the ZNRS. Inland fisheries interventions will continue to support the 21 dams under FReMP in phase 1 and scaling up to an additional 29 dams in phase 2.

2. *Goal.* The goal of the Programme is to contribute to improved food security, nutrition, climate resilience and reduced poverty among rural poor households.

3. *Objectives.* The Development Objective is "Enhance sustainable fisheries resources development and ecosystem conservation, increase resilience to climate change and improve beneficiaries' livelihoods, putting emphasis on nutrition, income and food security".

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

4.1. *Component 1:* Enhanced sustainable conservation of fisheries resources and ecosystem management. This component aims to achieve sustainable fisheries resources by implementing sustainable fishing practices, conserving critical marine habitats, and fostering community-based resource management of coastal and inland fisheries ecosystems. It builds on the efforts and capacities developed under the Fisheries Resources Management Program (FReMP) and Fisheries Development Project (FDP), to increase the results and impacts of IFAD's investments in ensuring sustainable marine and inland fisheries resources.

4.1.1. *Sub-Component 1.1:* Rehabilitation of Coastal Ecosystems and Livelihoods Development. This subcomponent will support the expansion of communities' engagement in mangrove afforestation and reforestation, establish nursery centers for mangrove and other halophytes, development of ecosystem-based income-generating initiatives and sustainable operationalization of the Fisheries Monitoring Center (FMC) established under FReMP for monitoring, control, and surveillance to eliminate illegal, unreported and unregulated (IUU) fishing..

4.1.2. *Sub-Component 1.2:* Sustainable inland dam fisheries and livelihoods development. This subcomponent will support the sustainable development and utilization of inland dam fisheries, supporting the implementation of the 21 dam management plans developed under FReMP, in collaboration with the Ministry of Agriculture, College of Science and national actors, and continued regular monitoring of fishing activities and water quality assessment in the dams.

4.2. *Component 2:* Enhanced Nutrition-Sensitive Fish Value Chain Development. This component aims to achieve the following key results: Sustainably increased climate- smart production and productivity of fisheries, reduced post-harvest losses, improved processing and value addition, and increased distribution and marketing of fish and fish products. Building on the foundational efforts of FReMP, this component will support climate-resilient and socially sustainable value chain investments and capacity building. The focus will be on addressing weak links across the value chain, including access to inputs, fish production capacities, processing, value addition, demonstrating technical and commercial viability, and expanding market reach to enhance incomes for value chain actors. Women and youth will be deliberately targeted through

strengthening already existing cooperatives and establishing new cooperatives with active participation of women and youth both in membership and leadership roles.

4.2.1. *Sub-Component 2.1: Production, preservation, and processing fish.* This aims to; (i) Increase access to climate smart fish production inputs and assets; (ii) Sustain and continue stocking of the 21 dams and training of communities on fishing activities;(iii) Develop capacity for solar dried and value-added fish products; (iv) Enhanced ice production capacity and fish cold chain facilities. It will build capacity in solar fish drying, conduct feasibility studies and prepare business plans for the solar fish drying facilities, equip the Ras Tarma fish drying facility, develop two hatcheries (one for sea cucumber and second for inland fisheries), and build capacity building for sea cucumber production and processing.

4.2.2. *Sub-Component 2.2: Promote Marketing and Consumption of Fish and Fish Products.* The subcomponent aims to (i) Undertake market studies, and develop marketing strategies and establish market systems for diversified fish products; (ii) enhance fish distribution and outlets to both urban and rural communities; (iii) Promote marketing of fish and fish products; (iv) Support gender-sensitive nutrition education and Social Behavior Change Communication and multi-sectoral partnerships for implementation of nutrition interventions. Women and youth empowerment strategies will be embedded in each component including in targeting, capacity building initiatives and empowering the community.

4.3. *Component 3: Enhanced Programme Coordination, Institutional and Policy Strengthening –* This component will strengthen the Programme management capacities at national and Zoba levels to accomplish the implementation in a timely manner. Furthermore, it will develop the Government’s capacity for inter-ministerial cooperation and sectoral coordination on issues such as catchment management, fishing regulations, registering vessels, monitoring, control and surveillance.

4.3.1. *Sub-Component 3.1: Programme Coordination and Implementation.* The subcomponent will ensure effective Programme management, coordination, monitoring and evaluation, knowledge management, and financial management. It will support technical assistance, and operating costs to strengthen Programme management capacities at national and Zoba levels. Furthermore, it will develop the Government’s capacity to manage, implement and monitor SFLP’s activities. Specifically, support will include staffing and operation of the NPCO; establishment of adequate financial management and procurement management systems; implementation of the communication plan and grievance redress activities; monitoring and evaluation (M&E) and implementation of specific SECAP requirements; and coordination with other ministries.

4.3.2. *Sub-Component 3.2: Develop MMR’s Institutional and Policy Formulation Capacity.* The subcomponent seeks to: a) strengthen institutional and policy formulation capacity of MMR; b) strengthen multi-sectoral partnerships for effective implementation of nutrition interventions; and c) strengthen capacities for the Fisheries Information Management Systems (FIMS).

II. Implementation Arrangements

5. *Lead Implementing Agency.* The Lead Implementing Agency is the Ministry of Marine Resources (MMR) of the State of Eritrea.

6. *Programme Oversight Committee.* The Programme Steering Committee (PSC) will be established to provide an oversight function to SFLP’s implementation. It will be co-chaired MMR and MoFND, composed of ministers and/or representatives of those ministries with direct relevance to the achievement of SFLP’s goal and development objective. The tasks of the PSC will include (a) provision of strategic guidance towards the achievement of Programme objectives and contribute to the higher-level sector policy and strategic goals; (b) review and approval of the Programme’s AWPBs and implementation progress reports; (c) provision of strategic guidance on allocation of Programme resources; and d) facilitate inter-ministerial coordination and collaboration. PSC will be supported by a Project Technical Committee (PTC) responsible for reviewing and synthesizing technical documents for the PSC's final scrutiny and approval. The

chairperson for the PTC will be nominated by MMR Minister, and its members will include the technical representatives from MoFND, MoA, MoH, MoLWE, MoLG, MoLSW, NUEW, NUEYS, Directors General of MMR Technical Departments, and National Programme Coordinator.

7. *Programme Management Unit.* A dedicated programme management team will manage SFLP under the auspices of the existing Ministry's Partnership Cooperation and Coordination Office (PCCO), which oversees all projects under the MMR. It will have responsibility for overall coordination and implementation. 8. *Programme Parties.* Key institutions that are expected to play a key role during SFLP implementation include the CSU, the Ministry of Land, Water and Environment (MLWE), the Ministry of Local Government (MoLG), the SMCP, the National Higher Education and Research Institute (NHERI), various Non-Governmental Organisations (NGOs), including the NUEW and the NUEYS. The Zoba branches of the MMR will be charged with the day-to-day operation. In addition, the Marine Resources Development Department will provide technical support and the Marine Resources Regulatory Services Department will be responsible for quality assurance and food safety certification services, including the direct supervision of quality control laboratory. As necessary, MMR will engage Technical Assistance services.

8. *Monitoring and Evaluation (M&E).* The system will be an iterative process used for identifying problems in achievement of expected outcomes. The M&E strategy and Implementation Plan will be established and implemented by the NPCO from which additional tools shall be derived for application in different levels to support effectiveness and ensure delivery of quality results. Information from the M&E system will then feed into MMR Management Information System (MIS) and IFAD's internal systems considering the different levels of results including Programme specific indicators. The M&E system promote integration of physical and financial progress, and where feasible procurement progress and reporting. The system will also enable reporting of cross-cutting themes and social inclusion considerations.

9. *Knowledge Management.* SFLP will elaborate and implement a Knowledge Management and Communication Strategy that will: (i) provide Programme beneficiaries with the necessary material to sustain the technical knowledge acquired with the support of the Programme through production of training materials and communication platforms for sensitization and continuously assess their adoption; (ii) generate shared knowledge acquired from the experience of the Programme in various fields based on the information collected as part of the monitoring of results or thematic studies; (iii) share this knowledge with the Technical Departments of the Ministry, IFAD, other donors, and implementing partners using various dissemination strategies, which will help to complement the policy support activities under Component 3. In achieving the Policy Component, the Knowledge Management and Communication Strategy will strongly aim to develop and create channels of policy influence and dialogue through development policy briefs/strategies to be disseminated to an audience of high-level policy stakeholders in the fisheries sector. Moreover, SFLP will leverage the expansion of the IFAD South-South and Triangular Cooperation (SSTC) initiatives in Eritrea to double and deepen IFAD's impact by identifying and disseminating knowledge and innovations and supporting policy engagement to enhance poor rural people's productive capacities, market access and resilience.

10. *Programme Implementation Manual.* The Programme will follow the SFLP Programme Implementation Manual (PIM).

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 to each category of the Financing and the percentages of expenditures for items to be financed in each Category:

| Category | Grant Amount Allocated (expressed in USD) | Percentage |
|---------------------------------|--|-------------------|
| I. Civil Works | 2 400 000 | 100% net of taxes |
| II. Equipment and Materials | 1 100 000 | 100% net of taxes |
| | 6 956 000 | 100% net of taxes |
| III. Goods, Services and Inputs | 1 700 000 | 100% net of taxes |
| IV. Technical Assistance | 1 700 000 | |
| V. Training | 1 540 000 | |
| Unallocated | | |
| TOTAL | 15 396 000 | |

- (b) The terms used in the Table above are defined as follows:
 - (i) The category "Equipment and Materials" include USD 510 000 for vehicles.
 - (ii) Unallocated category are funds that can be reallocated to any of the other categories upon request from the Recipient, subject to the Fund's approval. The funds will cater for unforeseen /contingency costs that may arise during the Programme implementation period such as price variations.

2. *Disbursement arrangements*

(a) *Start-up Costs.* Withdrawals in respect of expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of USD 150 000 and shall be incurred only for expenses related to Categories II, III, IV and V. Activities to be financed by Start-up Costs will require the no objection from IFAD to be considered eligible.

Schedule 3

Special Covenants

I. General Provisions

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 Loan/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 Programme:

1. Within 6 months of entry into force of the Financing Agreement, the Programme will procure and install a customized accounting software as it is the practice in IFAD on-going supported projects, to satisfy International Accounting Standards and IFAD's requirements.
2. Within six (6) months of entry into force of the Financing Agreement, the Programme will enter into Memorandum of Understandings (MoU) with implementing partners, as may be required, that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, accounting and reporting.
3. *Planning, Monitoring and Evaluation.* The Recipient shall ensure that (i) a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement.
4. *Vulnerable People Concerns.* The Recipient shall ensure that the concerns of vulnerable and disadvantaged groups such as Women Headed Households, the youth, and people with disabilities are given due consideration in implementing the Programme and, to this end, shall ensure that:
 - (a) the Programme is carried out in accordance with the applicable provisions of the relevant vulnerable people national legislation;
 - (b) vulnerable people are adequately and fairly represented in all local planning for Programme activities;
 - (c) vulnerable people rights are duly respected;
 - (d) vulnerable groups communities, participate in policy dialogue and local governance;
 - (e) The terms of Declarations, Covenants and/or Conventions ratified by the Recipient on the subject are respected.
5. *Land tenure security.* In the event that purchasing property or acquiring land is required to implement project operations, the Recipient shall ensure that the land acquisition process has already been completed and that compensation processes were consistent with international best practice and free, prior and informed consent principles.
6. *Anticorruption Measures.* The Recipient shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.
7. *Sexual Harassment, Sexual Exploitation and Abuse.* The Recipient and the Project Parties shall ensure that the Programme is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.

8. IFAD Client Portal (ICP) Contract Monitoring Tool. The Recipient shall ensure that a request is sent to IFAD to access the project procurement Contract Monitoring Tool in the IFAD Client Portal (ICP). The Recipient shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Project Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP) in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Recipient shall ensure that the contract data is updated on a quarterly basis during the implementation of the Program.

9. The Key Programme Personnel are: Programme Manager, Financial Controller, Officer for Monitoring and Evaluation, Knowledge Management Officer, Procurement Officer, Social Inclusion and Gender Officer, and Environment and Climate Officer. In order to assist in the implementation of the Programme, the NPCO, unless otherwise agreed with IFAD, shall employ or cause to be employed, as required, key staff whose qualifications, experience and terms of reference are satisfactory to IFAD. Key Programme Personnel shall be seconded to the NPCO in the case of government officials or recruited under a consulting contract following the individual consultant selection method in the IFAD Procurement Handbook, or any equivalent selection method in the national procurement system that is acceptable to IFAD. Key Programme Personnel are subject to annual evaluation and the continuation of their contract is subject to satisfactory performance. Any contract signed for Key Programme Personnel shall be compliant with the national labour regulations or the ILO International Labour Standards (whichever is more stringent) in order to satisfy the conditions of IFAD's updated SECAP. Repeated short-term contracts must be avoided, unless appropriately justified under the Programme's circumstances.

II. SECAP Provisions

1. The Recipient shall carry out the preparation, design, construction, implementation, and operation of the Project in accordance with the nine standards and other measures and requirements set forth in the Updated Social, Environmental Climate Assessment Procedures of IFAD ("SECAP 2021 Edition"), as well as with all applicable laws and regulations to the recipient and/or the sub-national entities relating to social, environmental and climate change issues in a manner and substance satisfactory to IFAD. The recipient shall not amend, vary or waive any provision of the SECAP 2021 Edition, unless agreed in writing by the Fund in the Financing Agreement and/or in the Management Plan(s), if any.

In the first phase, the project's climate risk is categorised as significant, while the environmental and social risks are moderate. Considering the moderate, environmental and social and the substantial climate risks, the Recipient shall carry out the implementation of the Programme in accordance with the measures and requirements set forth in the Environmental, Social and Climate Management Frameworks (ESCMFs) and Environmental, Social and Climate Management Plans (ESCMPs), Chance Finds Procedure Plans, Targeted adaptation assessment. Grievance redress mechanism, stakeholder engagement plan and labour assessment and management plan (the "Management Plan(s)"), should be, taken in accordance with SECAP requirements and updated in the second phase of the project after environment and social screening.

The Recipient shall not amend, vary or waive any provision of the Management Plan(s), unless: (i) agreed in writing by the Fund and (ii) Recipient has complied with the requirements applicable to the original adoption of the Management Plan(s).

2. Where applicable the Recipient shall not, and shall cause the Implementing Agency, all its contractors, its sub-contractors, and suppliers not to commence implementation of any works, unless all Programme affected persons have been compensated and/or resettled in accordance with the specific RAP/Abbreviated RAP, FPIC and/ or the agreed works and compensation schedule.

3. The Recipient shall disclose the draft and final ESIA reports and all other relevant Management Plan(s) with Programme stakeholders and interested parties in an accessible place in the Programme-affected area, in a form and language understandable to Programme-affected persons and other stakeholders. The disclosure will take into account any specific information needs of the community (e.g. culture, disability, literacy, mobility or gender).

4. The Recipient shall ensure or cause the Implementing Agency to ensure that all bidding documents and contracts for goods, works and services contain provisions that require contractors, sub-contractors and suppliers to comply at all times in carrying out the Programme with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s), if any.

5. This section applies to any event which occurs in relation to serious environmental, social, health & safety (ESHS) incidents (as this term is defined below); labor issues or to adjacent populations during Programme implementation that, with respect to the relevant IFAD Programme:

- (i) has direct or potential material adverse effect;
- (ii) has substantially attracted material adverse attention of outside parties or create material adverse national press/media reports; or
- (iii) gives rise to material potential liabilities.

In the occurrence of such event, the Recipient shall:

- Notify IFAD promptly;
- Provide information on such risks, impacts and accidents;
 - Consult with Programme-affected parties on how to mitigate the risks and impacts;
 - Carry out, as appropriate, additional assessments and stakeholders' engagements in accordance with the SECAP requirements; and
 - Adjust, as appropriate, the Programme-level grievance mechanism according to the SECAP requirements; and
 - Propose changes, including corrective measures to the Management Plan(s) (if any), in accordance with the findings of such assessment and consultations, for approval by IFAD.

Serious ESHS incident means serious incident, accident, complaint with respect to environmental, social (including labor and community), health and safety (ESHS) issues that occur in the context of the financing or within the Recipient's activities. Serious ESHS incidents can comprise incidents of (i) environmental; (ii) occupational; or (iii) public health and safety; or (iv) social nature as well as material complaints and grievances addressed to the Recipient (e.g. any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination, accidents of members of the public/local communities, resulting in death or serious or multiple injuries, sexual harassment and violence involving Programme workforce or in relation to severe threats to public health and safety, inadequate resettlement compensation, disturbances of natural ecosystems, discriminatory practices in stakeholder consultation and engagement, any allegations that require intervention by the police/other law enforcement authorities such as loss of life, sexual violence or child abuse, which (i) have, or are likely to have a material adverse effect; or (ii) have attracted or are likely to

arouse substantial adverse attention of outside parties or (iii) to create substantial adverse media/press reports; or (iv) give, or are likely to give rise to material potential liabilities).

6. The Recipient shall ensure or cause Implementing Agency, contractors, sub-contractors and suppliers to ensure that the relevant processes set out in the SECAP 2021 Edition as well as in the Management Plan(s) (if any) are respected.

7. Without limitation on its other reporting obligations under this Agreement, the Recipient shall provide the Fund with:

- Reports on the status of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the management plan (if any) on a semi-annual basis - or such other frequency as may be agreed with the Fund;
- Reports of any social, environmental, health and safety incidents and/accidents occurring during the design stage, the implementation of the Programme and propose remedial measures. The Recipient will disclose relevant information from such reports to affected persons promptly upon submission of the said reports; and
- Reports of any breach of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s) (if any) promptly after becoming aware of such a breach.

8. In the event of a contradiction/conflict between the Management Plan(s), if any, and the Financing Agreement, the Financing Agreement shall prevail.

Logical framework

| Results Hierarchy | Indicators | | | | Means of Verification | | | Assumptions |
|---|---|--------------------------------------|----------|------------|---|--------------------------------------|------------------------|---|
| | Name | Baseline | Mid-Term | End Target | Source | Frequency | Responsibility | |
| Outreach | 1 Persons receiving services promoted or supported by the project a/b/ | | | | Progress reports/MIS | Annual | MMR, NPCO | The socio-political situation remains favourable & may allow large active young force to demobilize from the military & engage in gainful engagement (prudent estimate being (20%) Engagement of women is assumed 40% (IFAD12) & persons with disability 5% |
| | Young - Young people | 0 | 3332 | 6664 | | | | |
| | Total number of persons receiving services | 0 | 10660 | 21320 | | | | |
| | 1.b Estimated corresponding total number of households members | | | | Progress reports/MIS | Annual | MMR, NPCO | |
| | Household members - Number of people | 0 | 53300 | 106600 | | | | |
| | 1.a Corresponding number of households reached | | | | Progress reports/MIS | Annual | MMR, NPCO | |
| | Women-headed households - Households | 0 | 3198 | 6396 | | | | |
| Non-women-headed households - Households | 0 | 7462 | 14924 | | | | | |
| | Households - Households | 0 | 10660 | 21320 | | | | |
| Project Goal Contribute to improved livelihoods food security, nutrition, climate resilience and reduced poverty among rural poor households | Reduction in poverty prevalence of the targeted beneficiaries | | | | World Health Organization survey (2017), National surveys | Baseline, MTR, Endline survey | MMR, NPCO | Poverty prevalence is estimated at 66% & targeted to reduce by 10% by end of the project; Absence of climatic shock, inflation (A) |
| | Poverty prevalence - Percentage (%) | 66 | | 58.7 | | | | |
| | Increase in Households reporting improved Food and Nutrition security | | | | National Food Security Surveys | Baseline, Midline and endline survey | MMR, NPCO | Unstable political environment (R); Households are willing to change their nutrition behaviours(A) |
| | Percentage increase - Percentage (%) | 0 | | 25 | | | | |
| Development Objective Enhance sustainable fisheries resources development & ecosystem conservation, increase resilience to climate change & improve beneficiaries' livelihoods, putting emphasis on nutrition, income & food security | Increase in average annual production capacity for fisheries (Marine Small pelagic, Marine Large pelagic, Sea cucumber and Inland dam fisheries) | | | | Outcome surveys | Baseline, Midline and Completion | | Prohibitive economic & financial policies that undermine the potential in fisheries production, processing & value addition; and Extreme climatic and weather variability (R) Communities willing to adopt technologies & practices promoted (A) |
| | | Percentage Increase - Percentage (%) | 0 | 10 | | | | |
| Outcome Outcome 1: Enhanced sustainable conservation of fisheries resources & ecosystem management | 1.2.1 Households reporting improved access to land, forests, water or water bodies for production purposes | | | | COI Surveys | Baseline, Midline and endline survey | MMR, DD, RD, NFC, NPCO | Inclusive activities to ensure full participation of all persons (A) Adoption rate assumed as 60% of those that access the production support (A); Producers' organizations engaged in contractual arrangements is assumed to constitute 25% of those that are providing services to their members |
| | Households reporting improved access to water -(%) | 0 | 36 | 80 | | | | |
| | Size of households reporting improved access to water - Number of people | 0 | 38376 | 85280 | | | | |
| | Total no. of households reporting improved access to water - Households | 0 | 7675 | 17056 | | | | |
| | 2.2.3 Rural producers' organizations engaged in formal partnerships/agreements or contracts with public or private entities a/ | | | | COI Surveys | Baseline, Midline and endline survey | MMR, DD, RD, NFC, NPCO | |
| | Number of POs - Organizations | 0 | 43 | 96 | | | | |
| | Total number of POs members - Number | 0 | 864 | 1920 | | | | |
| | | Young PO members - Number | 0 | 259 | 576 | | | |
| | 3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices | | | | | | | |

| Results Hierarchy | Indicators | | | | Means of Verification | | | Assumptions |
|---|--|----------|----------|------------|-----------------------|--------------------------------------|------------------------|---|
| | Name | Baseline | Mid-Term | End Target | Source | Frequency | Responsibility | |
| | Total number of household members | 0 | 23026 | 51168 | | | | |
| | Households - Percentage (%) | 0 | 27 | 60 | | | | |
| | Households - Households | 0 | 4605 | 10234 | | | | |
| | 2.2.4 Supported rural producers' organizations providing new or improved services to their members a/ | | | | | | | |
| | Number of POs - Organizations | 0 | 173 | 384 | | | | |
| | Total number of POs members - Number of people | 0 | 3456 | 7680 | | | | |
| | Young POs members - Young people | 0 | 1037 | 2304 | | | | |
| Output Output 1.1: Coastal Ecosystems rehabilitated & Livelihoods Developed | 3.1.4 Land brought under climate-resilient practices | | | | Progress report | Annual, Semi-annual | MMR, NPCO | Assuming that 60% of beneficiaries will be reached through support to the cooperative support units |
| | Hectares of land - Area (ha) | 0 | 18300 | 61000 | | | | |
| | 2.1.2 Persons trained in income-generating activities or business management a/b/ | | | | Progress report | Annual, Semi-annual | MMR, NPCO | |
| | Young - Young people | 0 | 257 | 572 | | | | |
| | Persons trained in IGAs or BM (total) | 0 | 1287 | 2860 | | | | |
| | 2.1.3 Rural producers' organizations supported a/ | | | | | | | |
| | Total size of POs - Organizations | 0 | 5760 | 12800 | | | | |
| | Rural POs supported - Organizations | 0 | 288 | 640 | | | | |
| | Young - Young people | 0 | 1728 | 3840 | | | | |
| | Rural POs supported that are headed by women - Organizations | 0 | 86 | 192 | | | | |
| Output Output 1.2: Sustainable inland dam fisheries & livelihoods developed | Coastal management plan developed | | | | | Annual, Semi-annual | MMR, NPCO | 4 cage, 50 cucumber, 29 new inland cooperatives, 21 already existing inland cooperatives, 50 artisanal marine cooperatives & 30 small pelagic cooperatives (each group is assumed to have 20 members) |
| | Number of plans - Number | 0 | 25 | 50 | | | | |
| | Climate resilient fisheries infrastructure developed | | | | Progress report | Annual, Semi-annual | MMR, NPCO | |
| | Number of infrastructure - Number | 0 | 25 | 50 | | | | |
| Outcome Outcome 2: Enhanced Nutrition-Sensitive Fish Value Chain Development | 2.2.6 Households reporting improved physical access to markets, processing and storage facilities | | | | COI Surveys | Baseline, Midline and endline survey | MMR, DD, RD, NFC, NPCO | |
| | Households reporting improved physical access to processing facilities - Percentage (%) | 0 | 40 | 70 | | | | |
| | Households reporting improved physical access to processing facilities - Households | 0 | 8520 | 14970 | | | | |
| | 1.2.9 Households with improved nutrition Knowledge Attitudes and Practices | | | | COI Surveys | Baseline, Midline and endline survey | MMR, DD, RD, NFC, NPCO | |
| | Households (number) - Households | 0 | 7462 | 9594 | | | | |
| | Households (%) - Percentage (%) | 0 | 35 | 45 | | | | |
| | Household members - Number of people | 0 | 37310 | 47970 | | | | |
| Output Output 2.1: Production, preservation, & processing of fish enhanced | 1.1.3 Rural producers accessing production inputs and/or technological packages a/b/ | | | | Progress report | Annual, Semi-annual | MMR, NPCO | 20 kiosks inland fish, 1 hatchery & 5 villages for sea cucumber, 50 cage culture, 50 IAAS, 14 cooperatives in land dams, 2 industrial enterprises for large pelagic & SBDF, 10 artisanal fisher cooperatives for large pelagic & SBDF |
| | Young - Young people | 0 | 150 | 300 | | | | |
| | Total rural producers - Number of people | 0 | 750 | 1502 | | | | |
| | 2.1.1 Rural enterprises accessing business development services | | | | Progress report | Annual, Semi-annual | MMR, NPCO | |
| | Rural enterprises - Enterprises | 0 | 87 | 173 | | | | |
| Output Output 2.2: Marketing and consumption of fish | 2.1.6 Market, processing or storage facilities constructed or rehabilitated | | | | Progress reports | Annual | MMR, DD, RD, NFC, NPCO | 30 MNFs established (20 inland MNFs & 10 coastal MNFs), 20 kiosks inland fish, 1 hatchery & 5 |
| | Total number of facilities - Facilities | 0 | 72 | 152 | | | | |
| | Market facilities constructed/rehabilitated | 0 | 24 | 46 | | | | |

| Results Hierarchy | Indicators | | | Means of Verification | | | Assumptions | |
|--|---|--|-----------------|---|------------------------|--------------------------------------|--|--|
| | Name | Baseline | Mid-Term | End Target | Source | Frequency | | Responsibility |
| & fish products enhanced | Processing facilities constructed/rehabilitated | 0 | 24 | 60 | | | | villages for sea cucumber, 50 cage culture, 50 IAAS, 14 cooperatives in land dams, 2 industrial enterprises for large pelagic & SBDF, 10 artisanal fisher cooperatives for large pelagic & SBDF; 6 schools each with 500 students & pupils respectively are assumed to be reached (3 high school & 3 middle schools) |
| | Storage facilities constructed/rehabilitated | 0 | 24 | 46 | | | | |
| | 1.1.8 Households provided with targeted support to improve their nutrition a/ b/ | | | | Progress reports | Annual | MMR, DD, RD, NFC, NPCO | |
| | Total persons participating - Number of people | 0 | 9594 | 13858 | | | | |
| | Households - Households | 0 | 9594 | 13858 | | | | |
| | Household members benefitted | 0 | 47970 | 69290 | | | | |
| | Young - Young people | 0 | 3419 | 5771 | | | | |
| | Number of learners in schools reached with nutrition education a/ b/ | | | | Progress reports | Annual, Semi-annual | MMR, NPCO | |
| | Total Learners - Number | 0 | 1500 | 3000 | | | | |
| | Outcome 3: Strengthened policy, institutional capacities & programme implementation | SF.2.1 Households satisfied with project-supported services | | | COI Surveys | Baseline, Midline and endline survey | MMR, DD, RD, NFC, NPCO | |
| Household members - Number of people | | 0 | 37310 | 74620 | | | | |
| Households - Percentage (%) | | 0 | 35 | 70 | | | | |
| Households - Households | | 0 | 7462 | 14924 | | | | |
| SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers | | | COI Surveys | Baseline, Midline and endline survey | MMR, DD, RD, NFC, NPCO | | | |
| Household members - Number of people | | 0 | | | | 31980 | 63960 | |
| Households - Percentage (%) | | 0 | | | | 30 | 60 | |
| Households - Households | | 0 | | | | 6396 | 12792 | |
| Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment | | | Progress report | Baseline, Midline and endline survey | MMR, NPCO | | | |
| Number - Number | | 2 | | | | 2 | 4 | |
| Output 3.1: MMR's institutional & policy formulation capacity developed | Policy 1 Policy-relevant knowledge products completed | | | Relevant legal in-country institutions or through qualitative surveys | Annual | MMR, DD, RD, NFC, NPCO | Fisheries cooperatives law, protocols revised, regulations and SOP revised, Nutrition guidelines on MNFs developed SMTP for availing loans (revolving fund) to fishers, renovate and support QC Lab, landing sites | |
| | Number - Knowledge Products | 2 | 3 | | | | | 7 |
| | Policy 2 Functioning multi-stakeholder platforms supported | | | Progress report | Annual, Semi-annual | MMR, NPCO | | |
| | Number - Platforms | 0 | 2 | | | | | 3 |
| | Regulatory/policy institutions strengthened | | | Progress report | Annual, Semi-annual | MMR, NPCO | | |
| Institutions and financial institutions established/strengthened - Number | 0 | 3 | 3 | | | | | |

a/ 40 per cent women

b/ 5 per cent persons with disabilities

Integrated project risk matrix

| Risk categories and subcategories | Inherent | Residual |
|--|--------------------|--------------------|
| Country context | Substantial | Substantial |
| Political commitment | Moderate | Moderate |
| Risk(s): The ongoing Sudan Crisis and regular conflicts in the Red Sea region and attacks by rebels may impact the country's ability to invest in the marine and other development sectors and mobilize counterpart funds. | | |
| Mitigations: Engage with humanitarian to tap into their early warning systems, risk/conflict assessment tools and crisis modification. In addition, flexibility and quick deployment of IFAD's Restructuring Policy as needed. | | |
| Governance | Moderate | Moderate |
| Risk(s): <ul style="list-style-type: none"> Poor or non-functional public auditing systems Insufficient standards mechanism and procedures in place. | | |
| Mitigations: Reinforcement of internal control system for project, strengthening of Government and Ministries institutional capacities are scheduled in project component 3 in term of adequate training, equipment and technical assistance for policy enforcement and implementation. As well, producer organizations and cooperatives will benefit from project support to build their institutional capacities. | | |
| Macroeconomic | High | High |
| Risk(s): The Gross Domestic Product (GDP) of Eritrea relies heavily on services (59.9 per cent) and non-manufacturing (17.3 per cent). Industry accounts for 5.9 percent, while agriculture and fisheries contribute only 16.9 per cent, although the sector employs 65-70 per cent of the population. The fisheries sector alone contributes about 3% of the country's GDP. In addition, private-sector activity remains weak, prices are controlled, and most segments of the fisheries value chain are controlled by Government, which could be a deterrent for sustainable investments by beneficiaries. Overall, this could impact the sustainability of fisheries investments. | | |
| Mitigations: <ul style="list-style-type: none"> SFLP will ensure that business plans underpin investments. The Programme will support the development of a sector-wide Fisheries Management Plan and viability assessments of various enterprises, including boat-making, fish-drying etc. SFLP will scale up the asset financing model developed under FReMP to sustain the country's small-scale fishing sector and train producer organizations to manage asset financing revolving funds. SFLP will also focus on addressing a demand from local markets and import substitution. | | |
| Fragility and security | High | High |
| Risk(s): <ul style="list-style-type: none"> Climatic and environmental vulnerability of the country can induce reverse situations by drought which lowers or make projects efforts void. Ministries are facing a lack of skilled staffs and equipment to accompany the development and reconstruction objective. | | |
| Mitigations: <ul style="list-style-type: none"> The Government has prioritized the agriculture and fisheries sectors with youth involvement, which may play a great role in peace and social stability. The country team will closely monitor the nation's social and security situation, allowing for strategy adjustments as needed, including addressing issues related to fragility. | | |

| Risk categories and subcategories | Inherent | Residual |
|---|-----------------|-----------------|
| Sector strategies and policies | Moderate | Moderate |
| Policy alignment | Moderate | Moderate |
| Risk(s): Even though it is generally agreed that several institutions (Ministry of Agriculture, Ministry of Land, Water and Environment, National Union of Eritrean Women, National Union of Eritrean Youth) will play an essential role in SFLP, there is limited coordination across sectors. | | |
| Mitigations: <ul style="list-style-type: none"> • SFLP will support the development of a framework for involving the relevant public and private institutions with the scope to formalize the partnerships through MoUs. • Programme Coordination Offices (PCOs) have been established at the national and Zoba levels to effectively coordinate and implement the different Programme activities. • Programme planning, implementation, monitoring, and evaluation have been mainstreamed into the decentralized Government institutional frameworks and aligned with Government's strategic development goals and sector policies. | | |
| Policy development & implementation | Moderate | Moderate |
| Risk(s): <ul style="list-style-type: none"> • The key policy frameworks to guide the implementation of SFLP have not been finalized/approved i.e. <ol style="list-style-type: none"> National Development Plan, Cooperative Development Policy and Fisheries Development Strategy and Aquaculture Development Strategy. • There are significant systemic gaps at the institutional and policy levels, e.g., appropriateness of procedures and regulatory frameworks to guide the implementation of rural development projects (e.g., national procurement framework, limited technical and institutional capacities at all levels, inadequate financial management and M&E systems which impact on the ability to quantitatively demonstrate development impact. | | |
| Mitigations: <ul style="list-style-type: none"> • FREMP supported the development of key policies, i.e., the Fisheries Management Plan and the Aquaculture Development Strategy. • SFLP will also continue following up on the Cooperative Development Policy. However, in the interim, all cooperatives are registered under the Ministry of Marine Resources • Capacity needs assessment has been conducted. This will inform capacity development interventions and the provision of specialized technical assistance. | | |
| Environment and climate context | High | High |
| Project vulnerability to environmental conditions | High | High |
| Risk(s): The cumulative effects of salinity, erosion and siltation of river channels, lakes and dams can deteriorate water quality and fish breeding habitats, thereby degrading fish production, fish migration potential resulting in increased vulnerability or deterioration of target populations' livelihoods and ecosystems. | | |
| Mitigations: <ul style="list-style-type: none"> • Restored coastal ecosystem services through the rehabilitation and planting of mangroves, can reduce coastal erosion, increasing habitat for fish. • Restored terrestrial ecosystem services through interventions in watershed management, reducing soil erosion and sedimentation of downstream reservoirs and rivers, increasing water retention and dry-season water availability | | |

| Risk categories and subcategories | Inherent | Residual |
|--|--------------------|--------------------|
| <ul style="list-style-type: none"> Institute measures to reduce soil erosion like contouring and terracing, stabilising slopes and banks, grass strips, re-vegetation, use of gabions, etc.) Capacity building on environmental management and Ecosystem rehabilitation will be promoted. Restocking and promotion of saline tolerant fish species in dams and reservoirs Supply of potable water to the coastal and island communities and fishery processing Invest in infrastructure for desalinisation Site-specific Environmental and Social Management Plans (ESMPs) will be developed to minimize adverse environmental impacts. | | |
| Project vulnerability to climate change impacts | Substantial | Substantial |
| Risk(s): The targeted populations are vulnerable to drought, erratic rainfall, and high temperatures, which affect fish productivity resulting in increased vulnerability or deterioration of target populations' livelihoods and ecosystems | | |
| Mitigations: <ul style="list-style-type: none"> Climate-smart fish production, climate change awareness, and early warning systems will be promoted. The project will invest in renewable energy. LED solar lighting and efficient drying kilns in fish processing, cooling trucks, refrigerators and cooler boxes on tracks SFLP will also promote the dissemination of climate information for fishers/farmers to make informed decisions. The climate risks will be mitigated by investment in improving and sustaining climate resilient ecosystems both at the coast (including mangrove rehabilitation) and inland (watershed management). Monitor fish migration patterns and analyze migration extent influenced by climatic changes. A targeted adaptation assessment was developed during design to assist in developing site-specific adaptation options. | | |
| Project scope | Low | Low |
| Project relevance | Low | Low |
| Risk(s): The fact that SFLP is a national programme may result in resources (financial and technical) being spread too thinly, which may negatively impact implementation and affect the achievement of the development objectives. | | |
| Mitigations: Cautious programme planning will be sought to avoid unnecessary budget expenditure. | | |
| Technical soundness | Low | Low |
| Risk(s): <ul style="list-style-type: none"> Poor handling or lack of adequate technical solutions for the issues of renewable energy during the design of the project. Failure of the design to address the issues of a viable business model under the prevailing macroeconomic context that is not market driven. Poor availability of reliable data for perspectives during design in terms of socio-economic data, exports and production trends and statistics in the country. | | |
| Mitigations: <ul style="list-style-type: none"> Recruitment of highly experimented infrastructures consultant specialized on renewable energy. A partnership with World Fish is foreseen for data collection and availability prior to design. | | |

| Risk categories and subcategories | Inherent | Residual |
|--|--------------------|--------------------|
| <ul style="list-style-type: none"> • Reflexions during design will be built on Government policies related to private investment and business opportunities and experiences of the National fishery commission on fish market. Discussions and consultations will go on exploring all opportunities and regulatory framework. | | |
| Institutional capacity for implementation and sustainability | Substantial | Substantial |
| Implementation arrangements | High | High |
| <p>Risk(s):</p> <ul style="list-style-type: none"> • High rate of staff turnover. • Generally low levels of financial management capacity. • Cooperative Support Unit (CSU) is still weak to be able to manage the size of the fishing inputs planned and the related loans to fishers. • In the prior project, the PSC and PTC were rarely convened in a formal manner. Guidance and decisions for the top governance structure are wanting. This leaves lower-level Management waiting for guidance and advice on some implementation measures. • Lack of a standalone project team. | | |
| <p>Mitigations:</p> <ul style="list-style-type: none"> • MMR has appointed technical leads for the project from the MMR Departments, who will be responsible for the technical execution of the project. This will assist with the overall coordination and preparation of technical specifications. • Provision of specialized international technical assistance in Project coordination and management as well as fiduciary system. This will also ensure institutional capacity development at all levels, based on capacity training of young staff, as well as underpinning investments in business plans. • FM requirements are to be kept as simplified as possible. • Boost the capacity of CSU (skills and equipment), including the purchase and installation of the Loan Performance Software, and ensure business plans underpin investments. • SECAP and specific quotas for the inclusion of women and youth. Include self-targeting activities attractive to these social categories (women and youth). • Capacity development for team • Assign at least a standalone project coordinator. | | |
| M&E arrangements | Moderate | Moderate |
| <p>Risk(s):</p> <ul style="list-style-type: none"> • Weak M&E systems, GIS and CKM Capacities to consolidate, analyze data and report on outcomes for enhanced usage in planning and reporting on programmes achievements. • Different reporting systems across the Zobas • Poor access, such as internet for the timely reporting and tracking • Implementation scope for planning and reporting • Clarity of stakeholder's roles and involvement in M&E and CKM • Limited Information on National Development Plans (NDP) as a basis for planning and reporting on MTP Outcome Indicators for references | | |
| <p>Mitigations:</p> <ul style="list-style-type: none"> • Specialized Technical Assistance and use of college and university interns/graduate to support M&E, GIS as well as CKM implementation • Participation in PRIME training of project staff • Monitoring and evaluation (M&E) and knowledge management system will build on the strengths and weaknesses of FReMP's project years and the other IFAD-supported Programmes in Eritrea • NPCO M&E Specialist has developed simple and user-friendly tools for data collection, data entry, processing (analysis) and reporting • Allocate resources for connectivity. | | |

| Risk categories and subcategories | Inherent | Residual |
|---|--------------------|--------------------|
| Procurement | Substantial | Substantial |
| Pillar I – Legal, Regulatory and Policy Framework | Substantial | Substantial |
| Risk(s): There lacks a functional public procurement framework that can be relied upon for processes and procedures. | | |
| Mitigations: Project procurement will use IFAD's Handbook and IFAD's Standard Procurement Documents for all procurement activities. | | |
| Pillar II – Institutional Framework and Management Capacity | Substantial | Substantial |
| Risk(s): There lacks a verifiable framework on local financial procedures and systems, including responsibilities of the normative/regulatory function. There is poor internet infrastructure that cannot support publication of public procurement information and the Rate of change in Technology may impact substantively on the overall pricing for key procurement transactions and pose a challenge on information transfer by bidders. Procurement is not recognized as a profession though there are procurement functions in Government. Characterized by high staff turnover. There is no strategic policy making on procurement informed by the system's performance. | | |
| Mitigations: IFAD Financing covenants will define the budgeting and disbursement cycles while the IFAD project procurement principles as defined in guidelines will apply. The use of IFAD's Contract Monitoring Tool shall ensure publication on IFAD's Project Procurement site. Publish contract awards in the same platforms they are advertised. All project procurement staff are to be provided with a TOR and trained in BUILDPROC. The project will also benefit from using the same NPCO as FReMP who are already familiar with IFAD requirements. | | |
| Pillar III – Public Procurement Operations and Market Practices | Substantial | Substantial |
| Risk(s): There is limited market research, with poorly specified requirements resulting in high rate of unsuccessful procurements and roll-over of requirements to subsequent planning periods. The supplier market is largely unresponsive, with barriers to entry for local suppliers, leading to a concentration of same suppliers for project procurement needs and a reliance on Direct Contracting/SSS. Contracts are characterized by time and cost overruns. | | |
| Mitigations: Use of technical support expertise in needs analysis, defining requirements and packaging procurements. Close monitoring by IFAD, Use of CMT and training for both procurement and technical staff. Use of Simplified Project Procurement Procedures for Fragile and Conflict Affected Situations (March 2023). | | |
| Pillar IV – Accountability, Integrity and Transparency of the Public Procurement System | Substantial | Substantial |
| Risk(s): There is no established programme to train internal and external auditors to ensure that they are qualified to conduct high-quality procurement audits. The appeal mechanism is not defined by law. From review of past appeals, these are handled at the level of the Minister with no possibility for further appeal. There is no record of anti-corruption measures in place. The society is reputed to be of high integrity despite being ranked 162nd among the 180 countries in the 2022 corruption Index. | | |
| Mitigations: Project audits to be undertaken in a timely manner as required by loan covenants, and auditors to have adequate knowledge of public procurement as a condition for carrying out procurement audits. There should be use of IFAD prohibited practices provisions in SBDs/SPDs along the whole procurement cycle. | | |
| Financial management | High | High |

| Risk categories and subcategories | Inherent | Residual |
|---|--------------------|--------------------|
| Organization and staffing | High | High |
| Risk(s): There are two administrative levels of implementation of the programme that will have fiduciary responsibilities, namely the national level, which will have the National Programme Coordination Office (NPCO) and the Zoba Programme Coordination Office (ZPCO) at regional levels for all six participating regions where activities are carried out on the ground. Previous IFAD-funded projects implemented through similar structures have had issues with the timeliness and quality of financial reports from Zobas to the national level, which has consistently led to delays in financial reports to the NPCO and IFAD. Another risk is that FIVAC will also have some level of complexity because the programme is co-financed by GCF. While PMU may have relatively experienced and qualified personnel, the Zobas often lack qualified staff with experience in managing funds from IFAD, GCF, and other donors. | | |
| Mitigations: To mitigate the risk of quality and timeliness of financial reporting from Zobas, it is proposed to have accountants in each Zoba to ensure accuracy, completeness, and timeliness of financial reports and bank reconciliations from Zobas to the NPCO. To ensure the staff at both the NPCO and ZPCO are familiar with IFAD and GCF procedures, FMD will provide capacity-building training to the finance staff who will be selected to manage the finances of the project. The capacity building will include familiarisation with procedures for financial reporting, expenditure categorization across components and categories, financial reporting timelines, and other financial management related to the programme. | | |
| Budgeting | High | High |
| Risk(s): The programme has multiple financiers, namely IFAD, GEF, government contributions, and beneficiary contributions. There is a risk of a mix-up in budgeting and expenditure allocations among these multiple financiers. There may also be a risk that annual work plans and budgets are not prepared or revised on a timely basis and are not executed in a coherent manner, resulting in funds not being available when needed, ineligible costs, reallocation of programme funds, and slow implementation progress. Budget accuracy has also been an issue in the ongoing FReMP project | | |
| Mitigations: The cost tables, PDR, and PIM have adequate details on key activities to be implemented and sources of finances for these costs. Subsequently, the AWPB will be prepared with adequate details on financing for key activities to ensure adequate guidance to the accounting team in recording the expenditure. The AWPB will be codified to show, for each activity, the sources of funding, the component, location (Zoba), quarter of planned activity, and any other analysis code required to simplify reporting to the government and donors. The NPCO will coordinate the budget preparation processes in close coordination with ZPCOs. Budget monitoring will be carried out periodically, at least on a quarterly basis, and any significant deviations will be discussed within the project steering committee for remedial actions. The approved budget will be coded in the accounting system to allow monitoring by location, component, and category. | | |
| Funds flow/disbursement arrangements | Substantial | Substantial |
| Risk(s): There is a risk of commingling of funds at the NPCO, which will be provided with advances for the implementation of programme activities. The funds are received at the Central Bank of Eritrea and then sent to the NPCO accounts at the Ministry of Marine Resources. The NPCO then sends advances to the ZPCO based on planned activities. In addition to external development partners financing, there are counterpart funds expected to be received from the government of Eritrea. | | |

| Risk categories and subcategories | Inherent | Residual |
|--|--------------------|--------------------|
| Mitigations: To mitigate the risks of commingled funds and ease of accounting for any advance provided, funds will be held in programme-designated accounts in foreign currency for which there will be monthly bank account reconciliation and financial reports. The NPCO would also maintain separate operational accounts for each financier and the government contribution. Each Zobas will have a separate operational account for donor funding and government contributions. There will be monthly financial reports from ZPCOs to NPCO for monitoring operations and to facilitate quarterly reports to donors. | | |
| Internal controls | High | High |
| Risk(s): The NPCO will be responsible for the overall financial management of the Programme. It will be responsible for releasing funds against agreed plans drawn out of the approved AWPBs, disbursing funds to implement ZPCOs, and coordinating monitoring and financial reporting for the programme as a whole. There may be a risk that appropriate controls over programme funds are not in place, leading to the inefficient or inappropriate use of programme resources. | | |
| Mitigations: Internal controls have been instituted in the whole framework of financial and administrative procedures. The identified controls range from proper record keeping and posting, authorization of accounting, procurement, and administrative documents, balancing and checking, physical security of assets, double signing (approval) arrangements, to financial reporting and monitoring. There will be an internal audit function to check overall compliance with internal controls and provide support towards improving systems, procedures, and processes. The control environment will be monitored using both internal and external audits and oversight. | | |
| Accounting and financial reporting | High | High |
| Risk(s): There is a risk of delays in the consolidation of programme financial reports at NPCO which will be preparing consolidated financial reports for the programme and inaccurate financial reporting due to the complex nature of the programme which has multiple financiers, categories, and components. There is also the possibility of delays and inaccuracies in financial reporting due to improper coding of transactions and the multiple currencies that may be involved. There is also the possibility of delays and inaccuracies in financial reporting due to the multiple Zobas involved in the implementation of the programme and having fiduciary responsibilities. | | |
| Mitigations: To mitigate the risks of financial reporting, an appropriate accounting system capable of off-line recording and merging data from multiple locations will be acquired to facilitate financial analysis and reporting by component, category, financier, reporting quarter, cumulative for the year, and cumulative since the start of the programme, including the recording of memorandum data on in-kind contributions (IKC). The system will allow data from the Zobas to be consolidated at the NPCO to ease reporting to IFAD. There will be a harmonised financial reporting template for all financiers to ease financial reporting. | | |
| External audit | Substantial | Substantial |
| Risk(s): The project will be audited by the Office(s) of the Auditor General, the Supreme Audit Institution of Eritrea. There is a risk of inadequate audit coverage of the programme audit considering the programme covers all the Zobas of the country. There is a risk of inadequate audit coverage of the programme audit considering the OAG of Eritrea may be understaffed and not adequately resourced. There is also the risk of delays in the release of audit reports because of slow review processes and approval by the Auditor General. | | |

| Risk categories and subcategories | Inherent | Residual |
|--|--------------------|-----------------|
| <p>Mitigations: Mitigations: early engagement of the Auditor General (OAG) for discussion on the quality of audit services; selection of private auditors approved by IFAD; (ii) training of the private auditors and finance staff on IPSAS cash-basis accounting; (iii) IFAD Finance Officer participation in audit entry and exit meetings; (iv) follow-up and reviews by the IFAD Finance Officer on implementation of prior audit recommendations. During design, explore the availability and capacity of the Office of the Auditor General to better supervise work done by the approved private auditors to improve the financial reporting quality of the project.</p> <p>A comprehensive audit coverage plan has been prepared that will ensure adequate audit coverage. The plan provides for adequate annual audits at NPCOs and ZPCOs. Every ZPCO will be audited once every two years to ensure regular reviews throughout the programme's implementation. The project will be audited by a private external auditor but supervised by the Office of the Auditor General, which is the Supreme Audit Institution of Eritrea. The auditor will prepare a work plan to ensure adequate coverage of ZPCOs and major risk areas of the programme. The audit terms of reference will be approved in advance by IFAD in line with the guidance provided in the IFAD Handbook on Financial.</p> | | |
| Environment, social and climate impact | Substantial | Low |
| Biodiversity conservation | Low | Low |
| <p>Risk(s): Dams selected for fisheries programmes may be affected by agricultural and other activities in their catchment areas, resulting in their siltation and the destruction of the fish habitat, ultimately affecting fish production. Fish quality will be affected (fish from polluted water can cause human health problems or not be accepted for food). Overproduction of fish from dams will also affect the lower stream agricultural activities and the water quality.</p> <p>Mangroves may be cut down for energy as firewood for households and sea cucumber fishing operations.</p> | | |
| <p>Mitigations:</p> <ul style="list-style-type: none"> • SFLP will work closely with MoA so that the catchment areas of dams will be managed properly. • Plant trees and vegetation in the catchment areas to reduce soil erosion, which contributes to siltation. • SFLP will promote mangrove and halophyte planting, resulting in various positive impacts, including the i) Protection of coastal erosion and micro-climate balance. • Regularly monitor water quality to detect and address pollution sources early. • Training will be provided to fishing communities on fishing practices, restocking, alternative production systems and sustainable harvesting. | | |
| Resource efficiency and pollution prevention | Low | Low |
| <p>Risk(s): The risk of pollution of water and soil from boat/engine Maintenance.</p> | | |
| <p>Mitigations: Proper handling of waste from the maintenance processes, e.g., used oil should not be discharged into the environment but collected and properly recycled. Site-specific ESMPs will also guide practical steps to reduce pollution.</p> | | |
| Cultural heritage | Low | Low |
| <p>Risk(s): There is a very low risk that SFLP will be implemented in areas of cultural heritage sites where it could cause loss of resources of historical, religious or cultural significance.</p> | | |

| Risk categories and subcategories | Inherent | Residual |
|--|-----------------|-----------------|
| Mitigations: Feasibility studies developed under SFLP, especially regarding infrastructure development, will ensure cultural heritage sites will not be targeted by project interventions. | | |
| Indigenous peoples | Low | Low |
| Risk(s): Eritrea does not recognize the concept of 'indigenous peoples'; however, there are various ethnic groups. Instead of the Indigenous People concept, a vulnerable and disadvantaged community comprising groups such as Women Headed Households, returnees, IDPs, the youth and the elderly will be considered. | | |
| Mitigations: The project targeting strategy has a focus on the vulnerable in each project area, which in turn is selected based on multiple and explicit criteria. SFLP will ensure rigorous implementation of the targeting and social inclusion strategy. Community-based methods such as community conversations along with robust GRM mechanisms will aid the project in identifying risks of exclusion and can trigger mitigation measures. Partnerships with key stakeholders, including organisations with persons with disabilities, will guide NPCO on disability-inclusive designing and facilitate participation in project activities, including persons with disabilities from different ethnic groups. | | |
| Community health and safety | Low | Low |
| Risk(s): Diseases and illnesses related to fishery operations | | |
| Mitigations: SFLP will promote the implementation of health and safety and emergency response plan, create awareness, educate, and follow occupational and health standards for each activity and monitoring. SFLP will work with the Government mines agency to ensure that sections with the known presence or risk of land mines would not be targeted. The programme will provide basic first aid training and life jackets and other safety equipment's to fishers operating in the 50 inland dams supported by SFLP. | | |
| Labour and working conditions | Moderate | Moderate |
| Risk(s): The long-standing national requirement of community labour contribution for several weeks a year might represent a risk, but a more significant risk of triggering IFAD labour-related safeguards is the potential of conscript (universal national service) labour being used unremunerated or inadequately remunerated in infrastructure-related activities either by contractors and/or as a government contribution | | |
| Mitigations: SFLP will promote cash for work programmes and engage competitive bidding methods in the procurement of all works. The classification of professional staff will be guided by the TORs and qualification as detailed in the PIM. SFLP will also facilitate a labour assessment study during implementation to guide in identifying additional mitigation measures. | | |
| Physical and economic resettlement | Low | Low |
| Risk(s): No activities anticipated to trigger IFADs' rigorous thresholds for economic or physical resettlement | | |
| Mitigations: SFLP will facilitate the organization, capacity building and linkage of appropriate financing mechanisms to engage in meaningful income-generating activities and improve the livelihoods of community members. | | |
| Greenhouse gas emissions | Low | Low |
| Risk(s): Possible emissions from fishing vessels and the fuel used at processing plants | | |

| Risk categories and subcategories | Inherent | Residual |
|---|--------------------|--------------------|
| Mitigations: The project will promote the use of fuel-efficient fishing vessels; promote the use of static fishing gear where possible; promote the use of renewable energy in fish processing, i.e., drying, storage and transportation. The risk will be assessed using the FAO Ex Ante carbon tool. | | |
| Vulnerability of target populations and ecosystems to climate variability and hazards | Substantial | Substantial |
| Risk(s): The target area is vulnerable to rainfall variability and droughts. The area is also prone to wildfires and water scarcity. | | |
| Mitigations: Climate-smart fish production will be promoted <ul style="list-style-type: none"> • community-based fire management strategies. Conduct regular fire prevention awareness campaigns, establish firebreaks around aquaculture sites, and train community members in firefighting techniques to reduce the risk of wildfires affecting the project. • Develop knowledge base and decision-support systems for climate change and fisheries and aquaculture including improved monitoring and early warning systems. • Adapting to climate change by diversifying the fisherman's livelihoods. • Choose fish species that are well-suited to drought conditions and can tolerate fluctuations in water levels and quality. Species like tilapia are known for their adaptability to varying environmental conditions. Disaster Risk Reduction planning should be mainstreamed. All interventions must have a feasibility study which incorporates disaster risk. The GEF project financing will finance some of the most pressing risk mitigations. | | |
| Stakeholders | Moderate | Moderate |
| Stakeholder engagement/coordination | Moderate | Moderate |
| Risk(s): <ul style="list-style-type: none"> • Harmonization between NPCO and Zoba PCOs – financial management, M&E, implementation • Weak inclusion of beneficiaries in decision-making related to activities concerning or involving the beneficiaries can lead to a lack of ownership and low sustainability of the project's interventions | | |
| Mitigations: <ul style="list-style-type: none"> • Based on IFAD's Framework for Stakeholder Engagement (2019), a stakeholder engagement strategy/plan will be prepared using participatory tools in AWPB preparation, implementation and monitoring. • The Programme will adopt a bottom-up community-driven planning process in alignment with the GoSE's decentralized participatory planning system tailored to local needs and community priorities. • GRM committees will be established at the NPCO, ZPCO and cooperatives level | | |
| Stakeholder grievances | Moderate | Moderate |
| Risk(s): As a result of limited knowledge and experience among IFAD staff, consultants, project staff, and senior government representatives from lead project executing agencies on how to set up and operate grievance redress mechanisms, there is a likelihood that grievance redress mechanisms (including with respect to allegations of non-compliance with IFAD's E,S,C standards, fraud, corruption, or SEA) will be inefficient, leading to unaddressed stakeholder complaints that may undermine the benefits of a meaningful and continuing engagement and feedback from populations targeted and their representatives throughout the project cycle. | | |
| Mitigations: SFLP will carry out capacity building for Project staff and senior government representatives from lead project executing agencies to effectively engage stakeholders and feedback for IFAD investments. A | | |

| Risk categories and subcategories | Inherent | Residual |
|--|-----------------|-----------------|
| grievance redress mechanism will be developed for the project to provide a channel through which complaints can be raised. | | |