

Chair's Summary of Meeting of the Board of Directors

1 October 2007

Maldives: Country Partnership Strategy (2007–2011)

1. Directors endorsed the Maldives Country Partnership Strategy (CPS) for 2007–2011. Directors noted that the CPS was well prepared, was informed by the various thematic assessments, and presented a reasoned analysis of development challenges facing the Maldives. Directors appreciated that the CPS had a selective focus, was in harmony with the Government's development priorities, and prepared in coordination with other development partners of the Maldives.

2. Directors commended the positive economic and social progress achieved by the Maldives until recently and noted that reform of the taxation system, privatization of state owned enterprises and greater role of private sector were necessary to enlarge the taxation base, reduce the role of the Government, and allow private sector to play a greater role in the country's economic development. Noting the prevailing inequities between Malé and the outer atolls, Directors welcomed the proposed geographic setting of ADB assistance for the outer atolls.

3. Directors appreciated the strategic focus and thrust of the strategy whereby capacity development and analytical work would be undertaken in Phase I, followed by investment support in three identified sectors. Directors appreciated the two-phased approach of the CPS and the recognition that capacity constraints are increasingly manifesting themselves as binding constraints to the Maldives progression to the next higher stage of development. Directors welcomed the mutually agreed pause in lending and the need to take the time to develop critical capacities in macroeconomic management, project implementation and public policy. Some Directors were of the view that if capacity development phase takes longer than envisaged, ADB should stay the course and move to Phase II only when fully satisfactory performance had been achieved. A Director also suggested consideration of presenting a status report before embarking on Phase II. Another Director suggested that instead of a pause in investment lending, capacity development and investment support could be offered simultaneously.

4. Directors welcomed the proposed assistance for strengthening aid absorption by providing assistance for strengthening key project management units as well as envisaged support for private sector development and the emphasis on promoting the role of micro, small and medium enterprises (MSME). While appreciating the creation of an enabling environment, one Director indicated the need for updating the specific indicators for MSME, once Phase I was over.

5. Directors noted the vulnerability of the Maldives to climate change and noted the work initiated by the authorities with development partner assistance for mainstreaming climate adaptation into a national disaster preparedness strategy. Directors noted that while this is not an area of focused engagement of ADB, nonetheless, ADB should stay engaged with other development partners, and incorporate climate adaptation measures in its project designs if needed. One Director called for ADB's contribution to set-up early warning system for natural disasters both for the country and the region.