Report Number: ICRR0023356

1. Project Data

Project ID P151754 Country Micronesia, Federated S	Practic	licronesia s & the Blue Economy		
L/C/TF Number(s) IDA-D0140	Closing 30-Sep-	g Date (Original) 2020	Total Project Cost (USD) 4,377,190.10	
Bank Approval Date 22-Dec-2014		Closing Date (Actual) 30-Sep-2021		
	IBRD/II	DA (USD)	Grants (USD)	
Original Commitment	5,500,000.00		0.00	
Revised Commitment	4,5	60,643.09	0.00	
Actual	4,3	0.00		
Prepared by Stephen Porter	Reviewed by Christopher David Nelson	ICR Review Cool Avjeet Singh	rdinator Group IEGSD (Unit 4)	

2. Project Objectives and Components

a. Objectives

As mentioned in the Financing Agreement (March 20, 2015, page 5) the project development objective (PDO) was to strengthen the shared management of selected Pacific Island oceanic and coastal fisheries, and the critical habitats upon which they depend. The PDO was stated the same way in the Project Appraisal Document (PAD). The Project Development Objective is for a regional project, and this ICRR only reviews results in the Pacific Islands Regional Oceanscape Program (PROP) for Federated States of Micronesia - P151754.

Public Disclosure Authorized

Please refer to the Implementation Completion Report Reviews (ICRRs) for the PROP for Forum Fisheries Agency (P131655), PROP for the Republic of the Marshall Islands (P151760), and PROP Solomon Islands project (P151777) for a complete overview of the regional project.

There are three objectives contained within this PDO:

- i) strengthen the shared management of selected Pacific Island oceanic fisheries; and
- ii) strengthen the shared management of selected Pacific Island coastal fisheries.
- iii) strengthen the shared management of critical fishery habitats

There are four components to implementing the objective of the project

- Component 1: Sustainable Management of Oceanic Fisheries
- Component 2: Sustainable Management of Coastal Fisheries
- Component 3: Sustainable Financing of the Conservation of Critical Fishery Habitats
- Component 4: Regional Coordination, Implementation Support, and Program Management

The project was restructured on September 14, 2020 (ICR paragraph 18.); the details are provided below.

- b. Were the project objectives/key associated outcome targets revised during implementation?
- c. Will a split evaluation be undertaken?
 No

d. Components

The project was designed with four components. The Federated States of Micronesia (FSM) received funding for three out of the four components. The project was restructured once in 2020 to extend the closing date and move money within components between activities.

The components for the FSM project were as follows.

Component 1: Sustainable Management of Oceanic Fisheries (Total cost at appraisal US\$5m IDA, revised to US\$5m IDA, actual US\$3.37m IDA)

At appraisal planned, the objective of this component was to strengthen the capacity of FSM to sustainably manage the shared tuna fisheries. Specifically this was to be implemented through National Oceanic Resource Management Authority (NORMA). Strengthened capacity was to be achieved through (i) disbursements to NORMA for operating costs linked to indicators for strengthened tuna fisheries management, such as, training, surveillance, and expansion of the fisheries observer program and (ii) the procurement of Goods and services needed for the achievement of the disbursement-linked indicators, such

as expansion and enhancement of the NORMA's information management system and technical assistance for organizational plans and strategies.

In the restructuring of 2020, changes were made to realign the scope of the project with the removal of activities relating to joint sea patrols due to continued issues around disclosing the patrol logbook data in compliance with condition of the United Nations Convention on the Law of the Sea Article 73. The budget was reallocated to activities within the same component including training and expanded participation of NORMA staff in industry negotiations, continued expansion and enhancement of the national observer program, and activities aimed at establishing a sanitary competent authority.

Component 2: Sustainable Management of Coastal Fisheries (Total cost at appraisal *US\$0.3m IDA*, revised to *US\$ 0.3m IDA*, actual cost *US\$0.29m IDA*)

The sole activity of this component was the development and subsequent implementation of coastal fishery management planning process in 4 FSM states, focusing on the ecosystem approach, to prepare potential activities for financing under this component. This was not changed in the 2020 restructuring.

Component 4: Regional Coordination, Implementation Support, Training and Monitoring and Evaluation (Total cost at appraisal US\$0.2m IDA, revised to US\$0.2m IDA, actual cost US\$0.49m IDA)

The objective of this component was to provide regional coordination, implementation support and program management, to ensure a coherent approach to program implementation and wide dissemination of results and lessons learned. In the 2020 restructuring the implementation support from the Forum Fisheries Agency was removed with NORMA providing operational support for the project.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates Financing

At approval, project financing was US\$5.5 million from grant IDA this level of financing was maintained through to closure.

Project Cost

The project was restructured on September 14 2020 (ICR paragraph 14). The 2020 restructuring changed the project completion date, expanded eligible criteria, adapted indicators, and added the Department of Resource Development for component 2. Total disbursement for the project is US\$4.38 million. Differing from the ICR, the ICRR does not undertake a split rating. This is because there is not a sufficient change as the PDO did not change, the results indicators changed slightly, the overall scope of the project remains similar and the restructuring was conducted late in the project and so does not materially affect the outcome. The ICR itself recognizes that the criteria for a split rating would not normally be met (ICR page 14, para 44).

Borrower Contribution

While no government contribution is discussed, there was some recognition of joint funding and operational support for oceanic fisheries from Australia, USA, New Zealand and France in the PAD (page 43). The restructuring of 2020 removed the overlap with the support for oceanic fisheries operations from other partners and contributions to the overall PDO are not cited in the ICR.

Dates

The project was approved on December 22 2014 and became effective on May 8, 2015. The restructuring of 2020 changed the closing date by 12 months from September 30 2020 to September 30 2021 to account for COVID-19 restrictions and rescope activities in component 1.

3. Relevance of Objectives

Rationale

The project's objectives with the FSM are substantially relevant to the appropriate regional strategies, which seek to strengthen the shared management of selected Pacific Island oceanic and coastal fisheries and the critical habitats upon which they depend.

At the regional and global level, the project reflects international commitments. The project's objectives are aligned with the GEF, which promotes sustainable fishing practices and wider ecosystem stewardship aligned to all elements of the national investments that tie to regional commitments and investments. At the regional level, the project objective also remains highly relevant and aligned with the Convention on the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Oceans.

Nationally, PROP objectives are aligned and remain highly relevant and timely with respect to the FSM Government's 11 Strategic Policy Objectives of its Fisheries Investment Policy 2021–2026 – A Policy for Maximizing Value of Participatory Rights (Access) under the VDS (ICR page 13, paragraph 37).

The objectives remain consistent with the most recent Regional Partnership Framework: For Kiribati, Republic of Nauru, Republic of The Marshall Islands, Federated States of Micronesia, Republic of Palau, Independent State of Samoa, Kingdom of Tonga, Tuvalu, and Vanuatu, FY17–FY21 (Report No. 100997-EAP) particularly with Focus Area 1 'Fully exploiting the available economic opportunities,' through the project's contribution to Objective 1.1 'Improved management of oceanic and coastal fisheries'. Through the RPF, the World Bank also committed to platform-based approaches offering a menu of investment and technical assistance options.

Two areas relevant to country conditions missing in the project's objectives are the incorporation of gender and the country's FCS status. The project has not mainstreamed gender in its objectives as committed to in the Regional Partnership Framework, and there was no significant impact on gender equality is recognized in the ICR (page 22, para 62). Further, all four countries where the project was implemented (the Marshall Islands, Federated States of Micronesia, Solomon Islands, and Tuvalu) have been identified as fragile and conflict-affected small states with high institutional and social fragility. This issue is not reflected in any part of the project development objective or corresponding elaborations. This means that the objective fails to

reflect a project working in a set of diverse and difficult operating environments, that can experience frequent and fast changes on the ground, reversals, security, and active conflict risks.

Rating

Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

Strengthened shared management of oceanic fisheries

Rationale

The PAD does not include a theory of change , and the ICR reconstructs the theory of change for the regional FSM project, consistent with its objectives, approach, and the activities of the project both before and after restructuring (ICR, Figure 1, page 7, para 8-9; Figure 2, page 12-13 paragraph 30). The PAD and ICR define a rationale for the project based on a regional context of increasing cooperation and coordination in fisheries and the need to strengthen national and regional elements to optimize the protection of fisheries and their natural habitats while enhancing the economic benefits. In strengthening the national and regional benefits, the PAD identifies the need to address a range of issues, for example, weaknesses in the institutions responsible for managing the use of fisheries, the fragile process of collective action in the oceanic purse seine fishery and initial progress in the long-line fisheries, threats to coastal fisheries and the degradation of natural coastal habitats. The key assumptions of the commitment, coordination and cooperation between different implementing agencies (donors, regional agencies and national agencies) are not unpacked in the PAD weakening the link and the ability to demonstrate that outputs can lead to relevant outcomes at the regional level.

<u>Theory of Change (ToC) objective 1:</u> Linked to Objective 1, the ToC defined in the ICR proposes that the project contribute a long-term outcome to enhance livelihoods, habitats, and fish stocks in the RMI based on strengthening the capacity of NORMA to sustainably manage the shared tuna fisheries through (i) improving monitoring compliance and surveillance practice; (ii) improving equipment and infrastructure. To contribute to these outcomes under this objective would require the regional Vessel a day scheme to be expanded and enforced.

The various elements of the ToC are reasonable, yet their translation of outputs into outcomes at the regional level is weakened as the outputs in the PAD are loosely specified and not clearly connected with strengthened management of purse seine and long-line tuna fisheries. Further, the main assumption that could have been further unpacked is how the regional technical assistance by the forum fisheries agency will be applied by the four countries and the Parties to the Nauru Agreement Organization, which the PAD does not describe.

Outputs

The project sought to strengthen capacity through (i) disbursements to NORMA for operating costs linked to indicators for strengthened tuna fisheries management, such as, training, surveillance, and expansion of the fisheries observer program and (ii) the procurement of Goods and services needed for achievement of the disbursement-linked indicators, such as expansion and enhancement of the NORMA's information management system and technical assistance for organizational plans and strategies. As noted above, the surveillance activity was dropped in restructuring.

The project helped improve NORMA's institutional performance, a critical enabling condition that builds towards the PDO. The main contribution of the project to the objective was to improve the capacity of NORMA's staff complement, its internal systems, and processes, including upgrades to FSM's ICT systems, and training and expanded participation of NORMA staff in industry negotiations, develop the Industry Investment Policy clarifying decision making on granting of fishing rights and help introduce a competent authority. These are important contributions within the scope of the funding, yet limited evidence is provided for how these contributed to expanded and enforced oceanic regime within the projects timeframe. Government commitments were made based on capacity supported by the project, but the delivery of these commitments falls outside the scope of the project, for example, full tuna fisheries transparency by 2023 (ICR, page 17 para 51) and the unfinished governance arrangements of the competent authority that will support access to EU markets (ICR page 19 para 53c).

This means that though the indicator targets were achieved at the outcome level, there is little demonstrated contribution to the indicators from project activities, especially as no surveillance activities were supported. For three of the indicators targets were being met at baseline (PDO 1, IRI 1, IRI 3). For the two remaining indicators activities and processes undertaken outside of the project directly contributed to their achievement, given that preference-based concessional allocation of fishing days and longline tuna fisheries are governed under the overall vessel day scheme. It is not clear how the project influenced the seine fishing days sold and disclosed annually as part of a comprehensive verification system for the Vessel Day Scheme.

Rating Modest

OBJECTIVE 2

Objective

Strengthen the shared management of selected Pacific Island coastal fisheries.

Rationale

The coastal fisheries activity of the situation analysis report for coastal fishery was completed and disseminated. The analysis consisted of a nationwide assessment, but the proposed investment options have yet to be advanced by the government.

Rating

Modest

OVERALL EFFICACY

Rationale

The project has contributed useful outputs within the scale of the investment made. However, the regional intent of the PDO is misaligned with project actions designed. The overall efficacy of this project is therefore rated as Modest, in alignment with the ICR (page 20 paragraphs 55). Though the restructuring process did help support the enhanced delivery of outputs for objective 1, there remains a gap between the outputs delivered and the intent of the PDO to strengthen the shared management of selected Pacific Island oceanic and coastal fisheries, and the critical habitats upon which they depend. Specifically, there remains areas of unfinished business and limited evidence on how capacity translated in to an improved expanded and enforced regional oceanic access regime and management and restoration of coastal fisheries.

Overall Efficacy Rating Modest

Primary Reason Low achievement

5. Efficiency

Economic Analysis: The project is estimated over its lifetime to have yielded net benefits of US\$2.1 million and an internal rate of return estimated to be 24 percent, which falls well short of 121 percent, which was cited at design. The economic analysis of the program was based on a cost-benefit analysis that took a conservative approach by solely focusing on the benefits from the purse seine tuna fishery under Objective 1 and noting that additional benefits would accrue from the long-line fishery. The main economic benefits were assumed to be due to the increase in revenue from the purse seine fishery over the six years of program implementation because of the program and a strengthened income from the vessel-a-day scheme. No benefits from the achievement of targets under objective 2 are included in these estimates.

There are shortcomings in this economic analysis. First, as indicated under efficacy, the project's assets were realized incrementally, with many being realized in the last two years of the project. Second, there is a poor connection between the results measured for the project and the overall objectives, as noted in the ICR and the efficacy section. The cost-benefit analysis does not accord well with the results of objective 1 which focused on institutional capacity and the development of a competent authority. Further, no progress was made on surveillance before the activity was dropped, which is the main pathway to affect the cost-benefit of the project.

Implementation Efficiency: The project was inadequately designed for the context and appears to have had insufficient support during initial implementation. The original project design made a range of assumptions on the adequacy of support from the regional body (the FFA) on procurement, technical, fiduciary, monitoring, and implementation support which did not hold when tested. The design does not seem to have taken into account the challenges in the fragile context in which it was implemented. The supervision from FY15-17 could have been more intense to help pick up and mitigate issues earlier than the 2020 restructuring.

Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	121.00	0 □ Not Applicable
ICR Estimate	✓	24.00	0 □ Not Applicable

^{*} Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Based on the project's substantial relevance, modest ratings for efficacy and modest rating for efficiency, this project is rated as 'Moderately Unsatisfactory'.

a. Outcome Rating
Moderately Unsatisfactory

7. Risk to Development Outcome

The main risks to development outcomes arise from gaps in the theory of change, which assumed sufficient coordination capacity and commitment from regional and national bodies in policy development and implementation would support achievement of the outcome, which does not fully reflect the fragility of the context. For example, the extent to which changes in institutional capacity relies upon the NORMA's continued adaptation of the project is central to its sustainability. In addition, the ICR (page 37 paragraph 122) reports that COVID-19 restrictions have taken a toll on the program's ability to operate, and some staff who had been trained as part of the project have left.

The establishment of a CA received impetus through this project, but the ICR acknowledges that this is an area of unfinished work. Further support will be necessary to complete the process.

Finally, though the activities were completed for the coastal fisheries, operationalizing the findings and recommendations now depends on it use, which did not fall within the scope of this project.

8. Assessment of Bank Performance

a. Quality-at-Entry

The strongest feature of the World Bank's performance for quality at entry was the strategic relevance of the project. The project attempted to undertake a new level of regional collaboration. In 2014, during project preparation, the Pacific Islands Forum Secretariat had just begun to develop a new strategic framework to streamline the development agenda and prioritize the key challenges for the region (ICR paragraphs 106 & 107). Further, the project was aligned to the Regional Partnership Framework and the strategies of the FSM's government.

Yet, as documented throughout this review, the technical, financial, fiduciary, institutional, implementation and M&E arrangements were not aligned at entry and hindered project performance initially. Issues and risks related to these areas were not identified at appraisal as the focus of the assessment did not accurately reflect the Forum Fisheries agency's readiness to support FSM and did not consider appropriately the country's systems. Further coordination arrangements with other development partners were not well defined, which meant that overlapping support areas were not detailed or managed.

The project components were not well designed in a manner that would contribute to the project objectives, as highlighted under the efficacy section. Following the restructuring, the continued use of higher-level outcome indicators meant there was a disconnect between demonstrating country results and the regional-level intent of the objectives.

Further, as highlighted in the ICR (page 31, para 109), the project's design was skewed towards objective 1 and inadequately addressed objective 2.

Quality-at-Entry Rating Moderately Unsatisfactory

b. Quality of supervision

The World Bank's supervision came to identify and resolve issues that would constrain the achievement of relevant development outcomes five years into the project, with the first restructuring in 2020, even though challenges were apparent earlier. The project became effective in April 2015, and from 2017, the project had a dedicated task team leader who led a restructuring mission, with the restructuring completed by September 2020. This restructuring adapted the scope of the project to focus on areas under objective 1. The refocusing is argued by the ICR to have supported enhancements in the delivery of the project though most of the disbursements occurred before restructuring.

As indicated by the ICR, the team intensified it's leading up to the restructuring in 2019 in a range of areas. This enabled the project to meet a range of outputs and deliver useful activities. The World Bank fulfilled its fiduciary role by adjusting the scope of expectations at the regional level and using a high-quality DLI method. The project reporting provides a useful assessment of the performance and supportive interventions undertaken.

Quality of Supervision Rating Moderately Unsatisfactory

Overall Bank Performance Rating Moderately Unsatisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The complex intervention architecture was only moderately reflected in the M&E design. With no explicit theory of change and complex implementation arrangements, the indicators defined across the project did not adequately reflect the contributions made by the project. The design of a more explicit M&E architecture would have been instrumental in facilitating timely progress and results monitoring during implementation. For example, the original results framework did not capture significant results that are important for strengthening shared management of institutional reforms, and better fisheries monitoring, compliance, and surveillance infrastructure. Following the restructuring, indicators were adapted but still did not reflect the outputs of the project. The project did not include an M&E Plan and/or manual with operational details about what, how, who, and when to monitor project progress and results indicators (for example, precise indicator definitions, data collection methodologies, monitoring and reporting arrangements, templates for [technical] progress reporting, data management, and learning and adaptation reviews).

b. M&E Implementation

The challenges of M&E implementation highlight that there were weakness in project design. It was assumed that the regional Forum Fisheries Agency would be able to coordinate M&E, but it only attempted to fulfill its agreed responsibility for coordinating the verification of DLIs. Coordination of capacity strengthening in project M&E at the country level did not materialize (ICR page 27, para 89). This meant that monitoring was not clearly linked to country deliverables before restructuring, though for DLIs it was collected and analyzed in a methodologically sound manner.

After restructuring in 2020, M&E responsibility shifted to the country, and again reflected project implementation challenges. The ICR reports (paragraph 93) that no M&E was budgeted for. Therefore, no systematic data collection was put in place (ICR page 28, para 93).

c. M&E Utilization

The evidence presented in the ICR is that the absence of systematic progress and results data collection, documentation, and reporting, the M&E utilization is consequently low. The indicators before and after restructuring did not provide evidence upon which the country or World Bank could make

decisions. A more useful system would have demonstrated how outputs delivered were utilized to help assess the quality of implementation. This would have assisted in better understanding project success.

M&E Quality Rating Negligible

10. Other Issues

a. Safeguards

Environmental and social safeguards. All safeguard policies were complied with. The project was classified Category B (partial assessment) at appraisal, triggering the following World Bank Operational Policies: (a) 4.01 - Environmental Assessment was triggered because some planned investments may generate minor to moderate site-specific and time-bound adverse environmental impacts. Activities were screened for environmental and social impacts and mitigation measures put in place to address potential site-specific impacts such as noise, waste, health and safety risks for workers, and discharges to the marine environment.

- (b) 4.04 Natural Habitats was triggered because program activities took place in marine areas (coastal and ocean) which are sites rich in biodiversity. All program activities were designed to enhance positive and sustainable returns to these important habitats.
- (c) 4.36 Forests was triggered because the broader PROP program includes TA to support the development of financing mechanisms for marine protected areas and ocean finance mechanisms (through the FFA PROP project), both of which could influence conservation incentives for coastal communities to conserve mangrove habitats. The project had no reported impact on mangroves in FSM.
- (d) 4.12 Involuntary Resettlement was triggered because the project activities may have required small-scale coastal land acquisition. However, this was not required during the project as no resettlement occurred.

The World Bank environmental and social specialists provided continued guidance to the PMU and so did the CIU's international safeguards consultant, therefore, environmental and social risk management for the project progressed well till project closing.

Studies such as the SAR and investment profiles included significant consultations with nongovernmental organizations, Government agencies, businesses, and communities.

b. Fiduciary Compliance

The World Bank fulfilled its fiduciary role with the ICRs and aide memoirs providing evidence of consistent financial monitoring, review and support and remediation where needed. For example, to mitigate risk financial management was undertaken within the Central Implementation Unit of the Department of Finance and Administration. All audit reports were unqualified.

To address procurement issues the World Bank procurement specialist conducted procurement training sessions and provided hands-on support to the PMU. Despite struggles with the procurement of goods and

services and the impact of the global COVID-19 pandemic, the contracts under the project were successfully delivered before the project closing date. The DLI had no FM issues.

c. Unintended impacts (Positive or Negative)

Conducting the DLI approach has indirectly strengthened FSM's fiscal management capacity (RPF objective 4.1).

d. Other None

11. Ratings			
Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Unsatisfactory	Moderately Unsatisfactory	
Bank Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	
Quality of M&E	Modest	Negligible	With high level outcome indicators and very limited project monitoring the evidence was not systematically produced across the project's life cycle.
Quality of ICR		High	

12. Lessons

This review reiterates the lessons provided in the ICR (paragraphs 119-128), with some minor additions and no recommendations are provided.

- 1. Long-term engagement. Pacific Islands Regional Oceanscape Program (PROP) and implementation in RMI need to be considered as a long-term multiphase process and engagement. While the original intentions of the program were and continue to be relevant, they need to be realistically stretched across multiple phases of successive projects under the program. This review would also add that they need to be grounded first in a diagnostic of country issues rather than overall regional issues.
- 2. PROP was the World Bank's first engagement in Pacific Islands' oceanic and coastal fisheries. Participating countries and institutions had little to no experience managing World Bank-financed projects. Region-specific challenges, in part due to the fragile institutional context there are capacity

constraints, significant hands-on support needed, and the overall challenges of reaching stakeholders beyond capital cities due to the dispersed nature of the countries, must also be considered at design.

- 3. The theory of change was overly complex and not well articulated in design. It employed a hub-and-spoke regional model where a country-led approach could have avoided the need for restructuring in 2018. The program's theory of change was demanding, complex, and ambitious given the client country's institutional capacity, time, political, geographical, and financial constraints. The idea of leveraging regional institutional capacities (from the FFA, SPC, and others) to effectively implement national project results chains was weakly developed, poorly understood, and owned by countries and thus operationalized sub-optimally. The underlying assumptions of the ToC were not communicated among partners, and collaboration opportunities were missed with other development partners.
- 4. There was minimal consideration of gender equality in the project design, which is a critical dimension when implementing effective coastal fisheries management. Continued support to coastal fisheries management and project can be informed by consultation with SPC's 'Pacific Framework for Action on Scaling up Community-based Fisheries Management: 2021–2025', to assess how to best engage in either direct community-based fisheries management or/and its enabling work; and (c) recent analytical work about gender inequalities in access to productive resources, assets, services, and opportunities, such as the Country Gender Assessment of Agriculture and the Rural Sector in Solomon Islands, conducted by the Food and Agriculture Organization (FAO) and SPC in 2019.2
- 5. Financing the Situation Analysis Report and leaving its implementation to additional, non-identified financing, did not yield any tangible outcomes in the coastal fisheries sector. During the design, the FSM Government was not able to fully commit to coastal fisheries development outcomes with the help of PROP financing. This was a missed opportunity and a loss of valuable time.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provided relevant details and explanations on the development and implementation of the project within the limitations of the M&E system. The ICR is candid on shortcomings in implementation. The ICR provides a useful balance of the project's shortcomings with sufficient detail. In addition, it follows the OPCS guidelines and makes an effort to link the various aspects of project achievement in circumstances where there is limited data and evidence. Thus, the rating is High.

a. Quality of ICR Rating

High