

Language: ENGLISH
Original: French



AFRICAN DEVELOPMENT BANK GROUP

**PROJECT: INFRASTRUCTURE REHABILITATION FOR FOOD SECURITY
SUPPORT PROJECT (PRIASA)**

COUNTRY: SAO TOME AND PRINCIPE

APPRAISAL REPORT

Date: July 2010

Appraisal Team	Team Leader:	KANE Lamine
	Team Members:	BA NAYE Rita KROMER Jean Louis BOULANOUAR Bouchaïb SHALABY Hany YARO Mamadou BOULENGER Xavier
	Sector Director:	A. ABOU SABAA, OSAN
	Regional Director:	F. PERRAULT, ORWB
;		
Peer Review	Team Members:	N. KACEM (OSAN.2) T. BEDINGAR (OSAN.0) J.P. KALALA (OITC.1) L.C. TAWA, (ORVP.0) M. KANE (OSAN.2)

TABLE OF CONTENTS

	<u>Page</u>
Currency Equivalents, Fiscal Year, Weights and Measures, Acronyms and Abbreviations, Project Information Sheet, Executive Summary, Results-Based Logical Framework, Project Implementation Schedule	i-vi
I. Strategic Thrust and Rationale.....	1
1.1. Project Linkages with Country Strategy and Objectives	1
1.2. Rationale for Bank's Involvement	1
1.3. Aid Coordination.....	2
II. Project Description	3
2.1. Project Components	3
2.2. Technical Solutions Adopted and Alternatives Explored	3
2.3. Project Type	4
2.4. Project Cost and Financing Arrangements.....	5
2.5. Project Target Area and Beneficiaries	6
2.6. Participatory Approach for Project Identification, Design and Implementation	6
2.7. Bank Group Experience and Lessons Reflected in Project Design	6
2.8. Key Performance Indicators.....	7
III. Project Feasibility	7
3.1. Economic and Financial Performance.....	7
3.2. Environmental and Social Impact	8
IV. Implementation	10
4.1. Implementation Arrangements	10
4.2. Monitoring	11
4.3. Governance.....	122
4.4. Sustainability.....	122
4.5. Risk Management.....	133
4.6. Knowledge Building	133
V. Legal Framework	133
5.1. Legal Instrument	133
5.2. Conditions Associated with Bank's Intervention.....	144
5.3. Compliance with Bank Policies	144
VI. Recommendation	144

APPENDIXES

Appendix I. Sao Tome's Comparative Socio-Economic Indicators

Appendix II. Table of ADB Portfolio in Sao Tome and Principe

Appendix III. Major Related Projects Financed by the Bank and Other Development Partners

Appendix IV. Map of Project Area

VOLUME 2 (separate report): TECHNICAL ANNEXES

Annexe A: Country Development Agenda, Sector Overview and Donor Support.

Annexe B: Key Supporting Arguments of Report.

Annexe C: Supplementary Technical Annexes

Currency Equivalents (July 2010)

Currency Unit	=	Dobra (STD)
UA 1	=	STD 28,352
UA 1	=	USD 1.4789
UA 1	=	EUR 1.20520

Fiscal Year 1 January – 31 December

Weights and Measures

1 metric tonne	=	2204 pounds
1 kilogram (kg)	=	2.200 pounds
1 metre (m)	=	3.28 feet
1 millimetre (mm)	=	0.03937 inches
1 kilometre (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

Acronyms and Abbreviations

CATAP	=	Centre de perfectionnement agropastoral (Advanced Agro-Pastoral Training Centre)
CIAT	=	Centre de recherche agronomique and technologique (Agricultural Research and Technology Centre)
CIF	=	Community Investment Fund
DGA	=	Directorate General for the Environment
DGP	=	Department of Fisheries
EIG	=	Economic Interest Group
ESMP	=	Environmental and Social Management Plan
GIME	=	Road Maintenance Interest Group
INAE	=	National Highway Institute
MAPDR	=	Ministry of Agriculture, Fisheries and Rural Development
MARAPPA	=	Sea, Environment and Artisanal Fisheries (NGO)
NPRS	=	National Poverty Reduction Strategy
PAPAFPA	=	Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme
PMT	=	Project Management Team
PRIASA	=	Infrastructure Rehabilitation for Food Security Support Project
STP	=	Sao Tome and Principe

Project Information Sheet

Client Information

DONEE : Republic of Sao Tome and Principe

EXECUTING AGENCY: Ministry of Agriculture, Fisheries and Rural Development (MAPDR)

Financing Plan

Source	Amount (UA)	Instrument
ADF	5 million	ADF Grant
Beneficiaries	0.10	-
Government	0.16 million	-
TOTAL COST	5.26 million	

Key Information on ADB Financing

Grant Currency	USD 7.39 million or EUR 6.012 million or STD 141.759 billion
FRR, NPV (base case)	12%, USD 1.09 million
ERR (base case)	18.7%

**if applicable*

Timeframe – Main Milestones (expected)

Concept Note Approval	2 June 2010
Project Approval	October 2010
Effectiveness	January 2011
Last Disbursement	4 th quarter 2014
Completion	31 December 2014
Last Repayment	Not Applicable

Project Summary

General Project Overview: The Infrastructure Rehabilitation for Food Security Support Project (PRIASA), which is scheduled to last four years and cost UA 5.26 million, including an ADF grant of UA 5 million, will cover the two islands of Sao Tome and Principe. The main expected outcomes are: (i) upgrading the main artisanal fisheries landing sites (Sao Paolo, Neves, Sto Antonio de Principe, Santana); (ii) rehabilitation, equipping and training of staff of the fishery product quality control laboratory; (iii) upgrading the Sao Tome fish market to required standards; (iv) rehabilitation works on 27 km of feeder roads; (v) rehabilitation and extension of 10 irrigation systems; (vi) construction of 6 stores, 12 nursery sheds and 11 solar dryers; (vii) establishment of six agricultural processing units; (viii) rehabilitation, equipment and training support for the Agricultural Technology Training Centre (CATAP) and the Agricultural Research and Technology Centre (CIAT); (ix) awareness raising and support in the structuring and formation of associations and EIGs; and (x) establishment of a fisheries monitoring, control and surveillance system. By rehabilitating or setting up a number of key infrastructure using the participatory approach, and building the capacity of stakeholders, the project will not only boost food production but also contribute to improving the living conditions of the population, especially in terms of opening up isolated areas, nutrition, human health and social organisation. Overall, more than 13,000 people, more than half of whom are women, will benefit directly from the project outcomes. By the end of the project, an additional production of 4,000 tonnes of fish and 3,400 tonnes of food and horticultural products is expected.

Needs Assessment: The rural sector occupies an important place in Sao Tome and Principe. Despite the expansion of food crop production and a proven production potential, the country continues to depend heavily on imports. The food security analytical survey conducted in 2007 showed that about 36,000 people, or 22% of the STP population, were food insecure. The analysis of the various constraints highlighted primarily problems of isolation, irregular supply and inadequate product preservation, enhancement and quality.

Value Added for the African Development Bank: The Bank has been involved for over 10 years in the rural sector in Sao Tome and Principe, among others, through support to livestock development. In addition to this operation, which already contributes to food security, PRIASA will cover food crops and fisheries, which involve many poor families. The Bank will provide expertise mainly in the area of diversified rural infrastructure, in keeping with its new agricultural and agro-industry strategy.

Knowledge Management: Mainly through its “Capacity Building of Production Support Structures” component, PRIASA will contribute to the training and knowledge building of the different actors, primarily including farmers and fishermen. The support to the Advanced Agro-Pastoral Training Centre will help to strengthen the knowledge of rural actors. The project will also help to develop within the Sao Tome Administration, specific expertise in irrigation, as well as in the monitoring and certification of food products. The project will provide better knowledge of fish resources and develop climate change adaptation measures, which will allow the Bank to increase its expertise in this area and in an island environment.

Results-Based Logical Framework

Hierarchy of Objectives	Expected Outcomes by Sector and Theme	Reach	Performance Indicators by Source and Method	Timeframe of Indicative Targets	Assumptions/Risks
Sector/Theme Goal	Sector /Theme Long-Term Results	Beneficiaries	Impact Indicators of Long-Term Outcomes	Indicative Targets and Timeframe	Assumptions/Risks
Contribute to improved food security in STP and to poverty reduction	<ol style="list-style-type: none"> Increase the STP population's coverage rate in local food and fishery products Reduce poverty and increase the income of farmers and fishermen, and of traders in agricultural and fishery products in STP 	<ol style="list-style-type: none"> STP population, estimated at 169,000 inhabitants in 2010, including 86,000 women STP farmers and fishermen, as well as agricultural and fishery product traders, or about 36% of the STP population 	<ol style="list-style-type: none"> Reduction in agricultural and fishery product imports in STP Reduction in the percentage of the population living below the poverty line <p>Sources: NPRS, Agricultural Charter, UNDP reports, statistics of Ministries</p>	<ol style="list-style-type: none"> The share of local products in the food ration increases from 60% in 2011 to 75% in 2016 The dependence on food products is reduced by 50% between 2007 and 2015, and by 80% between 2015 and 2025 The percentage of the population living below the poverty line drops from 53.8% in 2001 to less than 33% in 2015 	<ul style="list-style-type: none"> <u>Assumption</u> <ul style="list-style-type: none"> Political stability <u>Risks</u> <ul style="list-style-type: none"> Instability and institutional weaknesses Difficulty with the collective organisation of farmers and fishermen <u>Mitigative measures</u> <ul style="list-style-type: none"> Support to partners in the country's economic and social development process Participatory approach and capacity building
Project Objective	Medium-Term Outcomes	Beneficiaries	Impact Indicators of Medium-Term Outcomes	Indicative Targets and Timeframe	Assumptions/Risks
Improve the availability of agricultural and fishery products, through the rehabilitation of agricultural, rural and artisanal fishery infrastructure	<ol style="list-style-type: none"> Sustainable increase in artisanal fishery production and irrigated farming Improved preservation and enhancement of agricultural and fishery products Opening up of rural areas Institutional and technical capacity building of support agencies 	<ol style="list-style-type: none"> STP population, estimated at 169,000 inhabitants in 2010, including 86,000 women STP farmers and fishermen, as well as agricultural and fishery product traders, or about 36% of the STP population Population, farmers and market gardeners of the six areas covered Relevant MAPDR structures (DGP, CIAT, CATAP, etc.), farmers and fishermen in the impact areas. 	<ol style="list-style-type: none"> Additional marketed artisanal fisheries production per year Additional marketed horticultural and food production per year Number of newly commissioned and operational cooling and processing units Number of farmers benefiting from all-season feeder roads Increased training and supervisory services provided by the Administration <p>Sources: Project reports, reports of partners involved, mid-term review report and completion report, surveys and statistics of Ministries</p>	<ol style="list-style-type: none"> 1.200 tonnes by 2012 4.000 tonnes by 2014 1.200 tonnes by 2012 3.400 tonnes by 2014 7 units by 2012 13 units by 2014 1.500 people by 2012 4.400 people by 2014 1 fishery quality control agency is operational in Sao Tome by 2014 CATAP has the capacity to admit and train farmers as from 2012 CIAT has the capacity to preserve improved seeds and exercise increased control over product quality as from 2013 	<ul style="list-style-type: none"> <u>Assumptions</u> <ol style="list-style-type: none"> Political support to food security is maintained regardless of changes in government Ownership of project objectives and activities by farmers, fishermen and traders Mobilisation of public institutions and NGOs in the implementation of project activities <u>Risks</u> <ul style="list-style-type: none"> Island country and institutional, organisational and human resource weaknesses <u>Mitigative measures</u> <ul style="list-style-type: none"> PMT recruited and autonomous Partnerships established with various structures and projects Support in the structuring of fishermen Capacity building of different actors

Activities/Inputs	Short-Term Outcomes	Beneficiaries	Indicators of Short-Term Outcomes	Indicative Targets and Timeframe	Assumptions/Risks
<p><i>1. Component I: Rehabilitation and construction of rural infrastructure (UA 3.20 million)</i></p> <p>1.1 Rehabilitation and construction of fisheries infrastructure</p> <p>1.2 Rehabilitation and construction of agricultural infrastructure</p>	<p>1.1 Markets, landing sites, cold rooms and ice plants rehabilitated or built</p> <p>1.2 Feeder roads, irrigation systems stores, dryers, nursery sheds and processing units rehabilitated or built</p>	<p>1.1 Population of Sao Tome and Principe islands</p> <p>1.1 and 1.2 Operators in the sector (60% women) comprising traders, fish processors, fish mongers; smallholders and market gardeners in the six areas concerned</p>	<p>1.1.1 Number of fish landing sites rehabilitated</p> <p>1.1.2 Number of markets rehabilitated and/or equipped</p> <p>1.1.3 Number of cooling units and ice plants established</p> <p>1.2.1 Length of feeder roads rehabilitated or developed</p> <p>1.2.2 Newly irrigated areas served</p> <p>1.2.3 Number of stores built</p> <p>1.2.4 Number of sheds built</p> <p>1.2.5 Number of dryers built</p> <p>1.2.6 Number of processing units installed</p>	<p>1.1.1 1 by 2012 2 by 2014</p> <p>1.1.2 1 market by 2012 2 markets by 2014</p> <p>1.1.3 2 units, 1 plant by 2012 4 units, 3 plants by 2014</p> <p>1.2.1 10 km by 2012 27 km by 2014</p> <p>1.2.2 120 ha by 2012 340 ha by 2014 (10 networks)</p> <p>1.2.3 3 by 2012, 6 by 2014</p> <p>1.2.4 6 by 2012, 12 by 2014</p> <p>1.2.5 5 by 2012, 11 by 2014</p> <p>1.2.6 3 units by 2014 6 units by 2014</p>	<ul style="list-style-type: none"> • <u>Assumptions</u> - No major physical contingencies during works - Contractors recruited are competent and efficient - Participation of Road Maintenance Interest Groups (GIME) in feeder road maintenance • <u>Risks</u> - Delay in execution of various works • <u>Mitigative measures</u> - Suitable procurement arrangements - Synergy with EU (feeder roads) and PAPAFA (Community Investment Fund, CIF) - Specialised technical assistance
<p><i>2. Component II: Capacity building of production support structures (UA 1.22 million)</i></p> <p>2.1 Improving fisheries control and building the capacity of fishermen</p> <p>2.2 Strengthening support services to agricultural production and producer organisations</p> <p>2.3 Strengthening oversight Ministry</p>	<p>2.1 Fisheries monitoring and control centre built, quality control laboratory rehabilitated and equipped, and monitoring and training activities conducted</p> <p>2.2 CIAT and CATAP premises rehabilitated and equipped, and training and structuring activities carried out</p> <p>2.3 Skills and resources strengthened within MAPDR</p>	<p>2.1 Relevant DGP staff, fishermen and fish traders</p> <p>2.2 Relevant CATAP and CIAT staff, farmers concerned and NGOs involved in training</p> <p>2.3 MADPR senior staff and technicians</p>	<p>2.1.1 Surveillance centre and quality control laboratory built</p> <p>2.1.2 Catch monitoring reactivated and legislative framework established</p> <p>2.1.3 Number of fishermen and fish traders supervised and trained</p> <p>2.2.1 CATAP and CIAT extensions rehabilitated and functional</p> <p>2.2.2 Number of producer associations trained</p> <p>2.3 Number of MAPDR technicians trained</p>	<p>2.1.1 1 surveillance centre and 1 quality control laboratory built by 2013</p> <p>2.1.2 1 statistical and 1 legislative framework established by 2014</p> <p>2.1.3 400 by 2012 (50% women) 1,200 by 2014 (50% women)</p> <p>2.2.1 CATAP and CIAT extensions rehabilitated/equipped by 2014</p> <p>2.2.2 20 associations supervised and trained by 2012, 45 by 2014</p> <p>2.3 50 personnel trained by 2012 100 personnel trained by 2014</p>	<ul style="list-style-type: none"> • <u>Assumptions</u> - farmers and fishermen are receptive to training programmes - NGOs and firms provide quality services • <u>Risks</u> - weak associations - difficulty in structuring artisanal fisheries sector • <u>Mitigating measures</u> - recruitment of MARAPPA - use of local NGOs - recruitment of CIF facilitators

<p>3. Component III: Project Management (UA 0.84 million)</p> <p>3.1 Administrative and financial management of project</p> <p>3.2 Financial auditing and accounting</p> <p>3.3 Monitoring and evaluation</p>	<p>3.1 Project managed in accordance with requisite standards</p> <p>3.2 Audit for each year conducted and validated on time</p> <p>3.3 Baseline situation and computerized monitoring-evaluation system operational</p>	<p>3.1 MAPDR PMT and project partner structures, including CIF</p> <p>3.2 Govt. and ADB</p> <p>3.3 Govt. and ADB</p>	<p>3.1 Number and regularity of project progress reports</p> <p>3.2 Number of audit reports</p> <p>3.3 Baseline situation, mid-term review, final and monitoring-evaluation reports</p> <p>Sources: agreements and contracts signed, supervision reports, progress reports, control agency report, mid-term review and completion reports</p>	<p>3.1 four quarterly reports and one annual report available yearly</p> <p>3.2 one audit report produced yearly before 30 June</p> <p>3.3.1 one baseline situation report produced by 2011</p> <p>3.3.2 project performance indicators updated each quarter</p> <p>3.3.3 one mid-term review and one PCR produced by 2013 and 2015, respectively</p>	<ul style="list-style-type: none"> • <u>Assumptions</u> <ul style="list-style-type: none"> - efficient PMT staff recruited - counterpart funds available on time - coordination and partnership with DGP, INAE, CIF, DGA • <u>Risk Indicators</u> <ul style="list-style-type: none"> - compliance with estimated timetable - number of documents/files approved - disbursement rates • <u>Mitigating measures</u> <ul style="list-style-type: none"> - support to ADB CNP in STP missions - adequate procurement arrangements
---	--	--	---	---	---

SAO TOME AND PRINCIPE
INFRASTRUCTURE REHABILITATION FOR FOOD SECURITY SUPPORT
PROJECT (PRIASA)
APPRAISAL REPORT

Management submits this report and the related recommendations for a proposed grant of UA 5 million to the Republic of Sao Tome and Principe for financing the Infrastructure Rehabilitation for Food Security Support Project.

I. Strategic Thrust and Rationale

1.1. Project Linkages with Country Strategy and Objectives

Drawn up for the 2000-2015 period, the National Poverty Reduction Strategy (NPRS) aims to reduce poverty by half by 2010, achieve an annual real GDP growth rate of 5%, promote good governance and capacity building as well as reduce social and gender disparities between the island of Sao Tome and the autonomous region of Principe, and between the rural and urban areas. The action programme derived from NPRS includes in its priorities the promotion of food security through increased domestic production and reduction of external dependence, and improved basic infrastructure. The Bank's intervention strategy in STP for the ADF XI period (2005-2009), is hinged on two pillars, namely: (i) poverty reduction in rural areas through the diversification of the productive base and improved access to basic infrastructure; and (ii) promotion of good governance in public finance management through political and economic governance, viability of the macroeconomic framework and effective implementation of the NPRS. The Bank Group's interim assistance strategy covering the period 2010-2011, builds on the previous strategy and consists of the following two pillars: (i) capacity building of public administration; and (ii) support to food security. Therefore, PRIASA draws on the priorities of the NPRS and the interim CSP, by targeting specifically food security through infrastructure development. Its design is based on the Bank's agricultural sector strategy for the 2010-2014 period.

1.2. Rationale for Bank's Involvement

The rural sector occupies an important place in Sao Tome and Principe. It is estimated that nearly a third of the population is engaged in agriculture, livestock farming and fisheries. The agricultural sector's contribution to GDP is about 19%, with cocoa as the leading export product. Sao Tome and Principe is relatively rich in natural resources and has definite potential, with fertile and good quality soil. It has an estimated annual fishery potential of between 23,000 and 29,000 tonnes, water availability during the dry season, temperatures averaging 25°C and a variety of micro-climates. Despite all these advantages, STP is still among the least developed countries, with low income, food deficit and a GDP per capita of around USD 390. The food security analytical survey conducted in 2007 showed that about 36,000 people (22% of the STP population) were food insecure. Despite the expansion of food crop production and a proven productive potential, the country continues to rely heavily on imports. The analysis of various constraints highlighted primarily problems of isolation, irregular supply and inadequate product preservation and enhancement. Added to this is the weak development of infrastructure, with very high structural costs that affect the competitiveness of all sectors of the economy, as well as low human resource capacity. This situation has led the Bank to consider Sao Tome and Principe a Fragile State that should benefit from the facilities offered under the Fragile States Facility, particularly Window III targeted support. PRIASA aims to equip communities with appropriate infrastructure and support them to become better organised, thus enabling them to regularly produce and sell

increased quantities and better quality agricultural and fishery products. The Bank, in synergy with and in continuation of actions undertaken by other partners (IFAD, FAO, EU, UNDP, AFD, WFP, etc.), will contribute specifically to rural infrastructure and community organisation. It is worth noting that the Government has recently taken steps to improve the business environment in the country. These include notably the law on the Public Procurement Code, the establishment of an integrated and computerized public finance management system and the adoption of a new investment code.

1.3. Aid Coordination

Official Development Assistance (ODA) accounts for 80% of the country's GDP. In spite of this, STP does not have a structured institution with access to data and information for analysing, managing and monitoring this assistance. In early 2007, the STP Government approved the establishment of the Aid Coordination and Management Agency (CCGA), which is placed jointly under the Ministry of Foreign Affairs, Cooperation and Communities and the Ministry of Finance and Planning. Despite the establishment of the CCGA, coordination and complementarity of interventions have developed more among partners, especially with the IMF and the World Bank, during field missions, by telephone or the internet. Partners present in Sao Tome (UNDP and other UN agencies, which host the Bank's Programme Office in STP, a few bilateral partners such as Portugal, Brazil, France, US, through the Millennium Challenge Corporation (MCC), and Taiwan) meet periodically, which facilitates the exchange of information and the search for synergies in development action. The intervention of various partners in the wider rural sector (agriculture, livestock, fisheries, the environment, etc.) is summed up as follows:

Sector or Sub-Sector*	Size		
	GDP	Exports	Manpower
Rural Sector	19.4%	81%	about 30% of Rural Households
Stakeholders – Public Expenditure (ongoing programmes or projects)			
Government	Donors	Amounts	Period
USD 5.4 million	FAO	USD 0.9 million	2007-2010
	IFAD	USD 13.4 million	2003-2015
	ADB	USD 5.89 million	2007-2011
	WFP	USD 7.7 million	2006-2011
	AFD	USD 0.94 million	2009-2012
	UNDP	USD 0.65 million	2007-2010
	EU	USD 2.39 million	2007-2010
	Spanish Coop.	USD 7.98 million	2008-2011
Level of Aid Coordination			
Existence of thematic work groups			No
Existence of comprehensive sector programme			No

II. Project Description

2.1. Project Components

Table 2.1: Project Components

No.	Component Name	Estimated Cost (UA)	Component Description
1	Rehabilitation and Construction of Rural Infrastructure	UA 3.20 million	<p><i>This component covers all the works for infrastructure to be developed in the fisheries sector, the opening up and equipping of production areas to allow the increased availability of agricultural and fishery products, as well as improving the quality of marketed products. The sites were identified by MAPDR, in conjunction with the departments concerned, based on the needs expressed by the population, considered priority.</i></p> <ul style="list-style-type: none"> ▪ Artisanal fisheries: modernisation of Sao Tome market, 4 cooling units, 3 ice plants, 2 landing sites ▪ 27 km of feeder roads, 10 irrigation networks (340 ha) ▪ 6 stores, 11 dryers, 12 nursery sheds, 6 processing units
2	Capacity building of production support structures	UA 1.22 million	<p><i>This component aims to provide essential support to communities affected by the physical interventions of the Project, to enable them to assume full responsibility for the activities initiated. The component also covers actions undertaken to ensure more effective product control and better consideration of environmental issues.</i></p> <ul style="list-style-type: none"> ▪ Repair and modernisation of buildings for product analysis and control (fisheries laboratory and CIAT), training (CATAP) and fisheries monitoring (DGP) ▪ Awareness raising, structuring and strengthening of farmers and fishermen's organisations (MARAPPA, CIF and NGO interventions)
3	Project Management	UA 0.84 million	<p><i>This component involves project implementation and coordination, to ensure the implementation of all activities, in keeping with the timetable, proper management of the resources allocated, as well as monitoring and measuring the impacts and results.</i></p> <ul style="list-style-type: none"> ▪ Operation of PMT ▪ Administrative and financial management ▪ Monitoring/Evaluation

2.2. Technical Solutions Adopted and Alternatives Explored

2.2.1 The technical solutions adopted are based on criteria and standards to ensure the sustainability of investments and proper ownership by the beneficiaries. They also took into account lessons from similar projects, based on the design options tailored to meet local and island conditions. The feeder roads will be rehabilitated according to the standards set by INAE, with emphasis on the use of local material and local skills (GIME). The options chosen are justified by the low cost of maintenance that does not require high technical expertise.

2.2.2 In the area of irrigation, the works will consist of: (i) restoring the river intake point; (ii) rehabilitating the water transport system (channels or pipes) up to the user area; (iii) building storage reservoirs; and (iv) establishing a distribution system downstream of the reservoir (underground pipes). The option of surface irrigation is widely preferred as it takes

advantage of the numerous relief features and addresses management difficulties due to the non-use of pumping devices.

2.2.3 For artisanal fisheries, the type and size of the infrastructure selected (markets, landing sites, cold rooms, ice machines, etc.) have been adapted to the capacity of the beneficiaries, taking into account the management constraints and based on past experience. The inadequacies of the national electricity grid have been considered by focusing on sites with power supply and making provision on other sites for back-up devices (e.g. thermal generators). The building and equipping of ice-making plants is also a stop-gap measure for the unreliable power supply. With regard to fish preservation, natural salting and drying is a «no-energy» option that is fairly well accepted locally.

*Table 2.2
Alternative Solutions Considered and Reasons for Rejection*

Alternative Solution	Brief Description	Reasons for Rejection
Rain-fed food production	Produce food crops strictly by rain-fed cultivation	Despite abundant average rainfall, STP has been experiencing longer and longer periods of drought, which constitutes a new constraint to food production, particularly in the northern part of Sao Tome Island.
Stock, package and market fish without the cold chain	Transport, market and consume fish fresh, salted and dried or smoked.	The marketing of fish poses serious food safety problems because of the lengthy transportation delays. Salting and smoking restrict the cooking options for consumers, and require improvements for better safety, especially as smoking contributes to environmental degradation.
Market fish and food products separately	Organise agricultural production and artisanal fisheries, and the sale of their products separately.	Organising farmers and fishermen into EIGs or associations will enhance the efficiency of the value chain. The communal use and maintenance of the infrastructure and equipment will be optimised. Production and marketing separately will deprive the producers of the benefits of economies of scale.
Rehabilitate feeder roads using contractors	Prepare bidding documents, recruit contractors through competitive bidding to execute the works	The GIMEs, trained and equipped with the support of the Government and the EU, are responsible for maintenance of feeder roads in STP, and are capable of carrying out the rehabilitation works envisaged. This will allow greater ownership and enhanced efficiency than if the works were undertaken by a contractor.
Sub-sector focused approach (irrigation, fisheries, etc.)	Target food crops only or fisheries only	Food supply opportunities to address the problem of food security are limited in Sao Tome and Principe. The integrated approach allowing capitalisation of the entire island's possibilities (crop and fish production) has been adopted. It should be noted, however, that consistent with the Bank's agricultural strategy, the activities to be financed by the Bank involve improvement of production infrastructure and agricultural marketing.

2.3. Project Type

PRIASA is an investment operation financed by an ADF Grant. The sector budget support approach is premature in view of the overall weak institutional capacity of the sector, and the governance profile assessment, which is not in favour of establishing a sector budget support.

2.4. Project Cost and Financing Arrangements

2.4.1 The total project cost, including physical and financial contingencies, net of taxes and customs duty, is estimated at UA 5.26 million, or about USD 7.78 million. This cost comprises UA 2.48 million (or USD 3.68 million) in foreign currency (47%), and UA 2.78 million (or USD 4.10 million) in local currency (53%). It includes a 5% provision for physical contingencies and about 3% provision for annual price escalation. The total amount of unallocated resources represents a little under 10% of the project cost.

2.4.2 The project will be jointly funded by: (i) an ADF grant of UA 5 million (95%); and (ii) the Government and beneficiaries, for UA 0.26 million (5%). The Government contribution will be used to cover part of the salaries of senior government personnel involved in the project, and part of the cost of renting the premises assigned to the project. The beneficiaries will contribute mainly by providing labour for the community agricultural infrastructure. The following tables give the cost breakdown by component, expenditure category and source of financing, as well as the relevant timetable. The detailed project cost by component is given in Annex B2 of the technical report.

*Table 2.3
Estimated Cost by Component (in UA million)*

<i>Components</i>	<i>F.E. Cost</i>	<i>L.C. Cost</i>	<i>Total Cost</i>	<i>% F.E.</i>
Rehabilitation and Construction of Rural Infrastructure	1.29	1.58	2.87	45.0
Capacity Building of Production Support Structures	0.67	0.44	1.11	60.6
Project Management	0.26	0.50	0.76	34.7
Total Base Cost	2.23	2.51	4.74	47.0
Provision for Physical Contingency	0.11	0.09	0.20	53.8
Provision for Price Escalation	0.14	0.18	0.33	44.5
Total Project Cost	2.48	2.78	5.26	47.1

*Table 2.4
Sources of Financing (in UA million)*

<i>Sources of Financing</i>	<i>F.E. Cost</i>	<i>L.C. Cost</i>	<i>Total Cost</i>	<i>% total</i>
ADF	2.48	2.52	5.00	95.0
Government	0.00	0.16	0.16	3.1
Beneficiaries	0.00	0.10	0.10	1.9
Total Project Cost	2.48	2.78	5.26	100.0

*Table 2.5
Project Cost by Expenditure Category (in UA million)*

<i>Expenditure Category</i>	<i>F.E. Cost</i>	<i>L.C. Cost</i>	<i>Total Cost</i>	<i>% F.E.</i>
Works	1.00	1.24	2.24	44.7
Goods	0.68	0.08	0.76	88.9
Services	0.47	0.53	1.00	46.7
Operating Cost	0.08	0.33	0.41	20.5
Staff	0.00	0.33	0.33	0.0
Total Base Cost	2.23	2.51	4.74	47.0
Provision for Physical Contingency	0.11	0.09	0.20	53.8
Provision for Price Escalation	0.14	0.18	0.33	44.5
Total Project Cost	2.48	2.78	5.26	47.1

Table 2.6
Expenditure Schedule by Component (in UA million)

<i>Components</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>Total</i>
Rehabilitation and Construction of Rural Infrastructure	0.34	1.68	0.80	0.38	3.20
Capacity Building of Production Support Structures	0.18	0.77	0.18	0.10	1.23
Project Management	0.29	0.17	0.21	0.17	0.84
Total Project Cost	0.80	2.62	1.18	0.66	5.26

2.5. Project Target Area and Beneficiaries

The project area covers the whole of Sao Tome and Principe, with a total area of 1,001 km². The island of Sao Tome is sub-divided into six districts, namely Agua Grande, Me-Zochi, Lobata, Lemba, Cantagalo and Caue. The island of Principe consists of the autonomous district of Pague. The climate is equatorial oceanic, characterized by an average rainfall of 3,200 mm per year and temperatures averaging 26.5°C. Project activities will cover the entire country with the exception of the two protected nature reserves totalling 295 km². The artisanal fisheries activities will more specifically concern the market of Sao Tome and the sites of Sao Paulo, Neves, Santana and Sto Antonio de Principe. The beneficiary population covered by the project are those of STP, or about 160,000 people, including about 7,000 on the island of Principe. More directly, the project will affect nearly 10,000 rural dwellers, 1,400 fishermen and 1,700 fishmongers who will benefit from improved infrastructure and capacity building. It is expected that upon completion, the project will generate increased food and horticultural production of 3,600 tonnes, and fishery products of 4,000 tonnes.

2.6. Participatory Process for Project Identification, Design and Implementation

The identification mission organised three workshops to engage in discussions with Government actors, civil society and development partners, respectively. Consultations with Government, NGOs, farmers and ongoing projects were pursued during the preparation and appraisal missions, and several visits were made to the field, both to the Sao Tome and Principe islands. This approach enabled better understanding of island realities, proper assessment of the operational constraints and identification of possible synergies. During project implementation, preference will be given to the participatory approach and farmers and fishermen will be fully involved in all decision-making, and will contribute to the construction of community infrastructure. They will benefit throughout the project from training and the assistance of experienced NGOs that will provide them the needed support in awareness raising, information, organisation and structuring. The civil society and farmers will be represented on the project steering committee.

2.7. Bank Group Experience and Lessons Reflected in Project Design

2.7.1 The PRIASA design takes into account lessons learned from implementing previous Bank operations in STP in various sectors, particularly the weaknesses and constraints noted in the project currently being implemented in the agricultural sector. Generally, there are often delays in project implementation, due mainly to poor understanding of the procurement process and worsened by the narrowness of the market and the difficulty of attracting foreign firms and contractors. At the institutional level, the instability observed in the line ministries and the limited project management experience of public officials, have often hampered the

implementation of operations. Lastly, past experience has clearly shown that the development of innovations and support to structuring in various sectors require technical solutions that are tailored to the capacity of actors as well as sustained support entailing the intervention of operators and specialised NGOs on the ground and familiar with local realities.

2.7.2 The design of this project draws on past lessons, adopts proven procedures suitable to the island context and relies on recognised experienced structures. PRIASA aims to draw on best practices and integrate itself in complementarity and synergy with other partners. Thus, for implementing the project, it has been decided to: (i) recruit, on a competitive basis, a light, well qualified and experienced team to manage the project; (ii) make use of the Community Investment Fund (CIF) set up within the framework of IFAD projects, to carry out the rehabilitation or construction of agricultural infrastructure; (iii) undertake feeder road repair and rehabilitation works by involving the GIMEs (the road maintenance groups) set up under the European Union projects; and (iv) involve NGOs with proven efficiency, for outreach activities and organisation of the project beneficiary population.

2.8. Key Performance Indicators

Internal monitoring and evaluation of project activities and indicators defined in the logical framework will be carried out by the Monitoring and Evaluation Expert of the Project Management Unit, in close collaboration with all partners and associated structures. Particular emphasis will be placed on targeting the most relevant parameters that can be monitored and collected internally, and defining those related specifically to women. Monitoring will mostly cover: (i) the infrastructure implementation rate (kilometres of roads rehabilitated, number of infrastructure built by type, etc.); (ii) the area under irrigation (hectares); (iii) the level of additional production (tonnes); (iv) the substantive organisation of supervision and training (number of people trained); (v) the involvement of women in decision-making bodies (percentage); etc. These indicators are consistent with the key sector indicators (KSI) established by the Bank for more effective overall monitoring of its operations. For monitoring and data collection, the services of the following will be used: CIF outreach team (agricultural infrastructure), the INAE services and database (feeder roads), the MARAPPA NGO (fisheries component outreach) and the Fisheries Statistics Department, which will receive support from the project. The various supervision missions and periodic progress reports will report on the level of achievement of each indicator.

III. Project Feasibility

3.1. Economic and Financial Performance

*Table 3.1
Key Economic and Financial Data*

NPV (base case)	NPV USD 1.09 million at a discount rate of 12%
ERR (base case)	18.7%

3.1.1 The economic and financial performance was evaluated on the basis of a 20-year investment lifespan. They focused on the operating results of the major activities selected: markets for food, market garden and fishery products, access roads, storage and preservation buildings, irrigation plots developed and processing units set up. With the support of the project, food supply available on the market is expected to increase from 150 to 980 tonnes (for food crops) and from 600 to 3,200 tonnes (for vegetables). Various project operations in

the area of fisheries (both upstream and downstream production) should make it possible to increase the level of catches from 4,000 to 8,000 tonnes by the end of the project. The additional revenue generated by the project from the net value of additional agricultural and fishery production marketed will amount to USD 1.125 million in the peak year. In terms of profitability, the project has an economic rate of return (ERR) of 18.7% and a net present value (NPV) of USD 1.09 million, at the opportunity cost of capital of 12%. This rate is considered satisfactory given the nature of the project, whose activities mainly involve infrastructure to support food security. It can be established from the ERR sensitivity tests that a 10% decline in project revenue will have a significant impact on the rate of return, which would drop to about 12%. A 10% increase in the investment cost would push the ERR up to 16%. The assumptions and detailed calculations of the economic and financial analysis are given as Annex B7.

3.1.2 The project will directly benefit about 700 farms, supported through the development of the irrigated areas, and indirectly 1,500 farms along the rehabilitated feeder roads, or nearly 40% of the farm population in the project areas. Income generated in the peak phase should rise from USD 1,500 per ha to USD 2,200 per ha for the food crop farms, and for the market gardens, from USD 2,000 per ha to USD 3,000 per ha. For fisheries, the income should increase from USD 2,600 to USD 4,500 in the peak year.

3.2. Environmental and Social Impact

3.2.1 **Environment:** Given its health impact (improved product safety), size and largely positive environmental and social impacts, PRIASA is classified under the Bank's Environmental Category II. The various activities implemented as part of support to food security, particularly those relating to product preservation and control, will help to make available to consumers more diversified and better quality products. Environmental awareness actions and support for monitoring and surveillance of fisheries will foster the promotion of responsible practices. The negative impacts identified relate mostly to the rehabilitation or construction of infrastructure (noise, dust, security), but will be minimal. The development of irrigation could encourage the clearing of wooded areas, while improving access through road rehabilitation could lead to increased illegal logging.

3.2.2 In conformity with Bank guidelines and policies, an Environmental and Social Management Plan (ESMP) has been prepared and will be implemented simultaneously with the project to mitigate potential adverse impacts. Thus: (i) *for artisanal fisheries*, supply and runoff water will be taken into account before works are carried out; there will be no use of materials prohibited under the agreements signed by STP; waste will be collected regularly and/or disposed of at collection sites or recycling sites for compost; site maintenance committees will be set up, maintenance costs covered and a marine weather station put in place for monitoring climatic parameters and for early warning; (ii) *for rural infrastructure*, the choice of feeder roads will be based on the rehabilitation of old tracks to avoid displacing the area's population; preference is given to the rehabilitation and adaptation of old gravity irrigation systems; underground pipes will be laid as surface canals are a source of pollution; reinforced concrete storage tanks and a distribution system downstream of the reservoir, consisting of buried polyethylene pipes (for efficient water control), with a valved outlet for each plot to be serviced, will be installed; preference will be given to gravity irrigation systems to minimize the use of pumping (diesel or oil), which is often difficult to manage; (iii) *for the laboratory buildings* (waste and toxic liquids), a controlled landfill and incinerators will be set up at the laboratory sites for toxic waste. The Directorate General for the Environment will be responsible for monitoring the ESMP, which is broadly outlined in Annex B8.

3.2.3 Climate Change: Being an island and given its small size and low-lying coasts with high population concentration, STP is very vulnerable to climate change. Many socio-economic activities are carried out on the coast, where a large number of infrastructure is concentrated. In 2005, the country adopted a National Climate Change Adaptation Strategy, thanks to which it was possible to take stock of the risks and measures to be undertaken. Higher temperatures, rising sea levels and increased climatic disturbances are potential risks, some of which have already been observed. Climate change could also affect the specific composition of fishery resources and their distribution. In the agricultural sector, the lengthening trend of the dry season and the intensification of torrential rains is a potential threat to food security and soil performance. Among the specific measures to be undertaken by the project to mitigate these risks, it is worth mentioning those related to safety at sea for fishermen, through the commissioning of a monitoring centre and the procurement of gear for the fishermen, the attention paid to the design and sizing of the Neves landing site, as well as actions initiated for irrigation development.

3.2.4 Gender: The survey of family living conditions conducted in 2000 showed that the proportion of female-headed households was almost 33% in STP, making it one of the highest in Africa. In the rural areas, women engage in multiple activities and are strongly represented in the agricultural (processing, marketing, etc.) and fisheries (fishwives) sectors. The analysis of the situation of women and children in STP, published by UNICEF in October 2009, reveals that the country's good performance in human development and achievement of certain MDGs contrasts with a relatively gloomy social picture, characterized mainly by: family poverty, slackening of parental responsibility towards children, low participation of children and women, and lack of basic social services as reflected in the high incidence of water-borne diseases and the low internal efficiency of basic education.

3.2.5 Women account for over 90% of the people engaged in fish marketing, over 80% of retailers of food products and vegetables, and over 90% of operators involved in the artisanal processing of agricultural and fishery products. This situation demonstrates the need to take action to promote rural women, given the leading role they play within the family and society, so they too can enjoy the benefits of development. Thus the project, in addition to rehabilitating infrastructure to support agricultural and fish processing (markets, fish landing sites, docks, storage and preservation buildings, dryers, processing units, etc.), will support women to better organise themselves in production and marketing, and contribute to the development of women's cooperatives and associations. The project will systematise the representation of women and the youth in all consultative and decision-making bodies to enable them to fully defend their interests and thus gradually improve their status and empower themselves. In collaboration with the Gender Institute, the project will also carry out training in gender equality for the various parties involved (project staff, technical services, partner institutions, NGOs, etc.).

3.2.6 Social: The revitalisation and opening up of food production areas driven by the project will contribute to keeping young people in rural areas and reducing problems of unemployment, household and child poverty, all of which are common in urban areas. Overall and in a cross-cutting manner, the project will take steps to ensure that the strategic interests and practical needs of the most vulnerable (women and the youth) are taken into account. HIV/AIDS awareness campaigns will also be conducted in the project area for the beneficiary population. By rehabilitating or putting up a number of key infrastructure while building the capacity of stakeholders, the project will not only promote food production, but also contribute to improving the living conditions of the population, particularly in terms of improved access, safety of products on the market and social organisation. The implementation of activities planned under PRIASA will contribute sustainably to improving

food security, increasing income and, therefore, reducing rural poverty in Sao Tome and Principe.

3.2.7 Involuntary Resettlement: The activities of PRIASA will not involve any population movement or resettlement.

IV. Implementation

4.1. Implementation Arrangements

4.1.1 Implementation Modalities: The MAPDR will be the project Executing Agency. It will be assisted by a light and autonomous Project Management Team (PMT), for the day-to-day activities of PRIASA. This arrangement draws on past lessons and the quest for effectiveness. The PMT will be provided rented premises equipped by the project. The team will be recruited on a competitive basis following a recruitment process endorsed by the Bank, and will include: a Rural Engineer and Coordinator of the PMT, a Monitoring/Evaluation Officer, an Accountant, an Administrative and Procurement Assistant and support staff (2 drivers, 1 secretary, 1 messenger and 1 watchman). Preference will be given to the recruitment of bilingual (Portuguese/French) professionals in order to facilitate contacts with the Bank and for better familiarity with procedures. The performance of the PMT and each of its staff members will be monitored closely by the Bank, through the introduction of performance contracts evaluated yearly. The project will draw on existing structures, particularly, the Department of Fisheries (DGP), for the artisanal fisheries component, and the Community Investment Fund (CIF), for executing the rural infrastructure rehabilitation or construction works, with the related financial management. A steering committee, chaired by the MAPDR Minister and bringing together the key relevant stakeholders including the civil society, farmers and fishermen, will serve as PRIASA's highest oversight and guidance authority.

4.1.2 Procurement: All procurement of goods, works and consultancy services financed by the Bank will be in accordance with *Bank Rules and Procedures for the Procurement of Goods and Works* (May 2008 Edition) or *Rules and Procedures for the Use of Consultants* (May 2008 Edition), as appropriate, using the relevant Bank standard bidding documents. The CIF Management will be responsible for the procurement of goods, works and services for the community agricultural infrastructure (feeder roads, irrigation systems, storage facilities, nursery sheds, dryers, processing units, etc.), using a Procedures Manual for community works, which will be submitted to the Bank for prior approval. Other procurements will be carried out by the Project Management Unit, in liaison with the departments concerned (DGP, CATAP, CIAT, etc.). The detailed procurement arrangements as well as the table of procurement of works, goods and services, are presented in Annex B5.

4.1.3 Financial Management and Disbursements: Generally, the public finance management system is not used in the administrative, financial and accounting operations of Bank-financed public sector investments in STP. This is attributable to the human and institutional constraints that have generally fostered inadequate management capacity among government departments, including limited and weak internal/external control. However, the annual allocations to PRIASA will be recorded in the state budget; the Minister of Planning and Finance is the Authorising Officer and as such will authorize transactions on the PRIASA grant account by approving requests for withdrawal of related funds. The PMT and the CIF will be the PRIASA administrative, financial and accounting organs. The PMT team will include an accountant, who will be recruited on a competitive basis and will be provided adequate management tools (e.g. an internal control procedures manual showing the

organisational separation of administrative and financial management and accounting duties, various accounting plans, properly configured software) and training in the use of such tools. These instruments are to be put in place right from project inception. Under the supervision of the Coordinator, the project accountant will keep separate accounts in which all ADF-financed operations will be clearly indicated. The accountant will consolidate the accounts, using the accounting information provided by CIF. Since the component relating to agricultural infrastructure rehabilitation, including feeder road repairs, is to be executed by CIF, the latter will be responsible for the administrative, financial and accounts management regarding works and other related services. To ensure the financial implementation of the project, fund flows will not go through the State Treasury, but through the Central Bank before reaching the Special Account opened in an acceptable commercial bank for the PMT, into which the ADF grant resources will be paid. Thus, part of the ADF grant will be deposited into the Special Account and will be used to finance operating expenses and minor services. This account will also be used to replenish a sub-account with the CIF meant for settling expenses arising from the community infrastructure. With the exception of CIF expenditure, the settling of expenses for the services of consultants, contractors and suppliers will most often be made by direct payment.

4.1.4 **Audit:** The State control organs (IGF and TDC) reserve the right to audit the project administrative and financial management and accounting. An independent and competent external auditing firm will verify annually the reliability of the annual consolidated financial accounts prepared by the PMT, and assess the functioning of the internal control system of the entire project, including that of CIF. The auditing firm will be recruited under the Terms of Reference and competitive bidding procedures recommended by the Bank. The audit costs will be financed from the ADF grant. The audit reports must be submitted to the Bank yearly, latest six months following the end of the audited financial year.

4.2. Monitoring

PRIASA will be implemented over four years, starting January 2011. Once the PMT has been recruited, the Bank will field a launching mission in the course of which it will issue reminders concerning all the provisions stipulated in the rules and procedures as well as the implementation arrangements involving the various partners. The project will also benefit from the assistance of the Bank Programme Office in Sao Tome and Principe (the Office will be further strengthened with a County Programme Officer and support staff). The first year will allow the signing of agreements, the launching of studies, the procurement of goods and the commencement of the initial works, thanks to CIF support. The internal monitoring and evaluation of project activities and indicators defined in the project logical framework matrix will be undertaken by the PMT Monitoring and Evaluation Officer, in collaboration with various departments and partners concerned (DGP, MARAPPA, CIF, INAE, CIAT, CATAP, etc.). For the establishment of the monitoring and evaluation system, the PMT will receive the support of a specialist consultant at project start-up. The consultant will help to establish the baseline situation that will also incorporate the environmental and social aspects. The PMT will produce quarterly and annual progress reports, highlighting the implementation rate of various components vis-à-vis the performance indicators set out in the logical framework. External monitoring and evaluation will be provided by the Directorate of Programmes and Studies (DPE), which is responsible for monitoring and planning within MAPDR. At least two external evaluation missions will be organised each year. The ADF will also oversee the project through periodic supervision missions (target of two supervisions yearly). A mid-term review will be conducted at the beginning of Year 3, through a consulting firm. At project completion, the Bank and the Government will produce a project completion report within the stipulated timeframe. The key implementation milestones are summarized below.

<i>Activities</i>	<i>Date/Period</i>	<i>Responsibility</i>	
Grant Approval	October 2010	ADF	
Signature	November 2010	ADF/GOVT	
Effectiveness	December 2010	ADF/GOVT	
Recruitment of PMT		1 st quarter of 2011	GOVT/ADF
Launching of Project		March 2011	ADF/GOVT/PMT
Preparation of PD and BD for Unit		1 st half of 2011	PMT
Preparation of PD and BD for Fisheries		March 2011 – Dec. 2011	DGP/PMT
Preparation of PD and BD for Infrastruct. 2012	CIF/PMT/INAE		March 2011 – Dec.
Execution of Works and Services		2011 – 2014	Contract./GIME/ Firms/PMT
Mid-Term Review	January 2013	ADF/GOVT/PMT	
Project Closing Date		31 December 2014	PMT/GOVT/ADF
Completion Report	1 st quarter 2015	ADF/GOVT.	

4.3. Governance

The political instability of recent years and the weak capacity of Government have been the main contributors to the degradation of STP's performance in governance, resulting in delays in achieving the country's development objectives. The Government must pursue the reforms already initiated, particularly those aimed at: (i) strengthening public finance management and internal and external control; (ii) reforming the procurement system; (iii) enhancing the transparency of natural resource management; (iv) strengthening the development of the private sector and the business environment; and (v) strengthening the rule of law. The oil potential and the potential resources associated with its exploitation refocus the discussion on the issue of governance, fundamentally with regard to public finance management. As part of the implementation of PRIASA and in order to mitigate risks related to the weaknesses and instability of the administration, it was decided to create a Management Unit and recruit a project team on a competitive basis. With respect to procurement and contract management, CIF's expertise will be used, as will be INAE's for the execution and monitoring of works on feeder roads whose rehabilitation will be entrusted to the GIMES.

4.4. Sustainability

4.4.1 Under the supervision of the PMT, the implementation of activities will be handled by the public interest groups, associations and organisations already existing or to be established with assistance from the project. These communities will be closely involved in the participatory planning process and, depending on the type of infrastructure, will contribute physically and/or financially. Preference will be given to a demand-driven intervention process, governed by a number of eligibility criteria and based on real commitment by the population concerned. The latter will benefit from project support to build their technical and organisational capacity.

4.4.2 The issue of the sustainability of actions implemented, particularly maintenance and management of the infrastructure set up, is a central concern in the project design, particularly as reflected by the two inseparable components relating to "physical infrastructure" and "capacity building". This key question also requires Government's full attention. For the road network, this attention is reflected in the introduction since 2005 of a

real servicing and maintenance policy through the GIME. In the artisanal fisheries sector, the Government also plans to promote the emergence of professionalised and fully empowered Economic Interest Groups (EIGs), capable of gradually taking over the organisation of various links in the chain, with the support of PRIASA. For irrigation, the focus on gravity systems without a pumping mechanism also ensures largely sustainable recurrent costs. The surveys and feasibility studies to be conducted before any intervention and the support envisaged for farmers by the CIF facilitators and by experienced NGOs are geared primarily towards ensuring the long-term sustainability of actions undertaken.

4.5. Risk Management

The major risks identified that could hamper the achievement of project objectives are: (i) institutional instability and weaknesses; and (ii) the chronic difficulty of structuring the artisanal fisheries sector. The institutional instability could negatively affect compliance with the schedule and achievement of the expected project results. However, these risks will be minimized by the fact that the project team will be recruited on a competitive basis and endowed with financial autonomy. Moreover, entrusting the implementation of community works to the CIF (a relatively experienced and proven structure) limits the risk mentioned. With regard to artisanal fisheries, the sector remains weakly organised and limited to relatively individualistic practices that have changed little despite the intervention of various projects. Past experience in managing fisheries support infrastructure will be taken into account to ensure the sustainability of investments on an economically and socially viable basis. Awareness raising and support to actors are indispensable for structuring the sector. In that regard, the project will use the MARAPPA NGO, which is specialised in artisanal fisheries, to facilitate the organisation of the various actors.

4.6. Knowledge Building

PRIASA, notably through the “Capacity building of production support structures” component, will contribute to training and building the knowledge of various actors, including primarily the farmers and fishermen, through the support provided by the NGOs specialised in structuring and organisation. More specifically, the project will develop specific expertise in irrigation within the Sao Tome administration, through technical assistance missions and training. In the area of product packaging, control and certification, the procurement of special equipment will be systematically accompanied with the training of specialised technicians, including trips abroad. As part of the support to the Advanced Agro-Pastoral Training Centre (CATAP), about 10 training modules will be developed and disseminated to enable farmers to expand their skills. Reactivation of the fish catch statistical system will ensure better knowledge of fishery resources. Developing a gender profile in agriculture will lead to a precise typology of the different groups of beneficiaries and allow better knowledge of the status of women and the youth in the organization of food production, as well as their participation in other related activities. From a methodological and operational point of view, the Bank will capitalise on the approach and procedures for islands and within the fragile State context.

V. Legal Framework

5.1. Legal Instrument

An ADF grant shall be awarded to the Republic of Sao Tome and Principe to co-finance the Infrastructure Rehabilitation for Food Security Support Project.

5.2. Conditions Associated with Bank's Intervention

5.2.1 Conditions precedent to grant effectiveness: Grant effectiveness shall be subject to signature of the grant protocol of agreement.

5.2.2 Conditions precedent to first disbursement of the grant: First disbursement of grant resources shall be subject to fulfilment by the Donee of the following conditions:

- (i) Provide proof of opening a bank account in which the grant resources will be lodged;
- (ii) Undertake the recruitment of a Project Management Team (PMT) through competition, following a recruitment process endorsed by the Bank. The Team shall comprise a Rural Engineer (PMT Coordinator), a Monitoring/Evaluation Officer, an Accountant, an Administrative and Procurement Assistant and support staff. The experience and qualifications of Team members should be acceptable to the Fund.

Other Condition

Set up a Steering Committee chaired by the Minister of Agriculture, Fisheries and Rural Development (MAPDR) and including the Ministry of Planning and Finance (MPF), the Ministry of Public Works and Infrastructure (MTPI), the Directorate General for the Environment, the National Federation of Agricultural Producers Associations (FENAPA) and the Federation of Non-Governmental Organisations (FONG).

5.3. Compliance with Bank Policies

This project complies with all applicable Bank policies.

VI. Recommendation

Management recommends that the Board of Directors approve the proposed grant of UA 5 million to the Government of the Republic of Sao Tome and Principe to finance the project described in this report.

Sao Tome and Principe Comparative Socio-Economic Indicators

São T. & Principe - Development Indicators				
Social Indicators	São T. & Principe		Africa	Developing countries
	1990	2009 *		
Area ('000 Km²)	1		30 323	80 976
Total Population (millions)	0,1	0,2	1 008,4	5 628,5
Population growth (annual %)	2,2	1,6	2,3	1,3
Life expectancy at birth, total (years)	62,3	65,9	55,7	66,9
Mortality rate, infant (per 1,000 live births)	81,7	71,0	80,0	49,9
Physicians per 100,000 People	53,0	54,0	42,9	78,0
Births attended by skilled health staff (% of total)	...	80,7	50,5	63,4
Immunization, measles (% of children ages 12-23 months)	71,0	86,0	74,0	81,7
School enrollment, primary (% gross)	...	130,2	100,2	106,8
Ratio of girls to boys in primary education (%)	...	98,2	90,9	100,0
Illiteracy rate, adult total (% of people ages 15 and above)	...	87,9	...	...
Access to Safe Water (% of Population)	...	86,0	64,0	84,0
Access to Sanitation (% of Population)	...	24,0	38,5	54,6
Human Develop. (HDI) Rank (Over 182 Countries)	...	131,0	n.a	n.a
Human Poverty Index (% of Population)	...	13,3	3,4	...
São T. & Principe				
Economy	2000	2007	2008	2009
GNI per capita, Atlas method (current US\$)	...	920	1 020	...
GDP (current Million US\$)	77	145	175	214
GDP growth (annual %)	70,6	6,0	5,8	4,1
Per capita GDP growth (annual %)	67,6	4,3	4,1	2,5
Gross Domestic Investment (% of GDP)	26,1	32,5	30,1	26,1
Inflation (annual %)	11,0	18,5	26,1	17,3
Budget surplus/deficit (% of GDP)	...	119,5	17,5	36,2
Trade, External Debt & Financial Flows	2000	2007	2008	2009
Export Growth, volume (%)	-63,7	-3,4	11,2	-1,7
Import Growth, volume (%)	12,9	5,0	13,7	-1,4
Terms of Trade (% change from previous year)	86,0	-15,2	10,9	41,4
Trade Balance (mn US\$)	-22	-60	-82	-74
Trade balance (% of GDP)	-29,3	-41,3	-46,8	-34,5
Current Account (mn US\$)	-13	-44	-51	-52
Current Account (% of GDP)	-17,5	-29,9	-29,0	-24,4
Debt Service (% of Exports)	21,8	1 336,6	182,2	275,9
External Debt (% of GDP)	400,7	105,8	70,0	35,6
Net Total Inflows (mn US\$)	36,2	12,6	41,7	...
Net Total Official Development Assistance (mn US\$)	34,9	36,0	47,0	...
Foreign Direct Investment Inflows (mn US\$)	3,8	35,3	32,5	...
External reserves (in month of imports)	2,4	3,1	...	...
Private Sector Development & Infrastructure	2000	2007	2008	2009
Time required to start a business (days)	...	144	144	144
Investor Protection Index (0-10)	...	3,3	3,3	3,3
Main Telephone Lines (per 1000 people)	32,8	48,8	48,1	...
Mobile Cellular Subscribers (per 1000 people)	...	190,9	305,9	...
Internet users (000)	46,4	145,9	154,8	...
Roads, paved (% of total roads)	68,1	...	...	...
Railways, goods transported (million ton-km)	...	...	...	...

Source: ADB Statistics Department, based on various national and international sources

* Most recent year

Last Update: May 2010

Table of ADB Portfolio in Sao Tome and Principe

(Active Portfolio as at 12/07/2010)

<i>Sector Project Title</i>	<i>Approval Date</i>	<i>Amount (UA)</i>	<i>Type</i>	<i>Disbursement Rate %</i>	<i>Ranking*</i>
SOCIAL					
EDUCATION					
Human Resource Development Support Project (PADRHU)	20/12/2002	3,500,000 500,000	Loan Grant	14.16 % 43.63 %	PPP PPP
AGRICULTURE					
LIVESTOCK					
Livestock Development Support Project - Phase II (PADE II)	31/05/2006	4,000,000	Grant	19.69 %	NON PP NON PPP
TOTAL		8,000,000		18.77 %	1 PAR / 2

* Ranking (drawn from SAP):
 PP Problematic Project
 PPP Potentially Problematic Project
 PAR Project at Risk (project classified PP or PPP)

Major Related Projects Financed by the Bank and other Development Partners of Sao Tome and Principe

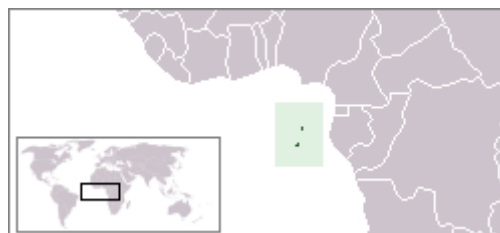
The main areas of intervention of Sao Tome and Principe's development partners are summarized in the Table below.

<i>Donors</i>	<i>Areas of Intervention</i>
EU	Transport
ADB	Livestock, human resources
FAO	Agriculture, strategies, institutional support, land, fisheries
WFP	Food supply, primary education
UNDP	Water supply, housing, technical assistance, environment
IFAD	Agriculture, organic chain, small-scale irrigation, artisanal fisheries
AFD	Sector support
Spanish Coop.	Small livestock rearing
Japanese Coop.	Fishing gear
Taiwanese Coop.	Agriculture, health, budget support
World Bank	Education, health, capacity building
Portuguese Coop.	Education, health, budget support
Brazilian Coop.	Education, public works
Nigerian Coop.	Oil

The sectors mainly covered by PRIASA include, in particular, the IFAD and EU operations in agriculture and feeder roads. IFAD is currently financing the **Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme (PAPAFPA)**, which started in 2002, for a period of 12 years. This Programme intends to develop its activities among structured vocational organisations, with emphasis on the development of the production chains (cocoa, coffee, vanilla, pepper, artisanal fisheries). This project is showing positive results, especially in the production of organic cocoa, artisanal fisheries and literacy, but does not cover the entire country. The Community Infrastructure Fund (CIF) has helped to launch several agricultural and social micro-infrastructure projects. The CIF has been used by other partners (EU, Taiwanese Cooperation) for the execution of small community-based contracts, and appears to be an institutional instrument adapted to an island context. With regard to the EU, it is worth highlighting the highly positive results of the **Road Network Rehabilitation and Maintenance Programme**, including feeder roads. This programme has since 2005 enabled the restructuring of the transport sector and the establishment of the Road Maintenance Interest Group (GIME) in different localities of STP. Thirty-two GIMes bringing together nearly 1,700 road menders, have thus been set up, trained and equipped, with support from the EU, which helps to ensure regular maintenance of roads and feeder roads, as well as the proper execution of rehabilitation works or urgent repairs.

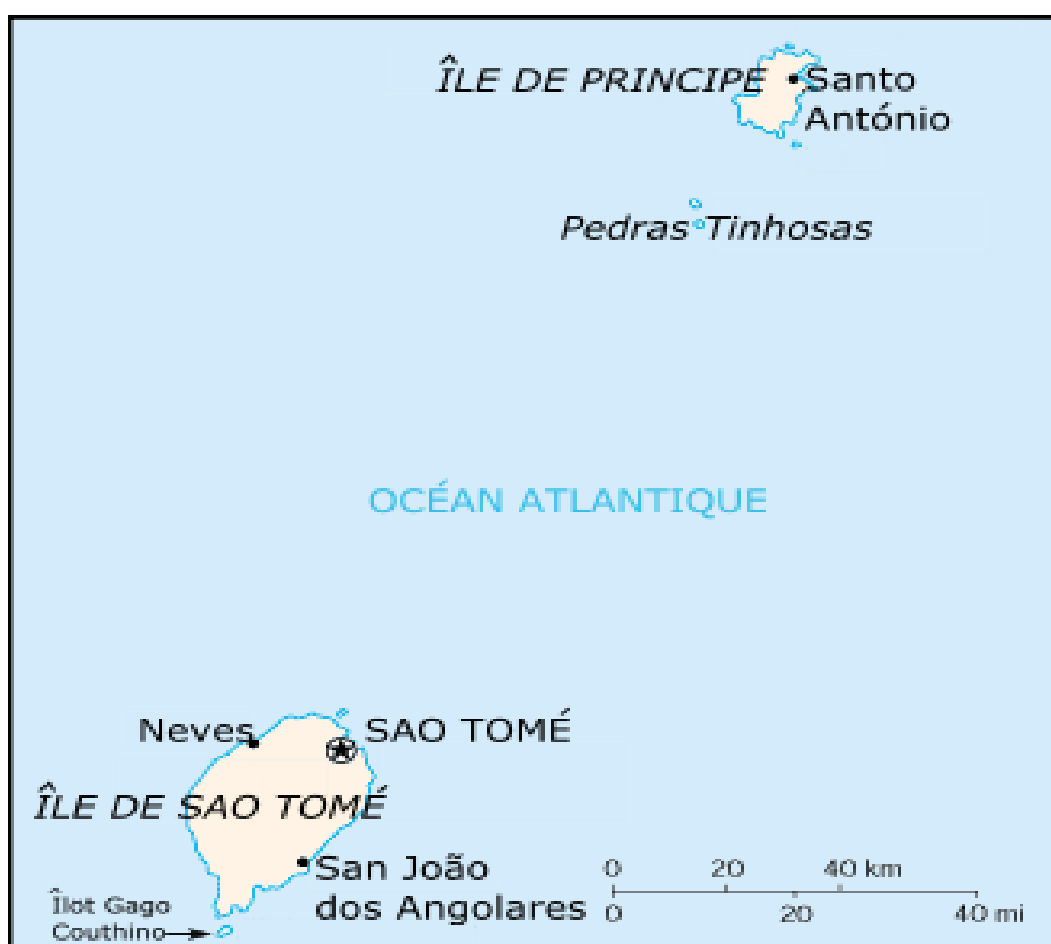
A more detailed presentation of projects and operations in the STP rural sector is given in Technical Annex A (point A4) of Volume 2 attached to the appraisal report.

Map of the Project Area



Location of Sao Tome and Principe

Island of Sao Tome and Island of Principe



This map has been drawn up by the staff of the African Development Bank exclusively for the use of readers of the report to which it is attached. The names used and the borders shown do not imply on the part of the ADB Group and its members any judgment concerning the legal status of a territory nor any approval or acceptance of these borders.