Loan Application Process for Potential Applicants

Third South West Indian Ocean Fisheries Governance and Shared Growth (SWIOFish3) Project

CONTENT

ACRONYMS	
BIF	Blue Investment Fund
CC	Credit Committee
DBS	Development Bank of Seychelles
EIA	Environmental Impact Assessment
ESIA	Environmental and Social Impact Assessment
GEF	Global Environment Facility
GOS	Government of Seychelles
IBRD	International Bank for Reconstruction and Development
MFTIEP	Ministry of Finance, Trade, Investment and Economy Planning
MFAg	Ministry of Fisheries and Agriculture
PIU	Project Implementation Unit
SWIOFish3	Third South West Indian Ocean Fisheries Governance and Shared Growth Project
TC	Technical Committee

1. INTRODUCTION

The purpose of this manual is to provide potential applicants with methodology and tools for project preparation, business plan development and loan applications to the Blue Investment Fund. This manual could also be used as a training material for project promoters. It could serve as a reference material for the Development Bank of Seychelles staff to provide support to project promoters during the preparation phase.

The manual comprises five chapters:

- Blue Investment Fund Procedures
- Project Preparation
- Project Submission
- Project Evaluation
- Preparation of a Business Plan

2. BLUE INVESTMENT FUND PROCEDURES

2.1 Introduction

The Blue Investment Fund (BIF) has been designed to support the Third South West Indian Ocean Fisheries Governance and Shared Growth Project (SWIOFish3). SWIOFish3 is financed primarily by the International Bank for Reconstruction and Development (IBRD; hereafter the 'World Bank') and the Global Environment Facility (GEF) over 6 years. The project is further supported through the issuance of a Blue Bond by the Government of Seychelles (GOS) as part of an innovative transaction that mobilized capital markets to finance the country's blue economy objectives. The BIF has been created and capitalized with 80% of the Blue Bond proceeds with the goal of financing private and public investments that are aimed at stimulating opportunities and growth in the sector, while the World Bank and GEF support to SWIOFish3 facilitates the implementation of the Mahé Plateau fisheries management plan and the transition from open-access to better controlled fisheries. Therefore, the BIF will contribute to the Government's dual objective of marine resources conservation and expansion of the seafood value chains.

The Project Development Objective of SWIOFish3 is to improve management of marine areas and fisheries in targeted zones and strengthen fisheries value chains in the Seychelles. The project includes 4 components:

- **Component 1**: Expansion of sustainable-use marine protected areas. The project supports the GOS in implementing its pledge to protect an increasing share of its maritime space.
- **Component 2:** Improved governance of priority fisheries. This component has the main focus on fisheries management at a national level.
- **Component 3:** Sustainable development of the blue economy. This component will help finance the sustainable development of the Seychelles blue economy and support increased value addition in the aquaculture, industrial, semi-industrial, and artisanal fishing and processing sectors.
- **Component 4:** Project management and coordination.

The BIF will be administered by the Development Bank of Seychelles (DBS), a national development financing institution with a specific mandate to assist in the economic development of the Seychelles, with support from other institutions as detailed in this manual. A Subsidiary Agreement (SA) will be signed by the Ministry of Finance, Trade, Investment and Economy Planning (MFTIEP) and DBS. The SA will specify the DBS to be the institution responsible for the management and monitoring of the BIF and will set forth all the terms and conditions under which the MFTIEP is making funds available to the DBS. A Project Agreement (PA) will also be signed by DBS and the World Bank.

The beneficiaries of the BIF will be Seychellois individuals, locally registered civil society organizations and locally registered and Seychellois-majority owned firms with an interest in investment opportunities in fisheries post-harvesting, service sectors, aquaculture, fish processing and value addition, logistical and scientific services, and restructuring of fishing capacity. This includes fishers, processors, distributors, fisher and other civil society organizations, small and medium sized enterprises engaged in the fisheries supply chain, as well as larger public-private partnerships and local-foreign joint ventures. A communication strategy will be developed to ensure that information on the BIF is accessible to all targeted beneficiaries.

The repayment of the Blue Bond is considered an obligation of the GOS and will not be linked financially to the BIF. The BIF is designed to be a revolving fund, the funds that are repaid are used to replenish the BIF and initiate new loans with no fiscal year limitations. One of its main objectives is to provide a demonstration effect to the market that the fisheries sector can be investment-worthy and is therefore

designed to remove the distortion currently present in the market by heightened risk perception and a lack of market understanding of the sector.

To ensure that projects are sound from a fisheries perspective, a Technical Committee (TC) was appointed by the (MFTIEP) to provide a technical review and recommendation for loan applications. If the TC recommendation is positive, then the loan application will be sent back to the DBS for standard loan processing procedure and financial appraisal. The DBS Board will have final approval over all loans.

2.2 Promotion of the BIF based on Eligible Activities

The BIF is open to proposal submission at any time and promotion of the fund will be continuous, supported by communication strategies and campaigns to ensure that information on the BIF is accessible to all targeted beneficiaries. However, to ensure that the BIF supports objectives for sustainability, the Department of Blue Economy (DBE) and the Project Implementation Unit (PIU) will periodically (at the end of each quarter) determine activities and investment opportunities that can be promoted by the fund. Quarterly reviews will be based on the indicative list of eligible activities, which includes management prerequisites that will need to be verified before activities can be promoted. In broad terms, the eligible activities will be used to promote sustainable investment opportunities in fisheries post-harvesting, service sectors, aquaculture, fish processing and value addition, logistical and scientific services, and restructuring of fishing capacity.

The use of the indicative list and management prerequisites to identify the target activities to be funded by loans is to ensure the environmental sustainability of the proposed investment and avoid creating a price signal that would increase pressure on the fisheries. To further ensure sustainable investments through the BIF, applicants will be requested to address the principles outlined in two guides, namely the 'Principles for Investment in Sustainable Wild-caught Fisheries' and 'Sustainable Blue Economy Finance Principles', which will be made available through the DBS and MFTIEP websites together with the Loan Application Package.

2.3 Eligible Applicants

BIF promotion will clearly specify the intended beneficiaries and eligible applicants that can apply for loans at that time, based on the following:

- Seychellois individuals

- Locally registered civil society organizations
- Locally registered and Seychellois-majority owned firms, which may include
    - Small and medium sized enterprises engaged in the fisheries supply chain
    - Larger public-private partnerships
    - Local-foreign joint ventures

Promotion will further specify that applicants can apply for more than one loan from the BIF, as long as the maximum amount of all loans awarded under the BIF and proposed new loan applications do not exceed US$3 million, and with the approval of DBS after evaluation of the initial project implementation and the verification of the compliance with the outstanding contract.

3. PROJECT FORMULATION

3.1 Project Preparation

The emphasis of the project proposal should be on the presentation of a concise and credible plan that can quickly and easily be understood and evaluated by reviewers. The key issue consists of the preparation of a project relevant with the BIF priorities and a bankable business plan.

Each project proposal will have to demonstrate the relevance to the BIF priorities and the feasibility. A relevant project should trigger transformational changes, support deep, systemic, and sustainable change with the potential for large-scale impact in the fisheries supply chain. In addition, project proposals should demonstrate their contribution to the way to do business and to novelty the BIF priorities.

The core part of the project proposal will include the business plan. The business plan will include the description of the project, the activities, the work plan, the operational capacity, the sales and cash flow forecasts for the 5 next years. The format of the business plan will depend on the scale of the project.

- For small projects (loan amount under 100,000 USD) promoters would use the simplified format of the business plan (*Appendix II*).
- For loan applications over US $ 100,000 the complete format will be used (*Appendix III*).

In this section, we present a project design methodology, from the identification of the idea to the project implementation, together with the criteria for the project quality assessment.

3.2 Project Development Cycle

Every project contains certain phases in its development and implementation. These phases are useful in planning a project as they provide a framework for resource allocation, scheduling project milestones for implementation, and establishing a monitoring system. The purpose is to provide a basis for organizing the project for establishing resource requirements, and set up the management system that will finally guide the project activities.

The project life cycle phases may be broadly placed in the following categories:
(a) identification (b) preparation (c) project appraisal (d) feasibility and financing (e) Implementation and monitoring, and (f) evaluation.

In the identification phase, the project promoter evaluates an idea. In the preparation phase, it elaborates and refines the concept and does some initial work to define the components and activities that make up the project. The pre-feasibility and feasibility phases comprise a more analytical exercise in which the viability of the project is examined from different points of view and the project is planned in detail. In the next phase of detailed design, the physical design of the project is completed and the plan for administration, operations, and marketing is finalized. In the implementation phase, the activities of the project are accomplished. Finally, a critical evaluation of the project's outputs and outcomes is conducted in the last phase. As the project moves through its life cycle, the focus of managerial activities shifts from planning to operating and controlling the activities.

a) Identification

The purpose of the identification stage is to identify project ideas that are consistent with the BIF priorities and to assess the relevance and likely feasibility of these project ideas.

The identification phase is key for the project quality. Depending on the promoter's capacity, the DBS team can be mobilized to provide support during the project identification:

- to increase the likelihood for the proposed operation to meet its development objectives,
- to support the promoter in refining the proposed project components and activities,

- to assess the risks to the development objectives and propose mitigation measures as possible, and
- to ensure the proposed project will be implemented in compliance with relevant BIF policies/procedures;
- to support in budget reviewing and project cost estimation
- to insure the business plan is compliant with the BIF requirements

b) Preparation

Once a project is identified, the process of preparation is initiated. This process involves the refinement of the elements described in the identification phase and includes all the steps that are necessary to bring the project to the stage of appraisal, which would consist of prefeasibility and feasibility studies. The process of preparation must cover the full range of technical, institutional, financial and economic issues that are relevant to achieving the project's objectives.

An important element of preparation is a critical assessment of the **technical and institutional alternatives** for the project. The preparation phase requires an analysis of the benefits and costs of the technical and institutional alternatives followed by a more detailed investigation of the more promising alternatives. The process continues till the most satisfactory solution is arrived at. The preparation stage should be followed by the pre-feasibility or initial screening phase.

c) Prefeasibility

The prefeasibility phase is the first attempt to examine the overall potential or viability of the project. The data and information gathered at the preparation stage are used in this phase. If a project does not prove to be promising at this stage, it may be rejected without investing any additional time and resources into its further examination and the process of appraisal is over for the project.

The data and information gathered at the preparation stage are used in this phase. It is a critical stage of the project cycle because it is the culmination of all the preparatory work and provides a comprehensive review of all aspects of the project before taking a final decision about its viability. If a project does not prove to be promising at this stage, it may be rejected without investing any additional time and resources into its further examination and the process of appraisal is over for the project.

The prefeasibility phase should normally comprise the following key points:

(i) Marketing and Demand Analysis

The aim is to examine whether there is a demand for the goods/services of a project both in the domestic market and internationally. The objective is not only to assess the current demand but also to undertake forecasting the future demand. For the demand analysis of a product or service, it is necessary to conduct some primary research at the prefeasibility stage by surveying the potential customers and users.

(ii) Technical Analysis

The project technical analysis looks at the input parameters of the project, quantities and prices of inputs by type required for construction of the project, inputs required for the operation of the project by year and volume of sales or service delivery, and the appropriateness of the technology adopted. It is also concerned with issues such as the size of the project, its design and location and the technology to be adopted including the equipment used and the processes employed.

A major task in this phase is to conduct a close scrutiny of the cost estimates of construction along with the engineering data used to arrive at those estimates, provisions for contingencies and expected price increases during the implementation phase and cost estimates for operating the facilities.

d) Project implementation

The project implementation phase covers both the completion of construction activities and the subsequent operations and is generally divided into three different time periods. First is the investment period when the major project investments take place. Second is the development period when the production capacity gradually builds up. The process of implementation involves the coordination and allocation of resources to make the project operational.

A system of monitoring and supervision has to be evolved for completing this phase successfully and on time. This task is very important because all projects face some implementation problems. The problems may arise either because of some flaw or shortcoming in the planning of the project or simply because of changes in the economic and political environment. The monitoring takes place at various levels. The first

and the foremost level is the monitoring by the project manager and his team. This is done almost on a daily basis. Again, there is periodic monitoring by the higher management levels in the department or the implementing agency and also by the concerned ministries in the government.

e) Evaluation

The last step of the project cycle is the evaluation. The purpose of evaluation is to make an assessment, as systematic and objective as possible, of an ongoing or completed project, programme or policy, its design, implementation and results. The aim is to compare the predicted performance with the actual performance of the project. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decision-making process of both recipients and donors. The evaluation of a project involves an assessment of the outcomes of a project or its impact on the beneficiaries rather than simply the measurement of the outputs of the project.

3.3 Project quality criteria

The project quality is evaluated on the basis of several criteria: relevance, feasibility, effectiveness, efficiency, sustainability, environmental and social impact, and sustainable investment principles.

a) Relevance

The project relevance refers to the appropriateness of project objectives to the problems that it was supposed to address, and to the physical and policy environment within which it operated. It should include an assessment of the quality of project preparation and design – i.e. the logic and completeness of the project planning process, and the internal logic and coherence of the project design.

A project is relevant if:

- ✓ It is consistent with, and supportive of, BIF priorities and relevant sector programs
- ✓ It triggers transformational changes, support deep, systemic, and sustainable change with the potential for large-scale impact in the fisheries supply chain
- ✓ Key stakeholder and target groups are clearly identified, equity and institutional capacity issues analyzed, and ownership demonstrated
- ✓ Problems have been appropriately analyzed
- ✓ Lessons learned from experience and linkages with other ongoing or planned projects have been assessed and incorporated into strategy selection

The Project financed under the BIF should demonstrate, *inter alia*, consistency with SWIOFish3 and BIF priorities. The SWIOFish3 Project objective is to support the Government of Seychelles in achieving its dual objectives of marine resources conservation and expansion of the seafood value chains. Evidence should be provided that the project's rationale responds to these priorities.

b) Feasibility

A feasible project means that the project is well designed and will deliver tangible and sustainable benefits to target groups. This imply that:

(i) The objectives (overall objective/goal, purpose and results/outputs) and the work programme (activities) are clear and logical, and address clearly identified needs.

- ✓ The project's overall objective/goal is clearly linked to a relevant policy or sector objective, and thus demonstrates how the project will contribute to a long-term development outcome.
- ✓ The project's purpose clearly specifies a direct benefit (or benefits) that the target group(s) will derive from the implementation of the project, and is consistent with the analysis of problems facing target groups.
- ✓ The project's results describe tangible improvements to services, facilities or knowledge that will directly support the achievement of the project's purpose.
- ✓ A feasible work programme (set of activities) is described which will allow project results to be delivered over a realistic time frame.
- ✓ The project design is not overly prescriptive, and allows for necessary changes to operational plans to be made during implementation

(ii) The resource and cost implications are clear, the project is financially viable and has a positive economic return.

- ✓ The resources (such as staff, equipment, materials, etc.) required to implement the project are clearly described, including an analysis of resource contributions from each of the primary stakeholders

- ✓ Project investment and operating (recurrent) costs are described and analysed in sufficient detail, including the financial contributions of different stakeholders.
- ✓ Recurrent cost implications are described, and an assessment made of the capacity to meet these costs upon project implementation.
- ✓ An appropriate level of financial and/or economic analysis of the project's costs and benefits is provided, which shows that the project is financially viable and has a positive economic return

(iii) Coordination/management and financing arrangements are clear and support institutional strengthening and local ownership.

- ✓ Management responsibilities are clearly defined (including responsibilities of different stakeholder groups), build on the analysis of institutional arrangements and capacity building.
- ✓ The arrangements for coordinating the work of different stakeholders are clearly described and practical to implement, and allow project managers to access support from senior decision/policy makers (i.e. governing body/steering committee).
- ✓ Arrangements for regular review, operational work planning and budgeting support the ability of managers to respond to lessons learned and changing circumstances on the ground.
- ✓ Financial management arrangements are clearly specified (in particular for providing an adequate level of overall internal control) and promote accountability and transparency.

(iv) The monitoring/evaluation and accountability system is clear and practical.

- ✓ The project's logical framework includes a set of indicators and sources of verification, which will allow management information to be collected and used in a timely and cost-effective manner.
- ✓ Adequate resources are included within the project design to support the implementation of the performance measurement (monitoring and evaluation) system.
- ✓ Roles and responsibilities for collecting, recording, reporting and using the information are clearly described.

- ✓ The information needs of target groups are given adequate priority, and include the means by which they can voice their opinions and concerns (local accountability).

(v) Assumptions/Risks are identified and assessed, and appropriate risk management arrangements are proposed.

- ✓ Assumptions in the logical framework highlight key factors outside the direct control of project managers which have the potential to negatively impact on the project (risks).
- ✓ The importance of different risks is assessed, including the degree of negative impact they might have on achieving objectives.
- ✓ Arrangements for managing risks are clear.

Feasibility is used to describe the expected efficiency, effectiveness and impact of the project prior to the start of implementation.

c) Effectiveness

The effectiveness relates to the extent to which the objectives of the project are expected to be achieved, taking into account their relative importance. An assessment of the contribution made by results to achievement of the project purpose, and how assumptions have affected project achievements. This should include specific assessment of the benefits accruing to target groups, including women and men and identified vulnerable groups such as children, the elderly and disabled.

d) Efficiency

Efficiency concerns the extent to which the benefits/outputs of the project are commensurate with resources/inputs. This includes market and demand analysis, operating costs and revenues, financial and economic profitability. Financial appraisal is key. It evaluates the correctness or reasonability of the estimates of costs and expenses and also the projected revenues. These may include the estimation of the selling price, cost of machinery, the overall cost of the project and the means of financing.

e) Sustainability

Sustainability considers the probability that the resources will be sufficient to maintain the outcome achieved over the economic life-time of the projects, and that any risks can be managed, i.e. the likelihood

of continued long-term benefits and the resilience to risk over the intended life of the project. It has to be assessed both in physical/operational and financial terms.

f) Environmental and Social Impacts

The project developers should:

- Provide proof of in-house capacity to manage environmental and social risks and track record (if any)
- Demonstrate to what extent the project has identified risks and mitigation measures related to the environmental and social impacts of project implementation and operations.
- Explain how the project is observant of the Environmental and Social Management Framework (ESMF), the Process Framework (PF) and the ensuing supplemental safeguards instruments to mitigate E&S potential negative impacts (Environment and Social Management Plan (ESMP) or a Livelihood Restoration Plan (LRP)).
- The ESMP must also cover how the project proposes policies or plans to address health, safety and well-being of employees of the project and in its supply chain (e.g. fishing boat crew)?

g) Sustainable Investment Principles

The project developers should:

- Explain how the project has addressed principles for sustainable investment, namely: 'Principles for Investment in Sustainable Wild-caught Fisheries', and/or 'Sustainable Blue Economy Finance Principles'

3.4 Project Planning and Budgeting

Cost estimates should be based on careful and thorough budgeting. They will have significant influence over the investment decision at project appraisal and subsequently on the smooth implementation of the project.

Each activity should be used as a checklist to ensure that all necessary resources/inputs required under that activity are provided for. Budgeting of management activities should not be forgotten at this stage.

Once the activities have been entered into the schedule, the resources necessary to undertake the Activities must be specified. As there will be a need to aggregate or summarize the cost information, the resources should be allocated to agreed cost categories.

Project costings should allow the allocation of costs between the different funding sources so that each party is clear about their respective contributions. Costs per planning period are scheduled using simple formulae to multiply the annual quantity by the unit cost. Recurrent Costs may be covered (fully or partly) through increased revenue that has been generated through project activities. Whether or not this is the case, it is important that the net recurrent cost implications of the project are clearly specified so that the future impact on the project budget can be determined.

Example for cost estimate

Based on proposed activity, applicants prepare detailed cost estimates proposed for loan application. Machines/equipment, materials, chemicals, services, consulting fees must be based on actual demand with market prices.

Table 2: Cost estimate

No.	Name of activity	Description of Items (specifications of machines, equipment, consulting services, …)	Unit	Quantity	Total amount (Rupees)	Notes (annexes, explanatory documents)
1	Fish Processing:					
2	….					
3						
…						

4. LOAN APPLICATION SUBMISSION

Loan applications will be submitted to the DBS at any time. Primary information to be specified in promoting the BIF will include:

- the priorities of the BIF
- the eligible activities

- the exclusion list
- the methods and criteria for the projects evaluation
- the form and the mandatory documents to be provided

The TC will sit every six months to provide a technical review of the loan applications received.
The templates and guidance materials for loan application to the BIF are provided on the DBS website as *Appendices I, II, III, IV, V, VI and VII.*

5. PROJECT APPRAISAL

The project evaluation methodology follows seven steps: (i) administrative compliance, (ii) eligibility checks, (iii) screening for environmental and social safeguards, (iv) technical appraisal, (v) financial appraisal, (vi) loan approval, (vii) contract negotiation.

5.1 Administrative compliance

Upon receipt of a loan application under the BIF, the DBS will review it for administrative compliance. The DBS will use its internal procedure and administrative form to check for administrative compliance and to undertake the customer due diligence process. DBS will certify that the applications are administratively compliant by:

- Conducting an initial verification that the applicant is eligible with the loan eligibility criteria that is in the DBS Subsidiary Agreement (SA) and
- Verifying that the application has been submitted in complete form
- Verifying that all the required documents were submitted

A check list will be used for administrative evaluation.

N°	**Administrative Compliance**	**Yes/No**	
1	Have the applicant eligibility proofs (nationality, type of business, business location) been provided?		
2	Has the application been submitted in complete form?		
3	Are the required information and documents included (annexed): company status (or CV if individual), financial statements for the last two years (in the proposed format)		
4	Is the business plan included?		

5	Does the promoter have his own land or is he leases the land?		

For incomplete applications, DBS may inform the applicant on the missing information or/and documents or reject the application depending on the importance of missing information. In case of rejection, the applicant will have the possibility to complete his file and to submit the application to a next deadline, depending on whether or not eligibility criteria remain the same. Project validated will receive certification of administrative compliance and will be forwarded to the PIU for eligibility checks and, as applicable screening.

5.2 Eligibility Checks and Screening.

The PIU conducts the following processes:

Process 1: Applications will first be checked to ensure that they are compliant with list of eligible activities advertised in BIF promotional materials

Process 2: Applications will then be checked against the exclusion list (Appendix I)

Types of projects which would be excluded from consideration are those that involve fisheries-related or other economic activities which are illegal or may cause significant negative environmental or social impacts. Possible criteria for exclusion of certain types of subprojects include the following:

- Sub-projects located within or adjacent to a protected or an ecologically sensitive area, as defined in Schedule 2 of the Environment Protection (Impact Assessment) Regulations
- Sub-projects that involve the significant conversion or degradation of critical natural habitats such as sensitive ecosystems. converting mangrove forests to aquaculture use or other land uses, or other unsustainable cutting of mangrove forests
- The introduction of any new exotic marine species (note: this provision does not apply to any native and/or naturalized species, or any micro-algae that is imported as live feed)
- Activities that could dangerously lead to the exposure of sensitive/critical/vulnerable habitats unsustainable or illegal fishing activities (e.g., illegally-sized nets, spear fishing, use of dynamite, etc.)
- Construction of permanent buildings within the wetlands
- Construction of walls in or around wetlands which will interrupt water flow

- The tidying of wetlands or mangroves by the removal of dead wood that serves as habitat for multiple fish species
- Extraction of raw material from protected areas
- Filling of wetlands within protected areas and outside in strategic landscapes.
- Sub-projects which cause significant socioeconomic impacts involving permanent involuntary resettlement resulting in relocation of people or displacement of houses or building structures; or loss, denial or restriction of access to land, crops and other economic assets; or significant loss of sources of income or means of subsistence)
- Sub-project which physically block or restrict fishers' access to the water (e.g., structures with walls or other shoreline obstructions or barriers that physically prevent fishers from accessing or launching their boats using customary or longstanding paths, roads or other rights of way)

Process 3: Applications will then be screened for environmental and social safeguards requirements

Subprojects that passed both process 1 and 2 are screened using the screening form in Appendix IV. Based on the screening, the PIU will identify if the project has already undertaken an Environment Impact Assessment (EIA), Environmental and Social Impact Assessment (ESIA), or if the project already has an ESMP or a LRP (collectively 'safeguards instruments') that meets the required standards detailed in the ESMF or PF, or whether the proposal requires a supplemental safeguards instrument or does not trigger any such requirement. Based on the screening, the following safeguard routes are to be applied:

Safeguards Route 1: Supplemental safeguards instruments submitted with proposal[1]. If the applicant has already produced supplemental safeguards instrument(s), which is (are) submitted with the proposal, the PIU will review the supplemental safeguards instrument(s) and shares it (them) with the MEECC for validation and the World Bank for No Objection (NO) before the project proposal enters the technical evaluation process.

[1] Supplemental safeguards instruments submitted with application must also have environmental authorisation by the MEECC through the EAPS as national environmental authority.

Safeguards Route 2: *Requirement for Supplemental safeguards instrument(s)*. The applicant will be asked to produce supplemental safeguards instrument(s) based on the screening report and if applicable ToR provided by the PIU. The PIU will review the supplemental safeguards instrument(s) and share it (them) with the MEECC for validation and the World Bank for No Objection (NO). Subsequent to approval of the supplemental safeguards instrument(s) by the PIU, MEECC and World Bank, the project proposal will enter the technical evaluation process at the next available meeting of the TC.

Safeguards Route 3: Risk mitigation required. For those projects that do not require EIA or ESIA (low environmental and social risks), but the PIU deems that there are activities that may trigger environment and social measures that require appropriate mitigation measures, the project proposal can proceed directly to technical evaluation. However, recommendations for risk mitigation will be provided to the TC and DBS by the PIU. The need for risk mitigation will then be incorporated in the Credit Agreement negotiated with the beneficiary by DBS. The proponent will be required to produce either an ESMP or an E&S checklist, which must be approved by the PIU and the World Bank, before disbursement can occur.

Safeguards Route 4: *Supplemental safeguards instruments not required*. Those projects with no environmental and social risks will proceed straight to technical evaluation once screening is complete.

Regardless of the safeguards routes taken, applicants will have to include the environmental and social mitigation measures[2], through an ESMP or LRP, into its activities and planning and will have to be included into as a provision of the Credit Agreement, and implemented in the civil works contracts which will be issued to contractors and sub-contractors. The business plan will be modified. Furthermore, the supplemental safeguards instruments will have to be disclosed and consulted upon. This can be done through consultations with potentially affected persons. Disclosure can also happen through normal information sessions as part of the stakeholder engagement plan as well as by disclosing such reports on the DBS website.

[2] For subprojects following safeguards route 3, with low risk rating after screening, an ESMP is not required; rather, provision of specific mitigation measures would suffice.

Following completion and clearance of screening, the PIU will submit the screening reports to DBS, for onward transmission to the TC. For project proposals proceeding under safeguards route 2 and 3, DBS will be requested to inform the proponents.

5.3 Technical Appraisal

Projects will be subject to a technical appraisal following the methodology and criteria developed specifically for the BIF and described in this manual. The technical review for loan applications will be under the responsibility of the Technical Committee (TC).

a) Scoring system

The TC member will evaluate the proposal by granting, for each single criterion, a score comprised between 0 and 5 points. To this purpose, the experts will refer to the following definitions of the scores:

0	The proposal fails to address the criterion or cannot be assessed due to missing or incomplete information (unless the result of an 'obvious clerical error')
1	**Poor.** The criterion is inadequately addressed or there are serious inherent weaknesses
2	**Fair**. The proposal broadly addresses the criterion but there are significant weaknesses
3	**Good.** The proposal addresses the criterion well but with a number of shortcomings
4	**Very Good.** The proposal addresses the criterion very well but with a small number of shortcomings.
5	**Excellent**. The proposal successfully addresses all relevant aspects of the criterion; any shortcomings are minor.

The proposals will be evaluated as submitted and, if substantial information is missing or not convincing, or shortcomings are found, this will result in a low scoring of the proposal and possibly in its rejection; instructions will be given to the evaluators to do so rather than giving recommendations on how to improve the proposal during the preparation of the Loan Agreement.

If the loan proposal involves land acquisition, the TC will refer the proposal to the Fisheries and Port Development Committee for their recommendation. Additionally, for any loan proposal over

US$500,000, the loan applicant will be invited to present their project in person to the Technical Committee.

b) Evaluation criteria

The following criteria will be applied for the project technical evaluation:

1.	**Relevance (0-5)**	**Score**	
1.1	How is the project relevant to addressing international and national priorities and priorities of the BIF?	5	
1.2	How is the project relevant to the objectives stated in the BIF promotion ?	5	
1.3	To what extend the project objectives and activities are clear, logical and address clearly identified market needs?	5	
	Total Score		
Justification of the score:			

2	**Applicant Capacity and Quality (0-5)**	**Score**	
2.1	To what extend the applicant has developed knowledge related to this type of business?	5	
2.2	How is personnel capacity assigned to the project consistent with the business scale and the needs?	5	
2.3	How important is the financial capacity of the applicant during the last two years?	5	
2.4	How significant is the application experience in business management in the BIF focus areas (seafood value chain, aquaculture) ?	5	
	Total Score		
Justification of the score:			

3.	Project Quality (0-5)	Score	
3.1	To what extend is the project feasible?	5	
3.2	To what extend is the project sustainable?	5	
3.3	To what extend is the project financial viable?	5	
3.4	To what extend the project can generate multiplier effects (number of employment, goods and services procured for the business) at the national economy level?	5	
	Total Score		
Justification of the score:			

4.	Business Plan Design (0-5)	Score	
4.1	How convincing is the business organisation (management skills, number of employees, specialized employees, management capacities)?	5	
4.2	Are investments and expenses adequately detailed and relevant to planned activities?	5	
4.3	How consistent and realistic are the cash flow projections for 5 next years	5	
4.4	Does the business plan include risk analysis (economic, legal) that could affect the product and the business and are not within the control of the business) and mitigation measures?	5	
	Total Score		
Justification of the score:			

5.	Target Market Analysis and Marketing strategy (0-5)	Score	
5.1	Is the target market clearly identified? How clear is the description of the demand pattern, the pricing method?	5	
5.2	To what extend the project proposal demonstrate a good understanding of the key market players and the degree of market competition?	5	
5.3	How this project differentiates its product from other players on the market?	5	

5.4	How convincing is the product distribution strategy or services deliver strategy presented in the proposal?	5	
	Total Score		
Comments			

6.	**Environment and Social Impacts (0-5)**	**Score**	
6.1	To what extent has the project identified risks and mitigation measures related to the environmental and social impacts of project implementation and operations?	5	
6.2	Is the project fully observant of the ESMF and PF; and are the supplemental safeguards instruments for mitigating risks considered adequate?	5	
6.3	To what extent does the project propose policies or plans to address health, safety and well-being of employees of the project and in its supply chain (e.g. fishing boat crew)?	5	
	Total Score		
Justification of the score:			

7.	**Sustainable Investment Principles (0-5)**	**Score**	
7.1	To what extent has the project addressed principles for sustainable investment, namely: 'Principles for Investment in Sustainable Wild-caught Fisheries', and/or 'Sustainable Blue Economy Finance Principles'	5	

8.	**Implementation Plan (0-5)**		
N°	**Criterion**	**Score**	
8.1	To what extend the implementation plan is logic and consistent with the investments and activities presented in the proposal?	5	
8.2	Does the applicant has a monitoring and evaluation plan and how convincing it is (is it clear, practical, does it include a clear reporting system)?	5	
	Total Score		
Justification of the score:			

TC members base their evaluation solely on documents that they received and they implement it in accordance with the procedures described in the Manual.

5.4 Financial Appraisal

Loan applications that meet the technical evaluation requirements will be subject to financial appraisal by the DBS. Loan applications for financial appraisal are assigned to a Credit Officer. Financial appraisal will be undertaken based on information provided by the applicant in their complete or simplified business plans. During this process, financial analysts can organize meetings with the proponents to require clarifications and additional information regarding financial information provided in the business plans, but must not be modified for technical aspects of the project.

The following criteria will be used for financial appraisal:

1) Capacity (ability) to pay: ability to repay the full amount of loan within reasonable time period on agreed loan pricing, terms and conditions.
2) Conditions: economic and external conditions that impact on the ability to repay the loan
3) Collateral (security)
4) Capital: borrower's monetary investment into the business
5) Character: willingness and propensity to repay, capacity to operate the business effectively and repay the loan.
6) Management experience: capacity to manage the project
7) Financial analysis: ability of the project to create value, through a positive net present value, and to generate adequate profitability.

5.5 Loan Approval

Projects that are financially acceptable are forwarded by the Head of Credit to the DBS Credit Committee (CC), which decides on and submits recommended loans to the Board of Directors. The recommended loans are presented to the Board of Directors by the Head of Credit (or Credit Manager) for approval. The decision of DBS will be first communicated to the client verbally and a Letter of Offer with the terms and conditions will be issued thereafter. For loans that are not approved, a letter is automatically issued to the client. Approved loans are then sent to Credit Committee for financial negotiation and contract finalization.

An appeal process is available. A BIF Appeals Committee will be established by the MFTIEP and include the PIU. If the reason for appeal is the financial appraisal, the applicant and DBS will be invited by the Committee to present their cases. If the appeal process relates to technical appraisal, the applicant and Chair of the TC will be invited by the Committee to present their cases.

5.6 Loan Negotiation

The Credit Committee will conduct the final negotiation on the legal terms and conditions in the Credit Agreement, including: the loan amount, the security value, the co-financing, and the repayment period.

- DBS shall require securities to minimize the risk and the securities will be subject to evaluation
- The loan-to-value ratio, which is the amount of money the bank lends to the value of the collateral, shall be 100%
- The applicant should provide evidence that claim to the collateral is a first interest, that is no prior or superior liens exist, or may be subsequently created against the collateral
- A co-financing of 10% of the borrowed amount will be required from the borrower
- Repayment periods will be set according to the Credit Agreement between the borrower and the DBS but should not exceed 15 years. However, in exceptional circumstances a longer repayment period can be negotiated with DBS through the Board of Directors.
- The DBS will transmit to the PIU, for its prior approval, any substantial changes proposed to be made in respect of the repayment provisions of any loan

A penalty fee equivalent to 5% on the amount in default will be charged to the borrower by the DBS in case of default.

The Credit Agreement will make provisions for the Borrower to comply with safeguards instruments and construction health and safety guidelines (*Appendix IV*).

6. BUSINESS PLAN PRESENTATION

This section presents a methodology for the design of a business plan. It includes very useful explanation on key business plan content, namely (i) business description, (ii) environmental and social impacts analysis, (iii) market analysis, (iv) business organisation and management, (v) financial plan, (vi) sales and expenses projection, (vii) financing plan, (viii) cash flow analysis and (ix) risk analysis.

6.1 What Is in a Business Plan?

A business plan is key document to appreciate the quality of the project. A business plan is a document demonstrating the feasibility of a prospective new business and providing a roadmap for its first several years of operation. It is a document that describes what you plan to do and how you plan to do it. Typical components of a business plan for a new business are:

- The **executive summary**, a nutshell version of the entire plan, briefly covering the essentials.
- The **business description**, that describes the proposed new endeavor, explains its purpose and its target market.
- The **plan's market analysis**, which describes the industry and the market environment of the proposed business, including a profile of the competition.
- The **organizational and managerial section**, explains how you envision the structure of your business, what types of positions and departments it will encompass.
- The **products (or services)** section details what you're offering. This section should include a full description of the products you'll sell and your plan for product lifecycle management.
- The **marketing and sales** section explains your strategies for branding, marketing and selling your product or service.
- The **financial projection**, which covers the expected performance and milestones over the first years of operation, usually five years. For an existing business, historical financial data should be included.

6.2 Executive summary

The introduction to the business plan is called the Executive Summary and provides an overview of the business plan. This information provides the banker a first impression of the business concept.
The executive summary should include:

- The name and address of the company.
- The owner(s) names.
- Mission statement of the business.
- Brief description of the business to be conducted.
- Legal form of the business.

- Product(s) and/or service(s) to be offered.
- Purchase terms, if buying an existing business.
- Requested loan amount and how the loan will be repaid.
- How the loan amount will be spent (broken down into broad categories).
- Amount and form of owner(s) equity (owner's investment in the business).
- Expected outcome of business operations.

6.3 Business description

This section includes general information, business description, industry information, outside influence, situation of existing business. To help explain the development of a business plan, we use the example of an aquaculture fish farm.

For a fish farm, business description should include location, total acreage, acres of water, size of ponds, specifies of fish raised. In addition, it is necessary to include a risk analysis, that is general business conditions affecting the fish farm and future outlook for the aquaculture industry. Other issues that are not necessarily within the control of the business must also be addressed. Many of these issues may directly affect your sales both positively and negatively. These factors may include: economic, legal or government, environmental factors. If the business plan is to be used to support the purchase or expansion of an existing fish farm, a history of the business is required. Details should include years in existence, current owner, current location, types of species raised, market share, strengths, weaknesses, and financial information for the past three to five years.

6.4 Environmental, Social and Governance

(i) Environmental and Social Impacts

The project developers should:

- Provide proof of in-house capacity to manage environmental and social risks and track record (if any)
- Demonstrate to what extent the project has identified risks and mitigation measures related to the environmental and social impacts of project implementation and operations.

- Explain how the project is observant of the ESMF, the PF and the ensuing supplemental safeguards instruments to mitigate E&S potential negative impacts (ESMP and LRP).
- The ESMP must also cover how the project proposes policies or plans to address health, safety and well-being of employees of the project and in its supply chain (e.g. fishing boat crew)?

(ii) Sustainable Investment Principles

The project developers should:

- Explain how the project has addressed principles for sustainable investment, namely: 'Principles for Investment in Sustainable Wild-caught Fisheries', and/or 'Sustainable Blue Economy Finance Principles'

6.5 Plan's market analysis and marketing strategy

The promoters describe the industry and the market environment of the proposed business, including a profile of the competition.

Table 3: Suggestions to define your target market

Type of Customer	% of Business
Processing Plant/Cooperative	
Retail Consumer	
Restaurant and Grocery	
Organizations	
Other…	
Total	**100%**

The key element of a successful marketing plan is to know the customers — their likes, dislikes, and expectations. By identifying these factors, you can develop a marketing strategy that will allow you to attract customers and fulfill their needs. Your target market is the group or groups who are most likely to buy your product or service.

The project proposal should include a comprehensive description of the marketing and distribution strategies for the business. A distribution strategy answers the following questions: How are you going to get your product or services to your customer? How will the crop be sold? How are you going to price your crop? Below are some examples of ways to move your product to your customer. Your strategy may involve one or more of these techniques.

- Sales to a Processing Plant or Cooperative
- Contract Sales
- Phone Sales
- Trade Shows (Licensure Required)
- Internet Sales (Licensure Required)
- Sales off of the Farm (Licensure Required)
- Sales on the Farm
- Other

6.6 Organization and Management

The purpose of this section is to describe the legal form and organization of the business, skills available within management to successfully run the business, employee wages/salaries, employment schedules, and other considerations necessary to successfully operate and manage the business.

a) Business organization

The management description includes key persons and tasks for which they will be responsible. It is essential to include the major managerial and record keeping functions of the business. The description also Includes resumes of owners and key personnel. The resume should include past-related employment experience, professional training and education, related certificate/degree(s) held, and other personal information related to business operations.

b) Operational considerations

The purpose of this section is to provide information that deals with operation of the business such as: employees, schedules, insurance, suppliers, professional services, licenses, etc.

Table 4: Personnel hiring and pay schedule.

Job Title	Duties	Qualifications	Salary ($)	Hiring Date

Table 5: Monthly cost for employee salaries and wages

Job Title	Wage Rate	Hours/Week	Weekly Wages	Monthly Wages
Total monthly wages				

c) Insurance needs

In this section, you identify the potential risks of loss inherent to your business. These risks form the basis for your business insurance needs. Some of the typical types of business insurance are listed below:

- Workers Compensation
- Fire or Structural Damage
- Business Liability
- Vehicle Coverage
- Loss & Theft of Building Contents
- Glass & Sign Breakage
- Business Interruption
- Care, Custody & Control

After considering the insurance needs and regardless of whether you deal with independent agents, insurance brokers or work directly with insurance companies, be certain that you've done some comparison shopping before you sign up.

d) Identification of major suppliers

Include information on suppliers (e.g. fry, fingerlings, feed, equipment, etc.) Include their address, their product lines, and any special credit terms.

Table 6 : Identification of major supplier

Supplier	Address and Phones	Products/Services/Terms

6.7 Financial Plan

For any type of loan request the financial section of the business plan must include the following:

- Historical Information on Existing Business - Two (2) years of past financial statements (Balance Sheets & Income Statements), and aging of accounts receivable/payable should be included.

- Financial Projections — A five (5) year projection of financial data is suggested in most aquaculture loan requests including Pro Forma Balance Sheet, Cash Flow Statement, Income Statement, and Ratio Analysis. The first year cash flow should be shown on a monthly basis and shown quarterly for the second through fifth years.

- Letters of Commitment - If the plan includes multiple loans, each loan must be documented in commitment letters. Loans from financial institutions must have language indicating the loan amount, the specified term and interest rate, collateral, any other conditions attendant to the loan, and the fact that the loan is approved (loan approval can be contingent on securing other financing).

(i) Establishment Costs (using the example of a fish farm)

For the planning purposes, actual current price quotes are needed.

Table 7: Establishment costs

Item	Source (Assets already held, to be included in the Equity Investment)	Cost (Rupees)
Land		
Pond Construction (earth moving, drainage structure)		
Well Construction/ Water Supply		

Road Work		
Feed Storage Bin		
Office Building		
Electric Line & Switch Boxes		
Harvesting Dock		
Other		
Total Fish-Farm Establishment Costs		

(ii) Equipment and Tools

Equipment, fixtures, furniture, vehicles, tools and other fixed assets that are needed for the business and their associated costs.

Table 8 : Possible equipment needs.

Item (examples)	Source (If asset already held, to be included in the Equity Investment)	Cost (Rupees)
Tractor		
Trucks		
Motor and Trailer		
Aerators (two HP per acre)		
Mower		
Generator		
Vehicle		
Air Blower and Hose		
Cage, Cover and Floatation		
Feed Hoppers and Blowers		
Other		
Total Equipment and Tools Costs		

(iii) ***Equity Investment***

Include all assets (land, buildings, equipment, fixtures, and cash) you own that will be used in the business.

Table 9: Equity investment

Description	Year Acquired	Purchase Price	Current Value	Amount still owned	Name of Lienholder
Land					
Building					
Equipment					
Cash					
Total Equity Investment					

6.8 Projections of Sales and Expenses (Year 1 only)

Include sales projections for the fish farm. It is necessary to check for a realistic projection based on the size of the operation, species to be raised and culture system you are planning to use.

Table 10 : Sales projections

	January	February	March	……	**Total**
Sales					
Cost of Sales					
Purchase					
Wastage					
Gross Profit					
Overhead Expenses					
Accounting fees					

Advertising					
Fees, licenses & taxes					
Insurance					
Loan interest					
Office supplies					
Promotion/marketing					
Rent					
Repairs & maintenance					
Telephone					
Utilities					
Wages					
….					
Profit/(loss)					
Accumulated					

6.9 Projections of Sales and Expenses (5 Years)

Please explain your assumptions regarding the sales and expenses projections (on quantities, prices, gross rate…)

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales					
Cost of Sales					
Purchase					
Wastage					
Gross Profit					
Overhead Expenses					
Accounting fees					
Advertising					
Fees, licenses & taxes					

Insurance					
Loan interest					
Office supplies					
Promotion/marketing					
Rent					
Repairs & maintenance					
Telephone					
Utilities					
Wages					
….					
Profit/(loss)					
Accumulated					

6.10 Financing Plan

The financial projection will include the projected profit and loss and cash flow tables, and a brief description of the assumptions made for the projections. The financial plan may also include the balance sheet, sales forecast, business ratios, and a break-even analysis.

The business plan should include a financial plan with a cash flow projection for at least the initial period of the loan. The borrower should insure that the projections are compatible with the business plan and that the same underlying assumptions are used. They should also be compatible with the historic financial performance of the enterprise.

The purpose of the financing plan is to demonstrate that the funding to support all required aspects of the total estimated costs of the project are identified and committed. It is essential that the DBS receive assurances that sources other than the loan are committed and there will not be any delay in achieving the project intended economic goals as a result of any unavailable financing for any part of the project cost.

The financing plan for a project to be implemented by a revenue-earning enterprise usually consists

- the project financing requirements and the external sources of finance from the funds flow statement,

- other capital and incremental working capital expenditures occurring during the project construction period,
- incremental and initial operating costs to be incurred during the implementation period, to be financed out of either project capital funding, or from other sources,
- net income from any ongoing operations, and
- debt service

Table 12: Example of a financing plan.

	Local Currency	%	Foreign Exchange	%	Total	%
FUNDS REQUIRED						
Proposed Project						
Capital expenditures	0.00	0	0.00	0	0.00	0
Operating expenditures	0.00	0	0.00	0	0.00	0
Interest during construction	0.00	0	0.00	0	0.00	0
Other financing charges	0.00	0	0.00	0	0.00	0
TOTAL PROJECT REQUIREMENTS	0.00	100%	0.00	100%	0.00	100%

	Local Currency	%	Foreign Exchange	%	Total	%
SOURCES OF FUNDS						
Proposed Bank loan	0.00	0	0.00	0	0.00	0
Other loans	0.00	0	0.00	0	0.00	0
Equity or capital contributions	0.00	0	0.00	0	0.00	0
Government	0.00	0	0.00	0	0.00	0
Other sources	0.00	0	0.00	0	0.00	0
Subsides for operations	0.00	0	0.00	0	0.00	0
Internal cash generation (if any)	0.00	0	0.00	0	0.00	0
TOTAL SOURCES	0.00	100%	0.00	100%	0.00	100%

6.11 Project Cash Flow Forecasts

A project's annual net cash flow should be forecast over the life of the project. Annual net cash flow is the difference between annual cash receipts and annual cash payments. In cases where the project represents incremental development – for instance, the extension of an existing power plant – cash flows should be computed on an incremental basis (e.g. "with project scenario" and "without project scenario").

Annual cash receipts should include all service fees or sales revenue plus any subsidy received from the government to support the project and the estimated salvage or market value of project assets at the end of the project's physical life. Annual cash payments should include all payments incurred to construct operate and maintain the project's facilities over its useful life. All taxes such as customs and excise duties, value added taxes, similar levies and income taxes should be included. The estimated income taxes on earnings should be based on operating income (before financial expenses but after depreciation) generated from the project and at the effective tax rate.

Cash flow is the net amount of cash and cash-equivalents moving into and out of a business. Positive cash flow indicates that a company's liquid assets are increasing, enabling it to settle debts, reinvest in its business, return money to shareholders, pay expenses and provide a buffer against future financial challenges.

Negative cash flow indicates that a company's liquid assets are decreasing. Net cash flow is distinguished from net income, which includes accounts receivable and other items for which payment has not actually been received. Cash flow is used to assess the quality of a company's income, that is, how liquid it is, which can indicate whether the company is positioned to remain solvent.

Table 13: Twelve Months Cash Flow Projections

	January	February	March	……	**Total**
Cash receipts in:					
Cash sales					
Receivables–30 days					
Receivables–60 days					
Total Cash					
Cash disbursed:					
Cost of sales					
Accounting fees					
Advertising					
Fees, licenses & taxes					
Insurance					

Loan interest					
Loan principal					
Office expenses					
Promotion/marketing					
Rent & taxes					
Repairs & maintenance					
Wages					
….					
Surplus/(deficit):					
Opening balance:					
+ cash receipts					
– cash disbursed					
Closing balance					

Table 14: Net cash flow forecasts of your business for the five next years.

	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
OPERATING CASH FLOWS					
Receipts					
Cash receipts from customers					
Other Receipts					
Payments					
Employees					
Suppliers					
Other payments					
Net Cash Flows from Operating Activities (A)					

	1	**2**	**3**	**4**	**5**
INVESTING CASH FLOWS					
Receipts					
Interest received					
Sales of fixed assets					
Sales of investments					

Payments					
Interest paid					
Purchases of fixed assets					
Purchases of investments					
Net Cash Flows from Investing Activities (B)					

	1	2	3	4	5
FINANCING CASH FLOWS					
Receipts					
Capital contributions from owners					
Proceeds from new borrowings					
Payments					
Capital withdrawals					
Repayment of borrowings					
Dividends paid					
Net Cash Flows from Financing Activities (C)					

	1	2	3	4	5
Net Cash Flows from Operating Activities (A)					
Net Cash Flows from Investing Activities (B)					
Net Cash Flows from Financing Activities (C)					
Net increases/(decreases) for period D= A+B+C					

	1	2	3	4	5
Balances as at 1 January					
Currency changes on opening balances					
Net increases/(decreases) for period					
Balances as at 31 December					

Forecasts, in the form of annual financial projections over the period of implementation, and for the period necessary to achieve a steady state, should be made in nominal (current) prices. The year of investment analysis is the base year of projection. Forecasts in current terms are usually based on the same price assumptions as in the project cost estimates, at least through the construction period, as long as such

assumptions are relevant for the labour, goods and services concerned. Appropriate price assumptions should be made for items which are not involved in the project cost estimate or which need to be priced on differing bases.

Forecasts normally should be made in the local currency. An exception may be made when the local currency is unstable, for example due to high and erratic levels of inflation, in which case an alternative to the use of constant prices may be to denominate the forecasts in a stable currency with which the borrowing country has a consistent money-market/foreign exchange relationship. This alternative method prepares forecasts in current price terms using the stable currency, for example, the US Dollar.

6.12 Risk Analysis

Project cash flows are always based on forecasts. Project analysts do not know with certainty what will happen in the future. Hence, the forecasts that are used in the market, technical, financial, economic and distributional analyses are all made under conditions of uncertainty. The prices of inputs and outputs, wages, rate of inflation, and exchange rate are all crucial for projecting future cash flows and it is not known how their values will vary over the life of the project.

As such, the single valued outcome (NPV, IRR) of the financial analysis will not be accurate or meaningful. As the economic and distributive analysis are based on the financial cash flows, their outcomes will also suffer from the same shortcoming. It is not exaggeration to say that the only thing known with certainty about the outcome of project analysis is that the numbers emerging from it will never be attained when the project is actually implemented.

Since many of the parameters are uncertain, the results of financial, economic and distributional analyses in terms of the selection criterion (IRR or NPV), the cash flows and the externalities will yield only one of the several probable values. What is required is a distribution of values of these outcomes that incorporate all the possible values that the various parameters may assume. When there is no information about likely probability distributions of prices and quantities, it is necessary to make informed assumptions about future values of a project's variables.

6.13 Environmental and Social Impacts Analysis

Some requirements on the project's environmental and social sustainability should be fulfilled in parallel with the technical considerations and contribute to the selection of the best project option. In particular, the project promoter shall demonstrate to which extent the project contributes to achieve the resource efficiency and the BIF priorities.

When appropriate, an ESIA must be carried out to identify, describe and assess the direct and indirect effects of the project on human beings and the environment. While the ESIA is a formally distinct and self-standing procedure, its outcomes need to be integrated in the Cost-Benefit Analysis (CBA) and be in the balance when choosing the final project option. The costs of any environmental and social integration measures resulting from the ESIA procedure are treated as input in the assessment of the financial and economic viability of the project. On the other hand, the benefits resulting from such measures are estimated, as far as possible, when valuing the non-market impacts generated by the project.

7. HOW TO APPLY

(i) Consult the Exclusion list (*Appendix I*) and the Environmental and Social Safeguards document (*Appendix IV*)

(ii) Develop your business plan according to the corresponding format i.e. simplified or complete model (*Appendix II and III*)

(iii) Fill and complete the BIF business loan application form as per your application (company or individual) (*Appendix V and VI*)

(iv) Before submitting your application ensure you have the required supporting documentation and the completed BIF checklist (*Appendix VII*)