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Report No: PP1367

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED NORDIC DEVELOPMENT FUND GRANT

IN THE AMOUNT OF EUR2.975 MILLION

TO THE

REPUBLIC OF MOZAMBIQUE

FOR AN

ARTISANAL FISHERIES AND CLIMATE CHANGE PROJECT

March 20, 2015

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CURRENCY EQUIVALENTS
(Exchange Rate Effective February 28, 2015)

Currency Unit = Euro (EUR)
EUR0.89 = US\$1
US\$1.12 = EUR1

Currency Unit = New Mozambican Metical (MZN)
MZN34.20 = US\$1
US\$0.03 = MZN1

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

CCP	<i>Conselho Comunitário de Pesca</i> or Fishing Community Council
ESMF	Environmental and Social Management Framework
FM	Financial Management
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDPPE	<i>Instituto Nacional de Desenvolvimento da Pesca de Pequena Escala</i> or National Institute for the Development of Small Scale Fisheries
IFMIS	Integrated Financial Management Information System
JSDF	Japan Social Development Fund
NAPA	National Adaptation Programme of Action
NCB	National Competitive Bidding
NDF	Nordic Development Fund
NTZ	No-Take Zone
PARP	<i>Plano de Acção para Redução da Pobreza</i> or Action Plan for Poverty Reduction
PDO	Project Development Objective
PDP	<i>Plano Director das Pescas</i> or Fisheries Master Plan
PPACG	<i>Projecto de Pesca Artesanal e Co-Gestão</i> or Community Based Coastal Resource Management and Sustainable Livelihoods Project
TURF	Territorial Use Rights for Fisheries
UGEA	<i>Unidade Gestora e Executora de Aquisições</i> or Procurement Management and Execution Unit

Regional Vice President:	Makhtar Diop
Country Director:	Mark Lundell
Senior Global Practice Director:	Paula Caballero
Practice Manager:	Magda Lovei
Task Team Leader:	Benjamin Garnaud

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APPRAISAL DATA SHEET

Mozambique

Mozambique - Artisanal Fisheries and Climate Change (P149992)

PROJECT PAPER

AFRICA

GENDR

Report No.: PP1367

Basic Information			
Project ID	EA Category	Team Leader(s)	
P149992	B - Partial Assessment	Benjamin Garnaud	
Lending Instrument	Fragile and/or Capacity Constraints []		
Investment Project Financing	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date	Project Implementation End Date		
01-Apr-2015	30-Apr-2019		
Expected Effectiveness Date	Expected Closing Date		
01-Apr-2015	30-Apr-2019		
Joint IFC			
No			
Practice Manager/Manager	Senior Global Practice Director	Country Director	Regional Vice President
Magda Lovei	Paula Caballero	Mark R. Lundell	Makhtar Diop
Approval Authority			
Approval Authority			
CD Decision			
Borrower: Ministry of Economy and Finance			
Responsible Agency: IDPPE – National Institute for the Development of Small-Scale Fisheries			
Contact:	Ernesto Poiosse	Title:	
Telephone No.:		Email:	

Project Financing Data(in USD Million)										
Total Project Cost:		3.40				Total Bank Financing:		3.40		
Financing Gap:		0.00								
Financing Source						Amount				
Borrower						0.00				
Africa Climate Change Program						3.40				
Total						3.40				
Expected Disbursements (in USD Million)										
Fiscal Year	2015	2016	2017	2018	2019					
Annual	0.00	0.45	0.95	1.20	0.80					
Cumulative	0.00	0.45	1.40	2.60	3.40					
Institutional Data										
Practice Area (Lead)										
Environment & Natural Resources										
Contributing Practice Areas										
Cross Cutting Areas										
<input checked="" type="checkbox"/> Climate Change <input type="checkbox"/> Fragile, Conflict & Violence <input type="checkbox"/> Gender <input type="checkbox"/> Jobs <input type="checkbox"/> Public Private Partnership										
Sectors / Climate Change										
Sector (Maximum 5 and total % must equal 100)										
Major Sector			Sector		%	Adaptation Co-benefits %		Mitigation Co-benefits %		
Agriculture, fishing, and forestry			General agriculture, fishing and forestry sector		100	50				
Total					100					
<input type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.										

Themes		
Theme (Maximum 5 and total % must equal 100)		
Major theme	Theme	%
Environment and natural resources management	Other environment and natural resources management	100
Total		100
Proposed Development Objective(s)		
To improve community management of selected priority fisheries		
Components		
Component Name	Cost (USD Millions)	
Component 1: Improve community rights-based fishery management	0.40	
Component 2: Improve livelihoods	0.60	
Component 3: Social marketing	1.60	
Component 4: Project management	0.80	
Compliance		
Policy		
Does the project depart from the CAS in content or in other significant respects?	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Does the project require any waivers of Bank policies?	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Have these been approved by Bank management?	Yes [<input type="checkbox"/>]	No [<input type="checkbox"/>]
Does the project meet the Regional criteria for readiness for implementation?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]
Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	X	
Natural Habitats OP/BP 4.04	X	
Forests OP/BP 4.36		X
Pest Management OP 4.09		X
Physical Cultural Resources OP/BP 4.11		X
Indigenous Peoples OP/BP 4.10		X
Involuntary Resettlement OP/BP 4.12	X	
Safety of Dams OP/BP 4.37		X
Projects on International Waterways OP/BP 7.50		X

Projects in Disputed Areas OP/BP 7.60			X
Team Composition			
Bank Staff			
Name	Role	Title	Unit
Benjamin Garnaud	Team Leader (ADM Responsible)	Environmental Specialist	GENDR
Xavier F. P. Vincent	Team Member	Sr Fisheries Spec.	GENDR
Antonio L. Chamuco	Procurement Specialist	Senior Procurement Specialist	GGODR
Elvis Teodoro Bernado Langa	Financial Management Specialist	Financial Management Specialist	GGODR
Cheikh A. T. Sagna	Safeguards Specialist	Senior Social Development Specialist	GSURR
Jingjie Chu	Team Member	Natural Resources Economist	GENDR
Paulo Jorge Temba Sithoe	Safeguards Specialist	Environmental Specialist	GENDR
Salma Chande	Team Member	Program Assistant	AFCS2

MOZAMBIQUE
South West Indian Ocean Fisheries Governance and Shared Growth Program (SWIOFish)
Mozambique Artisanal Fisheries and Climate Change Project – FishCC (P149992)

I. STRATEGIC CONTEXT

A. Country Context

1. Mozambique's economic growth averaged 8.1% over the period 1995–2010, but relies largely on a growing number of 'megaprojects' and associated investments. The high economic growth has not achieved inclusive or pro-poor objectives, as per-capita household expenditures in the bottom three deciles experienced absolute declines (2002-2009) and economic growth and poverty reduction in rural areas lags behind the urban and megaproject growth poles. The National Poverty Reduction Strategy (*Plano de Acção para Redução da Pobreza - PARP*) attributes the recent poverty trends to (i) low productivity in agriculture and fisheries; (ii) vulnerability of the rural economy to climatic shocks; (iii) and worsening terms of trade due to fuel and food price increases.
2. Low levels of education also reduce labor mobility and opportunities to earn higher incomes. Around 80% of the workforce has not completed the first level of primary school and about 31% of the private sector workforce completes at least the second level of primary school. Meanwhile, an estimated 300,000 young people are entering the labor market each year and with limited jobs in the formal economy, they are absorbed in the informal sector, including into the artisanal fisheries. Chronic malnutrition is high (some 47% of children under 5 are under-nourished), only 6 percent of rural households have access to safe sanitation, and gender inequality remains high.

B. Sectoral and Institutional Context

3. Mozambique, with more than 2,700 km of coastline, is ranked third of all African countries by coastline length, and is particularly vulnerable to cyclones, storm surges, floods, droughts and erosion. More than 66% of the population of Mozambique lives in the coastal zone. The coastal population depends on its fisheries (4+% direct contribution to gross domestic product), with more than 90% of the 150,000+ tons of fish reported to be caught each year by artisanal fishers. Most artisanal catch is used for subsistence or ends up in local markets, with very little fish exported (except for the shrimp industry). The Food and Agriculture Organization of the United Nations estimates that the Mozambican population derives 50% of its animal protein intake directly from fish and fisheries products. Coastal fisheries are fundamental for food security for one of the poorest and most underdeveloped countries in the world (Human Development Index is 0.39, 178th out of 187 countries, Human Development Report 2014).
4. Mozambican artisanal fisheries constitute an underperforming asset; the open-access fishing and lack of governance lead to fisheries that are far below maximum economic yield or even maximum sustainable yield with current fleets at overcapacity and total catch declining each year. If Mozambique's artisanal fisheries can be reformed, if fishery governance will permit stocks to recover, these lost economic benefits can be retrieved by local fishers and value chain operators, becoming a source of wealth and food security.

5. Mozambican coastal ecosystems are experiencing direct human threat from open-access, non-sustainable use of natural resources. Threats from climate change compound the problem of habitat loss and degradation of ecosystems, the very natural capital that coastal communities need for their food security and livelihoods. These communities are particularly vulnerable to these impacts due to a lack of infrastructure, weak local capacity, and lack of basic means to respond during disasters, natural or man-made. The Mozambique government has insufficient capacity to address these multiple threats.
6. The Ministry of Fisheries has overall responsibility for fisheries and works through a range of subsidiary institutions including those dedicated to small-scale fisheries, aquaculture, research, fish quality, sector finance and fisheries administration. Equity in joint venture shrimp companies and other investments are held by a state company, Emopesca, while strategic port infrastructure is vested in four financially-autonomous port companies under the Ministry. A number of industry associations represent the private sector in a well-established formal dialogue.
7. The national Fisheries Master Plan (PDP - *Plano Director das Pescas*) 2010-2019 was formally launched in December 2010 and articulates the strategic plan of the government for the sector. The PDP is closely aligned to the *PARP*. In line with the Governmental 5-year Program (*Programa Quinquenal do Governo*), food security is the first priority of the PDP, followed by poverty reduction. Improved balance of payments is a secondary target. The PDP provides long-term quantitative targets for the fisheries sector contribution to the national objectives and is based largely on a series of sub-sectoral strategic plans: for example for shrimp, small-scale fisheries and aquaculture.
8. Mozambique's Climate Change Strategy has recently been approved and stresses the need for building resilience at community level. In the Mozambique's National Adaptation Programme of Action (NAPA), reduction of climate change impacts in coastal zones has been identified as one of the four national priority adaptation actions. NAPA has also recognized the complex climate impacts faced by the country and the limited institutional, technical and policy capacities to respond to them.
9. The proposed project seeks to improve local governance of natural resources and catalyze a transformative approach to coastal, artisanal fisheries in Mozambique. The project will support up to six pilot sites, each encompassing several communities. The approach will reduce human threats to coastal ecosystems by piloting community rights-based management, i.e., establishing locally-managed Territorial Use Rights for Fisheries (TURFs) in representative habitats (e.g., reef, mangrove forest, sea grass, and coastal dunes) that contain smaller sanctuaries/no-take reserves within their boundaries. This approach has fisheries, livelihoods and natural resource management objectives, and as the health of coastal ecosystems improve, this will increase ecosystem and socio-economic resilience to climate change.
10. To catalyze this social resilience, the project will pilot a process in which local communities self-organize through their fisher community councils, and prepare and implement their own natural resource management regimes creating TURF and no-take zones (NTZ). This will be

facilitated by RARE¹ programs called Pride Campaigns, in which Mozambican government staff will be taught the principles of social marketing and a theory of social change that will enable them to establish constituencies at local level, accelerating the adoption and implementation of TURF-reserves.

11. To build economic resilience, this pilot project will commission several research studies on livelihoods options such as aquaculture, tourism and agriculture early enough in the project so that they can be piloted and tested by site to determine their efficacy. These livelihoods projects will offset the opportunity costs of not fishing the NTZ (approximately 20% of the TURF area) while awaiting its recovery and increased production through the spillover effect.

12. Through these techniques and specific training in technical management, community protection and monitoring, local communities will gain the capacity and the social and economic resilience necessary to adapt to circumstances brought about by climate change. Social and economic resilience for these poor communities will therefore be focused on providing food, income and flexibility in the face of any future climate-induced changes while maximizing net benefits. This should increase the flexibility to adapt to change, and has obvious consequences for poverty reduction via an environmentally sustainable development agenda.

C. Higher Level Objectives to which the Project Contributes

13. This project will contribute to the corporate goals of ending extreme poverty and promoting shared prosperity in a sustainable manner by improving the income and livelihoods of poor fishing communities through right-based fishery management and social marketing campaign to trigger behavioral change.

14. The 2012-2015 Country Partnership Strategy for Mozambique recognizes the fisheries sector as an important contributor to growth and lists the proposed project as a means to enhance the sector's potential. The high vulnerability and relative poverty of coastal and fishing communities is recognized in the PARP and their vulnerability to climate change is underscored in the NAPA, which prioritizes actions on disaster risk, climate resilience, growth and poverty reduction. The vulnerability of these communities is also reflected in World Bank studies on climate change.

15. The project will enhance Mozambique's possibilities to act on climate variability and longer-term climate change impacts. It is in line with the vision, mission and objectives of the National Climate Change Strategy. Specifically, the project responds to the call for increasing resilience of fisheries through promotion of aquaculture, regeneration of coastal resources, improving artisanal fishing capacity and strengthening management for improving and maintaining fish stocks.

16. The project will contribute to the broader regional South West Indian Ocean Fisheries Governance and Shared Growth Program, whose long term objective is to increase the economic, social, and environmental benefits to South-West Indian Ocean countries from sustainable marine fisheries.

¹ RARE is an USA-based non-profit organization which partners with local organizations to build community support for the adoption of more sustainable behaviors in the fisheries sector.

II. PROJECT DEVELOPMENT OBJECTIVE

A. PDO

17. The project development objective (PDO) is to improve community management of selected priority fisheries.

B. Project Beneficiaries

18. The project beneficiaries are mainly fishers, fishing families in the selected sites, approximately thirty fishing communities. By protecting the TURF-reserve, both the fishery sector and the tourism sector will benefit from better fishing stocks. The benefits will also spill over to the neighbor communities, tourist operators and tourists thanks to the improvement of ecosystem services. The number of beneficiaries will be updated after the project sites are selected and a baseline survey is done.

C. PDO Level Results Indicators

19. The PDO level results indicators include:

- (a) Community Management Agreements signed between the relevant authority and Fishing Community Councils² (number)
- (b) Increase in average Catch Per Unit Effort (CPUE, kg fish caught per time unit per fishing unit) in targeted communities (percentage)
- (c) Direct project beneficiaries (number), of which female (percentage)

III. PROJECT DESCRIPTION

A. Project Components

20. The project will consist of four components.

- (a) **Component 1: Improve community rights-based fishery management** (€350,000). The National Institute for the Development of Small Scale Fisheries (IDPPE) will work with Fishing Community Councils (*Conselho Comunitário de Pesca*, CCPs) so that they meet on a regular basis, create their management plans, delineate their TURF-reserves, and organize necessary protection and monitoring. Furthermore, the project will support the CCPs through financial planning, integration of their management body into provincial and district governments, and by sponsoring training on climate change, social and ecological resilience. Fisheries in the pilot sites will improve through the development and implementation of TURF-reserves, and these improvements will be quantitatively measured. Data will be

² *Conselho Comunitário de Pesca* or CCPs. This indicator measures the acceptance by the State of the validity of the local management plans developed by the communities

collected by local community members to monitor improvement in biomass of catch and catch value plus reductions in fishing costs. IDPPE will oversee the collection and use of these data.

- (b) **Component 2: Improve livelihoods** (€525,000). This component will use the recommendations from site-specific socio-economic analyses to support the improvement of livelihood. Pilot activities will be conducted in tourist, aquaculture and other sectors depending on the geographic locations and social status of the communities. These alternative livelihoods for fishers will help transition from open-access management to TURF-reserve management.
- (c) **Component 3: Social marketing** (€1,400,000). This component will help increase local social marketing capacity within the Ministry of Fisheries and also the local communities. There will be training and capacity-development of the CCPs in the six pilot sites. The international non-governmental organization RARE will provide a social marketing training and workshop for IDPPE staff members. Selected IDPPE staff members will go on to be trained intensively in social marketing, the science of behavioral change and conservation so that they can plan and implement social marketing campaigns at six sites. Furthermore, the project will organize an international event to disseminate the lessons learned in this project and exchange experiences.
- (d) **Component 4: Project management** (€700,000). This last component will support the implementation and coordination of the project, at IDPPE. It will also support monitoring and evaluation of the project activities and result. IDPPE will be supported by a technical assistance on, inter alia, development of terms of reference and external communication. There will be different types of communication materials including tailored awareness and education materials, website, and visual communication. Separate consultancies will undertake technical studies to support implementation.

B. Project Financing

21. This project will be supported by a €2,975,000 (US\$3,332,000 equivalent) Grant from the Nordic Development Fund (NDF) Africa Climate Change Program.

22. Project financing per component is the following:

Project Components	Project cost (€)	% Grant Financing
1. Improve community rights-based fishery management	350,000	100
2. Improve livelihoods	525,000	100
3. Social marketing	1,400,000	100
4. Project management	700,000	100
Total Project Costs	2,975,000	100

C. Lessons Learned and Reflected in the Project Design

23. Experiences in implementing various forms of rights-based fisheries management across the globe, including through World Bank support, have generated a significant amount of knowledge and lessons learned. A first major lesson is the need for contextualized interventions based on careful analyses of the socio-ecological systems. This need has been reflected in the project design and the selection of the six pilot sites. The design of the specific approaches will be based on thorough analyses at the very beginning of the project. Another major lesson learned is that the change of rules should be bottom-up, adaptive and flexible. RARE's experience in promoting behavioral change will be key to following this approach.

24. Under the previous grant to the fisheries sector in Mozambique (Community-Based Coastal Resource Management and Sustainable Livelihood Project or *Projecto de Pesca Artesanal e Co-Gestão*, PPACG, P150546), financed by the Japan Social Development Fund (JSDF), the Ministry of Fisheries and the implementing agency, IDPPE, demonstrated a strong ownership but IDPPE's limited absorption impacted the timely project implementation. The proposed project includes a much larger role for service providers and IDPPE will benefit from technical assistance to support project monitoring and coordination.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

25. The project will be implemented by the Ministry of Fisheries, through its agency for the development of small-scale fisheries (IDPPE). The implementation will benefit from the support from RARE.

26. IDPPE has a mandate that combines support for fishing communities with technical support for fishing operations and marketing. IDPPE has offices in all coastal provinces staffed with extension and technical specialists. IDPPE will work closely with the selected local fishing communities where the pilot activities will be carried out. IDPPE staff will receive training and capacity-building to become campaign managers to mobilize communities. The project will carefully select the pilot sites, using the level of existing contacts and working relationship of IDPPE staff with local fishing communities, as one of the criteria. Although IDPPE is the best positioned agency to implement the project, it should be recognized that IDPPE implementation capacity is constrained and that they will need capacity building and facilitation to implement the project effectively. On the other hand, since IDPPE is a permanent government institution, there are good opportunities for subsequent scaling-up of the approach and methodology.

27. The Fishing Community Councils (CCPs) will be at the forefront of the community management of the TURF-reserves. Supported by the Government and the project, they will meet on a regular basis, create their management plans, delineate their TURF-reserves, and organize necessary protection and monitoring. The fisheries administration will enter into Community Management Agreements with qualifying CCPs to enact co-management of the TURF-reserves. The project will support the CCPs through financial planning, integration of their management

body into provincial and district governments. Further, site-specific arrangements will be defined during the selection of the pilot sites and based on a socio-ecological assessment of the fisheries.

28. RARE is a not-for-profit conservation organization founded in 1973 and based in Arlington, Virginia. It has developed a unique and propriety method for motivating behavior change and community support for conservation that has been tested and refined in more than 250 projects worldwide: the Pride Campaign. The role of RARE will be to facilitate capacity development and implementation with IDPPE as well as to promote local ownership and support to sustainable management of fishery and coastal resources among artisanal fishing communities through the specific approach to social marketing and transformation in local communities. The Pride Campaign approach, in association with the rights-based approach through creation of TURFs, is a promising way of creating the local basis for more sustainable management of resources and therefore more social, economic and environmental resilience including resilience to climate change within the fishing communities. RARE is an experienced partner with proven track record in promoting sustainable utilization of natural resources.

B. Results Monitoring and Evaluation

29. The project results framework will be based on a monitoring and evaluation tool that will be developed at the beginning of the project using Fishery Performance Indicators (FPIs). It will be done through surveys involving local experts and community leaders. Indicators will include biological, economic and social aspects because the resilience of the coastal communities will rely on the sustainability of all three. Basic education is sufficient to understand and score this evaluation tool. The key is the knowledge of the fishery. A technical study will provide baseline data within six months from the start of project implementation. Collecting and updating data will be part of the responsibility of RARE and IDPPE which will be specified in the Operations Manual. A quarterly report will be submitted to the Bank for review. A mid-term review will be undertaken to review progress and results, and allow for adjustments in the project design or implementation arrangements as well as possible preparation of follow-up activities to those financed by the project.

C. Sustainability

30. The approach of this project ensures the involvement of the community from the beginning. It means to empower both the community leaders and the staff in the management agency. With the training of the staff who will lead the social marketing campaign, it is designed to educate the local community, raise awareness of the natural resources protection for long-term sustainability. The alternative livelihoods support will also reduce the fishing pressure, which will further help achieve sustainability.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings

Risk Categories	Rating¹
1. Political and governance	S
2. Macroeconomic	M

3. Sector strategies and policies	M
4. Technical design of project or program	M
5. Institutional capacity for implementation and sustainability	S
6. Fiduciary	S
7. Environment and social	M
8. Stakeholders	H
Overall	S

B. Explanation

31. The overall risk rating is substantial. The financial and procurement management capacity in IDPPE is relatively weak, which can potentially pose some fiduciary risks. At stakeholder level, fishers increasingly face competition for access to marine and coastal resources from tourism development and conflicts between local fishers and tourists are frequent and will be a central issue to the implementation of this project. The sustainability relies on the country's interest and funding availability. Potential limited activities for alternative livelihoods micro-projects could have minor small-scale impacts on natural habitats. Additionally, the project proposes to strengthen the effective management and protection of natural resources in near-shore waters as well as potentially expand areas under protection. These changes in access may provide some prospect for negative impacts on livelihoods for some individuals in some coastal communities, at least in the short-term.

C. Mitigation Measures

32. The World Bank will provide close implementation support to the implementing agency, which will also benefit from ad-hoc technical assistant when needed. IDPPE will partner with RARE, whose experience in implementing similar approaches will be a key asset. Strong presence in the field, as well as training and awareness-raising will help mitigate the stakeholder risk. Gradual mainstreaming of the approach into IDPPE will help lower the sustainability risk. The project has developed two safeguards instruments, an Environmental and Social Management Framework (ESMF) and a Process Framework, to mitigate the environmental and social risks (cf. below).

VI. APPRAISAL SUMMARY

33. The project will help improve the coastal fishery stocks and thus increase the fishing revenues, create alternative livelihoods and strengthen the coastal resilience to climate change. Increased fishing revenues are the main economic benefits that can be monetized. By comparing the scenario without the project and the scenario with the project (assuming that 6,000 members from 30 fishing villages will benefit from better fishing stocks), the increase in revenue is estimated to exceed US\$1.3 million monetized value along the four years of the project. The Net Present Value of the project is estimated to be US\$7.24 million at the 10% discount rate for 10 years, representing a return of 18.4%. Additionally, there are a number of non-monetized benefits related to social and environmental resilience, better biodiversity management of national coastline, and capacity building with local community councils and the IDPPE. This pilot project should therefore be poised to go to scale, especially as we learn more about the benefits and costs to local people, and whether we can develop sustainable financing for projects such as these.

34. The financial and procurement management capacity in IDPPE is relatively weak, which can potentially pose some fiduciary risks. While IDPPE has gathered some experience over the past years with the implementation of the JSDF-financed Coastal-based Coastal Resource Management and Sustainable Livelihoods project (P150546), it will need to implement mitigating measures to the identified risks, which include appointing a dedicated person to be focused on the Financial Management (FM) aspects of the project and elaborating of a simplified FM Procedures Manual. IDPPE will benefit from capacity building and technical assistance to reduce the risks, as well as timely support from Bank Country Office fiduciary staff.

35. Procurement for the proposed project will be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" published by the Bank in January 2011, revised July 2014 and the World Bank's "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers," published by the Bank in January 2011, revised July 2014. The "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006, and revised in January 2011 will apply. The implementation of procurement activities under the JSDF-financed Community-based Coastal Resource Management and Sustainable Livelihoods project (P150546) highlighted the need to strengthen the capacity of the Procurement team at IDPPE to meet the Bank fiduciary requirements. There were substantial delays and capacity gaps that required a series of interactions before satisfactory quality could be attained. It would be advised that the Procurement team is exposed to more procurement related training. The enhanced capacity would contribute to reduce the current high risk.

36. The overall project impact is expected to be overwhelmingly positive and expected impacts on natural habitats significantly positive, through efforts to improve conservation and management of key fisheries. However, potential negative effects of some alternative livelihoods activities will be scrutinized and triggered the Safeguard Policies OP4.01 (Environmental Assessment) and OP4.04. (Natural Habitats). An ESMF has been prepared providing screening procedures for environmental and social impacts, as well as outlining proposed mitigation measures. Furthermore, restrictions in access to natural living resources and fishing capacity might negatively impact livelihoods for some individuals, at least in the short-term. Safeguard Policy OP4.12 (Involuntary Resettlement) has therefore been triggered and a Process Framework has been developed. Mitigation and compensatory measures will be put in place, including through alternative livelihoods. Both documents have been disclosed in country and at the InfoShop on February 19, 2015.

Annex 1: Results Framework and Monitoring

Mozambique: Artisanal Fisheries and Climate Change – FISHCC (P149992)

Project Development Objective (PDO): The development objective is to improve community management of selected priority fisheries.												
PDO Level Results Indicators*	Core	Unit of Measure	Baseline	Cumulative Target Values**					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4					
Indicator One: Community Management Agreements signed between the relevant authority and Fishing Community Councils		Number	0	0	1	2	4		Annually	Project reports / Community management agreements	RARE/IDPPE	
Indicator Two: Increase in average Catch Per Unit Effort (CPUE) in targeted communities		%	0	0	2.5	5	7.5		Annually	Surveys / Fishing effort and catch statistics in pilot sites	RARE/IDPPE	CPUE: kg of fish caught per time unit per fishing unit
Indicator Three: Direct project beneficiaries, of which female	X	Number (%)	0	0	2,000 (10)	4,000 (10)	6,000 (10)		Annually	Project reports	RARE/IDPPE	
INTERMEDIATE RESULTS												
Intermediate Result (Component One): Improve community-based fishery management												
1.1. Increase in coral and sea grass bed coverage in Reserve		%	0	0	2	4	5		Annually	Underwater surveys	RARE/IDPPE	
1.2. CCPs developing a local management/development plan		Number	0	0	1	3	6		Annually	Management/development plans	RARE/IDPPE	CCPs will prepare fisheries management and development plans. Some plans will lead to Community Management Agreements.
Intermediate Result (Component Two): Improve livelihoods												
2.1 New revenue generating opportunity identified and piloted		Number	0	0	0	1	2		Annually	Surveys / project reports	RARE/IDPPE	
Intermediate Result (Component Three): Social Marketing												
3.1. Staff trained on social marketing		Number	0	0	0	15	30		Annually	RARE	RARE/IDPPE	

Annex 2: Implementation Arrangements

MOZAMBIQUE: Artisanal Fisheries and Climate Change Project – FishCC (P149992)

A. Financial Management

1. **FM assessment.** A Financial Management (FM) assessment was conducted in accordance with the Financial Management Manual issued by the Financial Management Sector Board in March 2010. Its objective was to determine whether the implementing entity, IDPPE, has acceptable and adequate financial management arrangements to ensure reliability of financial reporting, effectiveness and efficiency of operations and compliance with legal covenants, laws and guidelines.
2. **FM arrangements.** The proposed FM arrangements were reviewed with the following conclusions: the overall FM risk rating of the project is Moderate. While IDPPE has gathered some experience over the past years, it will need to implement the following mitigating measures to the identified risks, which include appointing a dedicated person to be focused on the FM aspects of the project and elaborating a simplified FM Procedures Manual.
3. The proposed FM arrangements, as summarized below, meet the minimum requirements for financial management under OP/BP 10.
4. **FM Implementation Arrangements.** The Institute of Development of Small Scale Fisheries (IDPPE) will be responsible for coordinating the FM aspects of the project. Within IDPPE, the overall responsibility for project FM implementation will lay in the Department of Administration and Finance.
5. The IDPPE is also currently responsible for implementing the Community-Based Coastal Resource Management and Sustainable Livelihoods Project (*Projecto de Pesca Artesanal e Co-Gestão*, PPACG, P150546), but it has been implemented at a slow pace and there is still a need for IDPPE personnel to become more conversant with Bank FM and Disbursement procedures. Nonetheless, the active project will also be used as a learning period for FM personnel to familiarize themselves and obtain experiences with issues regarding Bank disbursement and reporting procedures.
6. Given the challenges noted with regards to implementation of the PPACG, the project will not be making use of all of the country's FM systems such as the single treasury account and the government Integrated Financial Management Information System (IFMIS), but will be making use of other country FM systems such as budgeting, internal controls and the audits will be carried out by the Mozambique Supreme Audit Institution.
7. **Budgeting.** In close coordination with the relevant stakeholders, IDPPE will prepare an annual budget for the project and will be responsible for producing various analysis reports comparing planned to actual expenditures on a monthly and quarterly basis to enable timely identification of deviations. These reports will be part of the interim financial reports that will be submitted to the Bank on a quarterly basis.

8. The budgeting, budgetary control, and budget revisions will follow national procedures requiring that the project budget is inserted as part of IDPPE's budget. Approved activities on the budget will be captured in annual work plans, which will need to be approved by the International Development Association (IDA) and will be the document driving implementation of the project. The project budget will also need to be registered with the National Directorate of Budget and reporting on its execution will be done with National Directorate of Public Accounting.

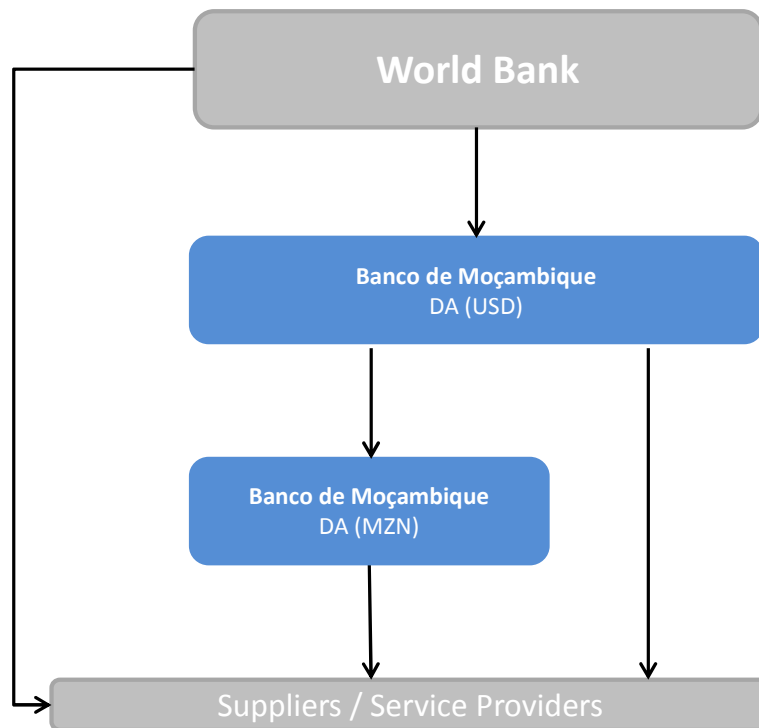
9. **Internal control and Accounting procedures.** IDPPE has a reasonable internal control system in place so as to ensure the preparation of accounting records, approval of transactions and the orderly management of financial resources. An advantage is that the internal controls and accounting procedures will similarly be based on the national procedures. In addition, the Ministry of Finance's own *Inspeção Geral das Finanças* will also be responsible for carrying out regular inspections at IDPPE to help ensure compliance with applicable laws and regulations.

10. Procedures relating specifically to the project including the disbursements and reporting templates will need to be elaborated and captured in the simplified FM procedures manual applicable for the project. The manual should contain accounting procedures for approval of transactions, travel and per diem procedures, supporting documentation, as well as reporting arrangements, including the formats of the reports. The manual will also provide procedures on coordination between IDPPE and the respective key stakeholders.

11. **Staffing.** The accounting staff at IDPPE is currently handling other responsibilities. Therefore, IDPPE should appoint an adequately experienced person to be responsible for the FM aspects of the project. IDPPE's need to improve its familiarity with the Bank's disbursement guidelines, as well as other requirements, may prove to be an issue during the early stages of implementation of the project. However, the appointment/recruitment of an FM person experienced in Bank FM and Disbursement procedures will help mitigate this risk. The appointed FM manager will also be responsible for providing training to IDPPE personnel as needed. The Bank FM team will also be available to provide support to the project FM team as needed.

12. **Accounting System.** IDPPE is connected to the government IFMIS, but given the challenges in implementing the PPACG, adding another challenge such as the use the IFMIS could have a significant impact on the performance of the project, and as a result it will not make use of it. IDPPE makes use excel spreadsheets to capture transactions of FM activities. The preparation of the accounting information will be on cash basis in accordance with Mozambique government requirements, which are in alignment with the International Public Sector Accounting Standards.

13. **Funds Flow.** The project will open a Designated Account in US\$ at the *Banco de Moçambique* through which all payments will be made. IDPPE may open a Metical account to cover payments in Meticais as shown on the illustrative chart below.



14. Upon submission of acceptable withdrawal applications, funds will be advanced to the Designated Account held in the *Banco de Moçambique*. Based on the project's need for funds, IDPPE will decide an amount it expects to use for e.g. monthly transfers to the Metical account.

15. To ensure timely disbursement, IDPPE will need to submit new Authorized Signatory Letter indicating authorized signatories.

16. **Reporting.** Quarterly reports in a format to be agreed will be prepared and submitted to the Bank within 45 days of the end of each calendar quarter reported on. These quarterly reports will include:

- Sources and Uses of Funds;
- Detailed Use of Funds Schedule by Project Component/ Disbursement Categories, comparison with budgets; and short-term forecasts of expenditure;
- Summary Statements of Designated Account expenditures subject to Prior Review;
- A narrative summary of implementation highlights for the quarter helps the readers understand the financial statements better.

17. **External Audit.** *Tribunal Administrativo* is constitutionally mandated to audit all government funds, including projects financed by external sources. Therefore, the audits of the project will be carried out by the *Tribunal Administrativo* on a yearly basis. The audits are carried out in accordance with International Standards on Auditing. Audit reports will specifically identify Sources and Uses originating from the Bank and will also highlight in its management letter any internal control and accounting system weaknesses pertaining to project funds. The audit reports will be submitted to the Bank no later than six months after the end of each year.

18. The Annual Financial Statements will be prepared in accordance with International Public Sector Accounting Standard for cash basis and specifically include among others:

- A Statement of Sources and Uses of Funds showing funds from IDA and how they were applied;
- A Summary of Expenditures analyzed by both Component and Category; and
- The supporting notes in respect of significant accounting policies and accounting standards adopted by IDPPE;

Table of audit compliance requirements

Action	Submission Date	By whom
Submit annual audited financial statements together with the management letter	Annually by June 30	IDPPE

FM Action Plan

Action	Indicative Date	By whom
Submit authorized signatories letter to the Bank	Two weeks after signing of Legal Agreement	IDPPE
Appoint/recruitment person responsible for FM	May 31, 2015	IDPPE
Completion of FM Procedures manual	June 30, 2015	IDPPE

19. Disbursements Arrangements. Given the capacity of IDPPE, the project will use traditional transactions-based disbursement procedures as is in the case of PPACG, mainly through the Advance disbursement method. The project may also make use of other disbursement procedures such as (i) Reimbursement disbursement method, whereby the Bank reimburses the Recipient for eligible expenditures that the Recipient has pre-financed from its own resources; (ii) Direct Payment method, by which at the Recipient's request, the Bank makes direct payments to suppliers and contractors from the Grant account; (iii) the Special Commitment method, whereby the Bank will issue special commitment to commercial banks for payment of eligible expenditures.

20. The Bank has issued the "Disbursement Letter" which specifies the additional instructions for withdrawal of the proceeds of the Grant.

Implementation Support Plan – Financial Management

21. The FM implementation support plan will be risk based, and will include: review of the project's financial management system, including but not limited to, accounting, reporting and internal controls. It will also include review of beneficiary institutions. Reviews of quarterly

reports; review of annual audited financial statements and management letter as well as timely follow up of issues arising; and participation in project supervision missions as appropriate.

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First twelve months	Verify if the risk mitigating measures implemented by project effectiveness are still functioning as intended. Identification of any potential problems early in the life of the project	Financial Management	2 weeks	NA
12-36 months	Review the continuing adequacy of the financial management arrangements	Financial Management	4 weeks	NA

Staff Skill required is summarized below

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Financial Management Specialist	6	N/A	NA

B. Procurement

22. The procurement for the proposed operation will be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" published by the World Bank in January 2011, revised July 2014 ("Procurement Guidelines"), in the case of goods, works and non-consulting services; and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" published by the World Bank in January 2011, revised July 2014 ("Consultant Guidelines") in the case of consultants' services, and the provisions stipulated in the Grant Agreement. Further, the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006, and revised in January 2011 will apply.

23. The proposed procurement activities for the project will be managed by IDPPE and within the Procurement Management and Execution Unit (*Unidade Gestora e Executora de Aquisições*, UGEA) that reports to the head of the Department of Administration and Finance. IDPPE has prior exposure to Bank fiduciary requirements through the implementation of the Coastal-based Coastal Resource Management and Sustainable Livelihoods Project (P150546). The capacity of IDPPE and its UGEA personnel in charge of procurement was assessed during project preparation and was found to require enhancement in order for UGEA to be able to adequately manage the

procurement activities for the project, while it is recognized that there is low complexity with the associated activities.

24. The procurement risk associated with the project is rated “High”. Further capacity building to the UGEA technicians associated with the project will be required to minimize the risk, particularly in the procurement planning and preparation and bidding documents and evaluation reports, satisfactory to the Bank. The procurement manual that was prepared under the PPACG (P150546) will be updated to incorporate the features of the new project.

25. The procurement plan for the project will be prepared by IDPPE and will be reviewed by the Bank before implementation begins. It will be updated at least annually (or as required) to reflect project implementation needs. More details are available below and in the project files

26. Procurement provisions and review thresholds. For National Competitive Bidding, Mozambican issued bidding documents may apply. All bidding documents will need to be satisfactory to the Bank and subject to the additional procedures and modifications stipulated below and as reflected in the Financing Agreement.

(a) **General.** The procedures to be followed for National Competitive Bidding (NCB) shall be those set forth in the set forth in the “*Regulamento de Contratação de Empreitada de Obras Públicas, Fornecimento de Bens e Prestação de Serviços ao Estado*” of the Republic of Mozambique of May 24, 2010 (the “Regulation”), as per Decree No. 15/2010, with the modifications described in the following paragraphs:

(b) **Eligibility.** No restriction based on nationality of bidders and/or origin of goods shall apply. Foreign bidders shall be allowed to participate in NCB without restriction and shall not be subject to any unjustified requirement which will affect their ability to participate in the bidding process such as, but not limited to, the proof that they are not under bankruptcy proceedings in the Recipient’s territory; have a local representative; have an attorney resident and domiciled in the Recipient’s territory; form a joint venture with a local firm. In cases of joint ventures, they shall confirm joint and several liability.

Prior registration, obtaining a license or agreement shall not be a requirement for any bidder to participate in the bidding process.

Recipient’s government-owned enterprises or institutions shall be eligible to participate in the bidding process only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not dependent agencies of the Recipient.

(c) **Bidding Documents.** Standard bidding documents acceptable to the Bank shall be used for any procurement process under NCB.

(d) **Preferences.** No domestic preference shall be given for domestic bidders and/or for domestically manufactured goods.

(e) **Applicable Procurement Method under the Regulation.** Subject to these NCB exceptions, procurement under NCB shall be carried out in accordance with the Regulation’s public competition (*Concurso Público*) method.

(f) **Bid Preparation Time.** Bidders shall be given at least twenty eight (28) days from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, to prepare and submit bids.

(g) **Bid Opening.** Bids shall be opened in public, immediately after the deadline for their submission in accordance with the procedures stated in the bidding documents.

(h) **Bid Evaluation.** Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only such criteria so specified shall be used to determine whether a bidder is qualified; the evaluation of the bidder's qualifications should be conducted separately from the technical and commercial evaluation of the bid. Qualification criteria shall be applied on a pass or fail basis.

(i) Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents; criteria other than price shall be quantified in monetary terms.

(ii) A contract shall be awarded to the qualified bidder offering the lowest-evaluated and substantially responsive bid.

(iii) Bidders shall not be eliminated on the basis of minor, non-substantial deviations.

(i) **Rejection of All Bids and Re-bidding.** All bids shall not be rejected and new bids solicited without the Bank's prior concurrence.

(j) **Complaints by Bidders and Handling of Complaints.** The Recipient shall establish an effective and independent complaint mechanism allowing bidders to complain and to have their complaint handled in a timely manner.

(k) **Right to Inspect/Audit.** In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed from the proceeds of the Financing shall provide that: (i) the bidders, suppliers, and contractors and their subcontractors, agents, personnel, consultants, service providers or suppliers, shall permit the Bank, at its request, to inspect their accounts, records and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Association; and (ii) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines.

(l) **Fraud and Corruption.** Each bidding document and contract financed from the proceeds of the Financing shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of the Procurement Guidelines. The Bank may sanction a firm or individual, at any time, in accordance with prevailing Bank sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; and (ii) to be a nominated sub-contractor, consultant, supplier or service provider of an otherwise eligible firm being awarded a Bank-financed contract.

(m) **Debarment under National System.** The Association may recognize, if requested by the Recipient, exclusion from participation as a result of debarment under the national system, provided that the debarment is for offenses involving fraud, corruption or similar misconduct, and

further provided that the Association confirms that the particular debarment procedure afforded due process and the debarment decision is final.

27. To ensure an acceptable project implementation satisfying minimum Bank fiduciary requirements, mitigation measures are envisaged for the IDPPE procurement personnel, reflected in the table below, and include the need for additional exposure to procurement training and procurement planning process to take into account the steps and associated timeframe to ensure adequate implementation.

Issues	Risks	Mitigation measures	By when
Limited or no capacity in Bank fiduciary requirements	High	UGEA staff trained in procurement	Continuous
Procurement plans prepared unrealistic.	High	Take into account in the Procurement Plan the required timeframes for various activities and technical capacity available within IDPPE	Continuous

28. In view of the overall experience and capacity of IDPPE to carry out procurement activities related to the proposed project, and taking into account full implementation of the above mitigation measures, the procurement risk associated with the project is rated as High and can be reduced to Moderate once the measures are successfully implemented.

29. **Prior-Review Thresholds.** Prior-review and procurement method thresholds for the project are indicated in Table below.

Procurement Methods Thresholds

		Procurement Method Thresholds Proposed (USD million)						
		ICB	NCB	Shopping	QCBS	CQS	LCS	DC / SSS
Works		N/A	<5.0	<0.05				All
Goods		≥0.50	<0.50	<0.05				All
Consulting Services	Firms				≥0.20	<0.20	<0.20	All
	Individuals							All
								≥0.10

These thresholds are indicative and may be revised in the procurement plans from time to time

30. **Procurement Plan** and Procurement Arrangements. The Procurement Plan for the project was prepared by IDPPE and *accepted* by the Bank. This plan will be updated annually or as required to reflect the project implementation.

31. Generally, the World Bank Standard Bidding Document and the Standard Request for Proposals as well as NCB documents satisfactory to the Bank will be used for contracts to be procured. These documents will be presented in the procurement section of the Project Implementation Manual that will be updated by IDPPE.

C. Environmental and Social (including safeguards)

32. The overall environmental impact of the project is expected to be overwhelmingly positive and the project expected impacts on natural habitats would also be significantly positive, through efforts to improve conservation and management of key fisheries. However, activities will take place close or within protected areas, and potential negative effects during the implementation of these activities will be scrutinized and triggered the Safeguard Policies OP4.01 (Environmental Assessment) and OP4.04. (Natural Habitats). Safeguards management can be adequately handled through sound implementation of these procedures. As the locations and impacts of the potential activities cannot be clearly defined at this stage, an Environmental and Social Management Framework (ESMF) has been prepared for the project and provides screening procedures for environmental and social impacts, as well as outlining proposed mitigation measures.

33. The project is not expected to involve land acquisition leading to involuntary resettlement. However, because the project proposes to strengthen the effective management and protection of natural resources in near-shore waters as well as potentially expand areas under protection, these changes in access may provide some prospect for negative impacts on livelihoods for some individuals in some coastal communities, at least in the short-term. These might for instance reductions in fishing capacity. Safeguard Policy OP4.12 (Involuntary Resettlement) has therefore been triggered and a Process Framework has been developed as part of project preparation to mitigate the negative impacts of enhanced enforcement of regulations in marine protected areas on local coastal communities. Mitigation measures will include support to alternative livelihoods.

34. The Process Framework details the grievance redress mechanism. It lists preventative measures to be applied to avoid exacerbation of conflicts: awareness-raising and regular information about project activities, participatory and inclusive co-management processes, consultations and negotiations with PAPs, training in conflict management, community empowerment. The actual grievance and conflict redress mechanisms list different levels of resolution: local community mechanisms are to be used to provide a first level of listening and informal consultation. If unsuccessful, or outside of the scope of the community leadership, the grievance is transmitted to higher administrative levels. Informal settlement is always preferred. If unsuccessful, the formal settlement process is detailed in the PF. PFs provide for the constitution of grievance committees, and detail the different steps to be followed in grievance and redress processes: documentation of the grievance, resolution procedure at the first administrative level, and resolution procedures at the higher levels if unsuccessful. Clear timelines and responsibilities are stated to ensure timely resolution of conflicts.

D. Monitoring & Evaluation

35. A monitoring and evaluation tool will be developed early in the project so that the verifiable indicators can be monitored for the desired changes. Initial baseline data will be provided after the first six months of the project. Collecting and updating data will be the responsibility of RARE. Quarterly progress reports will be submitted by RARE and IDPPE to the Ministry of Fisheries and the World Bank for review. A mid-term review will be undertaken to allow for adjustments in the project design or implementation arrangements as well as possible preparation of follow-up activities to those financed by the project.

36. Monitoring and evaluation tool development: This project will develop monitoring and evaluation indicators to track progress and evaluate its success. Criteria will take into consideration key biological, economic and social dimensions and could include:

- a. Economic: Household income; economic risk reduction; value-added production; development of alternative livelihood opportunities;
- b. Social: Local knowledge and awareness of climate change impacts and the interrelationship with their activities; behavior change in natural resource (e.g. fishery, wetlands, and mangrove forests) management; increased social capacity and resilience; women involvement and leadership;
- c. Biological: Protection of critical climate regulating habitats (wetlands, mangrove, coral reefs, and estuaries); change in biomass and biodiversity of local species.

37. The main data for the project outcome will come from the first-hand survey done by RARE's partner, University of California Santa Barbara, including the underwater survey on biomass, coral cover, and sea grass bed cover. Other data will be collected by RARE in cooperation with IDPPE.