

ASIAN DEVELOPMENT BANK

**COUNTRY ASSISTANCE PLAN
(2001-2003)**

MALDIVES

December 2000

FOREWORD

The Country Assistance Plan describes the planned program of assistance by the Asian Development Bank (ADB) for [Maldives](#) covering the three-year period 2000-2002. It includes loan and technical assistance projects, as well as possible cofinancing from other donors. The CAP was prepared by the ADB between April and June 1999, in close consultation with the Government of [Maldives](#), and other stakeholders, including non-government organizations. The CAP was discussed with the Board of Directors in October 1999. The assistance plan described in the CAP is only indicative and may be revised to reflect more recent developments.

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CURRENCY EQUIVALENTS

(As of 30 November 2000)

Currency Unit	-	Rufiyaa (Rf)
Rf 1.00	=	\$ 0.084962
\$ 1.00	=	Rf11.77

The exchange rate of the rufiyaa is determined under a system of managed float.

ABBREVIATIONS

ADB	Asian Development Bank
ADTA	advisory technical assistance
AusAid	Australian Agency for International Development
COS	Country Operational Strategy
GDP	gross domestic product
GEF	Global Environmental Facility
GNP	gross national product
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
MCHE	Maldives College for Higher Education
MPA	Maldives Port Authority
NDF	Nordic Development Fund
NGO	non-government organization
PBA	Performance-based Allocation
PPTA	project preparatory technical assistance
SAARC	South Asian Association for Regional Cooperation
SACEP	South Asian Cooperation on Environmental Program
SAFTA	South Asia Free Trade Area
RDMO	Regional Development and Management Office
TA	technical assistance
UNDP	United Nations Development Programme

NOTES

- (i) The fiscal year of the Government ends on 31 December.
- (ii) In this report, "\$" refers to US dollar.

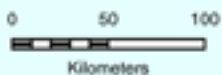
CONTENTS

	Page
I. Country Performance Assessment	1
A. Economic Performance Assessment	1
B. Poverty Assessment	2
C. Assessment of Socio-Environmental Performance	2
1. Gender Issues	2
2. Human Development	3
3. Environment	3
D. Governance: Sound Development Management	4
E. Implementation Assessment	5
1. The Portfolio	5
2. Issues in Project Implementation	6
II. Country Operational Strategy	7
A. The Country Operational Strategy	7
B. Progress in Implementation	7
C. Poverty Reduction Partnership Agreement	8
III. Sector Strategies	8
A. Infrastructure	8
1. Energy	8
2. Transport	8
3. Finance and Industry	9
B. Social Infrastructure	9
1. Human Resource Development	9
2. Regional Development	10
C. Governance Dimensions of ADB Operations	10
D. Gender Dimensions of ADB Operations	11
E. Private Sector Operations	11
IV. Regional Cooperation	12
V. Donor Activities and Aid Coordination	12
VI. Cofinancing and Catalyzing External Resources	13
VII. ADB's Operational Program	13
VIII. Economic and Sector Work Program	14
IX. Local Cost Financing	14

APPENDIXES



MALDIVES



- National Capital
 - Atoll Capital
 - International Airport
 - Regional Airport
 - Atoll Administrative Boundary
- Boundaries are not necessarily authoritative.

MALDIVES

I. Country Performance Assessment

A. Economic Performance Assessment

1. Being a small island economy, Maldivian economic development has been constrained by its limited agricultural and mineral resources and the small size of its domestic market.¹ These factors have resulted in a high dependence on two sectors, fisheries and tourism, which account for more than two thirds of foreign exchange earnings and one fourth of Government revenue, and in the early 1990s, triggered macroeconomic instabilities, with high budget and balance of payments deficits accompanied by double-digit inflation. The Government adopted a macroeconomic stabilization package in 1994 centered on tightening fiscal and monetary policies. Assisted by a rebound in the tourism and the fisheries sectors, the economy recovered rapidly. During 1996-1999, the economy grew by 8-9 percent. Per capita gross domestic product (GDP) at 1999 current market prices is estimated at \$1,415.

2. The recent strong performance of the economy resulted from favorable developments in transport, communications, utilities, tourism, fisheries, and manufacturing. Real GDP grew by 8.5 percent in 1999, with tourist arrivals increasing at 8.6 percent to 429,666. Increased growth in tourism continued to facilitate the expansion of construction, the growth of transportation, and the development of basic infrastructure facilities. Although the fisheries sector remained buoyant, fish export earnings declined as fish prices fell in the international market. Being the principal food item in Maldives, the increase in fish production favorably affected inflation, with the annual average inflation rate estimated at 3 percent in 1999.

3. Fiscal deficit worsened in 1999 to 6.6 percent of GDP due to an overall wage increase in public sector employees compared to 2.0-3.8 percent during 1996-1998, but still commendable achievement compared to the early 1990s, when the annual overall deficits were constantly over 10 percent of GDP. The revenue side remained vulnerable to external development, due to its heavy reliance on import duties and tourism tax. The Government is working to introduce a business profit tax and a property rental value tax to broaden the current tax base and to enhance capacity of customs services to improve duty collection. Defence expenditures continue to account for negligible portion of overall fiscal expenditures. The current account deficit deteriorated to 17.8 percent of GDP in 1999 compared to 6.8 percent in 1998, mainly due to increased imports associated with tourism sector investments. This was, however, more than offset by private capital inflows, which increased the official reserves to about \$129 million, equivalent of about four months of imports.

4. During the first half of 2000, the macroeconomic performance was favorable. Tourism continuing to be the driving force for economic growth, with tourist arrivals being totaled about 234,174 persons from January to June 2000, about 8 percent increase compared to the same period in 1999. The occupancy rate of resorts and hotels declined due to the recent opening of new resorts. However, the fisheries sector showed a sign of slow down. Total fish catch during the first half of 2000 was 52,039 tons, a decline of about 21 percent compared to the same period in 1999.

¹ Appendix 1 provides information on key economic, social and environmental indicators.

5. In its 2000 budget, the Government aims at reducing the budget deficit to 1.5 percent of GDP from 6.6 percent in 1999. However, fiscal conditions have deteriorated during the first half of 2000. This is largely attributed to the increased need for Government expenditures and the less than expected import duty collection resulting from slower growth of imports. Inflation averaged about 0.7 percent in the first half of 2000, largely supported by the fall in food prices.

6. While the country remains vulnerable to external shocks because of its dependence on tourism and fishing, the economic outlook for the medium term remains promising. Growth is projected at 7.6 percent in 2000, mainly strengthened by a continued increase in tourist arrivals. Inflation is expected to average about 3 percent in 2000 and beyond, because of prudent macroeconomic policy stance and favorable external conditions. The current account deficit in 2000 is estimated at about 13 percent of GDP, an improvement over the 17.8 percent in 1999.

B. Poverty Assessment

7. Despite strong economic growth in the last two decades, poverty still exists in Maldives. About 74 percent of the Maldives' population reside in the outer islands. Their livelihoods depend on small agriculture, fisheries, and limited public sector employment. Although an official poverty line has not yet been established for Maldives, the recent report by the Government, *Vulnerability and Poverty Assessment*² indicates that income poverty is widespread in Maldives, though with higher incidence in the outer atolls. About 22 percent of Maldives' population is estimated to be below the income poverty line of Rf10 per person per day (\$0.85). The incidence of income poverty rises to 43 percent of the population when based on a higher income poverty line of Rf15 per person per day (\$1.27). In Malé, the incidence of poverty for both income poverty lines is less than half of what is found in the outer atolls. The poverty assessment further indicates large differences between Malé and the outer atolls in access to basic social and infrastructure services including education, health, water supply and sanitation, electrification and inter-island transportation services. The lack of access to employment opportunities (outside of fishing) is a contributing factor to poverty in remote islands. The Government accords high priority to the regional development as part of its overall plan to ensure more equitable geographic distribution of economic and social benefits derived from growth (especially the tourism which has largely centered in the central Malé region). However, it remains a major challenge for the Government to provide adequate essential services for the island populations due to the highly dispersed nature of the country and diseconomies of scale in production, transport, and provision of essential social and infrastructure services.

C. Assessment of Socio-Environmental Performance

1. Gender Issues

8. In Maldives, there is no institutional discrimination along gender lines in access to education and health services and for jobs in the public sector. School enrollment rates for girls and boys are almost the same. Women are employed in the public sector and in manufacturing, and they account for 70 percent of active persons in agriculture. Nonetheless, women's access to higher education, necessary to respond to the new employment opportunities, is limited especially in the outer islands. In recent years, the Government, with ADB assistance³, has

² *Vulnerability and Poverty Assessment*, Ministry of Planning and National Development, 1998.

³ Loan 1637-MLD: *Postsecondary Education Development Project*, for \$6.3 million, approved on 30 September 1998.

been promoting increasing access to postsecondary education services to the population in the outer islands and women are expected to benefit significantly from such assistance.

9. The Government has taken further initiatives to support women in development, and a recent example includes the establishment by the Government of a Rf1 million micro credit scheme in March 2000, specifically for employment generation for women in the outer atolls. To review the overall impact of, and further strengthen, gender support by both the Government and donors, a gender participatory assessment is being conducted in 2000 starting in August, with ADB assistance,⁴ as part of ADB's poverty analysis and the poverty reduction strategy.

2. Human Development

10. Despite the highly dispersed nature of the country that constrains access to health, education, and other social services, the country's social indicators have shown significant improvements. Since 1977, life expectancy at birth increased by over 20 years to 72 years, and infant mortality was reduced from 120 per thousand to 20 by 1999. In education, primary school enrollment increased from 38 percent in 1982 to over 90 percent of the age group, and adult literacy rate reached 98 percent in 1999, which is among the highest in the developing world. Child labor is nonexistent in Maldives.

11. Maldives' population growth rate fell from about 3.4 percent per annum in the 1980s to about 2.7 percent in 1995, but is still considered to be high.⁵ The current population growth imposes a major challenge for Maldives, as it will continue to significantly impact on the future demand for social services (e.g. education, health, water supply and sanitation) and physical infrastructures especially in the outer atolls. Meanwhile, the rapid population growth rate has created a high dependency ratio and a large cohort of young Maldivians are looking for employment. The Government policy on population consolidation aims to (i) establish physical links between islands to improve access of small islands population to better economic and social services, and (ii) relocate the people from small and remote islands to larger and easily accessible ones to benefit from scale economies in terms of the provision of social and infrastructure services and increased mobility of people and goods. ADB will assist the Government in developing a national population consolidation strategy and a program for implementation.

3. Environment

12. The country has limited terrestrial resources. Rich marine life and beautiful settings are the mainstay for the development of the fishing and tourism sectors and the sustainable livelihood of the Maldives population. Like many other small island countries, Maldives faces serious environmental problems which include declining freshwater quantity and quality, coastal erosion and pollution, and degradation of coastal resources and the coral reef ecosystem. These problems are aggravated by the pressure of increasing population. The vulnerability of the small island ecosystems is compounded by the threat of the rise in the sea level due to global warming. Most islands are low-lying and about 80 percent of the land area is less than one meter above sea level. The coral growth rate is 3-5 mm per year and has the potential to mitigate some of the effects of sea level rise. However, a recent study showed that a serious coral bleaching occurred in Maldives in 1998 and caused significant damage to the reefs in the Maldives. The Government, with the assistance of the United Nations Development Programme

⁴ RETA 5889: *Gender and Development Initiatives*, for \$850,000, approved on 23 December 1999.

⁵ The population growth rate in 2000 is preliminary estimated at 1.9 percent.

(UNDP), is monitoring the coral reefs to identify the best approach to manage this fragile ecosystem. In addition, environmental problems associated with improper sanitation practices and over exploitation of the fresh water sources seriously threaten the populated islands.

13. The Government has recently finalized the *Second National Environmental Action Plan* following close consultations with the principal stakeholders⁶. The implementation of the Plan remains a major challenge for the Government in view of inadequate funding and limited human resources. Key environmental concerns are being addressed with grant assistance by donor agencies. Australia, Global Environmental Facility, Japan, and UNDP are providing support in the areas of coastal resources management, environmental infrastructure, the development of an environmental protection strategy, and institutional strengthening. Accordingly, ADB will continue to assist through mainstreaming environmental concerns under its loan and technical assistance (TA) projects. The project preparatory technical assistance (PPTA) for **Outer Islands Electrification**,⁷ being implemented in 2000, will evaluate the feasibility of adopting environmentally sustainable renewable energy sources for electricity generation, such as photovoltaic power, solar thermal and wind power, for the outer islands. ADB has identified critical natural resources and environmental issues to be considered when undertaking development projects in Maldives.⁸

D. Governance: Sound Development Management

14. Good governance is one of the key development objectives highlighted by the *Fifth National Development Plan* (1997-2000), and will continue to be so in the *Sixth National Development Plan* (2001-2005) which is currently under preparation. Establishment of a modern public administration, a comprehensive and transparent set of laws, and an impartial and competent judiciary are emphasized as priority goals in the Government's development agenda. Capacity building and the upgrading of human resources to fill the skills gap have been recognized as critical requirements towards good governance to achieve improved performance of the public and private sectors.

15. The Government will submit an Anti-corruption and Bribery bill for approval by the People's Majlis (Parliament) in 2000, which will broaden the mandate of the Anti-Corruption Board, established in 1991, to also investigate corruption in the private sector.⁹ The expansion of the Anti-Corruption Board's mandate would require further improvement in both the quality and quantity of resources made available to the Board. To this end, an advisory technical assistance (ADTA) for **Capacity Building for Good Governance** is included in 2003, to provide support to the relevant Government agencies especially in the areas of specialist accounting and auditing to investigate both public and private sector management and accounting related corruption and fraud.

16. Another area of concern is the decentralization of responsibilities for the planning and management of development to the atoll/island levels to build the institutions that could effectively exercise new responsibilities and facilitate the participation of the atoll population in decisions that directly affect the development future of their communities. ADB would continue to support the Government's initiatives in this area through both technical assistance program

⁶ *Second National Environmental Action Plan*, Ministry of Planning and National Development, 1999.

⁷ TA 3232-MLD: *Outer Islands Electrification*, for \$300,000, approved on 30 July 1999.

⁸ *Environmental Management of the Republic of Maldives: An Overview*, Asian Development Bank, 1999.

⁹ The Anti-corruption Board currently has a total of 26 staff, and about half are technical staff. It processes 50-60 cases/complaints per year, and depending on the nature of the case, some are closed with fine and warning and some filed at court for prosecution.

and investment in regional development project in the medium term. Planned support for institutional development and capacity building in regional planning and decentralized atoll development includes an ADTA for **Capacity Building for Regional Development Planning** in 2002 and an ADTA for **Capacity Building for Decentralized Atoll Development** in 2003.

E. Implementation Assessment

1. The Portfolio

17. To date, the ADB has approved nine loans from its Special Funds resources to Maldives for a total of \$55 million, mainly focusing on improvement of power supply and port facilities in Malé. Three loans have been provided in each of the transport and the energy sectors, and one loan each for the education, regional development and multi (mainly energy and ports) sectors. Of the six completed projects, four have been post-evaluated. Three were rated generally successful with notably good project design. The one unsuccessful project was Loan 513-MLD: Interisland Transport Project, approved in 1981 for \$1 million. It suffered from major project design flaws. The 37 TAs (\$12.6 million) provided by ADB have had a wider sectoral coverage than the loan program, and included assistance for national planning, financial sector development, and improved public sector management and good governance. Ten TAs were for the preparation of loan projects and 27 TAs were for advisory activities. Overall, the Maldives has made good use of ADB assistance and has satisfactory absorptive capacity (Appendix 2).

18. Past ADB lending operations have been instrumental in the development of high priority infrastructure, i.e., power supply and ports. ADB assistance enabled a reliable electric power supply and significantly improved port operations in Malé. ADB assistance has also supported human development and institutional capacity building in these two sectors, as the shortage of technical experts in engineering, finance, accounting, planning and management has been a key constraint. The corporatization of the public power utility (State Electric Company Ltd.) in 1997 and the Maldives Port Authority (MPA), being implemented in 2000, were among significant achievements. Recent ADB lending operations put emphasis on more equitable growth across atolls through the promotion of regional development. The **Regional Development Project**¹⁰ in 1999 is the first project that directly promotes the Government's strategy for regional development through the provision of basic infrastructure and services and institutional support.

19. ADB technical assistance has also been provided in the area of development planning and this has helped the Government identify key development issues and formulate medium- and long-term national plans. These plans have guided economic and social development planning and have also provided a consistent policy framework for identifying development priorities. In recent years the ADB's TA program has been effective in assisting the Government to: (i) develop national accounting skills; (ii) strengthen the operational efficiency of the Audit Office and enhance capacity of public accounting system; (iii) improve institutional arrangements for the postsecondary education system; (iv) promote private sector participation in port operations; (v) strengthen legal education and judicial training; and (vi) develop science and technology masterplan.

¹⁰ Loan 1695-MLD: *Regional Development Project*, for \$8.0 million, approved on 2 September 1999.

2. Issues in Project Implementation

20. The ADB's loan portfolio in Maldives comprises only three active loans, as a result of which disbursement ratios tend to vary depending on the stage of project implementation. However, past implementation experience indicates delays have occurred primarily in the initial phases of project implementation in the appointment of consultants, procurement, and contract award. Procurement for public sector project following international competitive bidding was institutionalized only in 1997, when a committee was formulated consisting of staff from Ministry of Finance and Treasury, the Audit Office, and the concerned project agency to undertake preparation of bid documents and tender evaluation. The lack of qualified and experienced technical staff in the procurement committee has so far resulted in heavy reliance on international consultants for procurement work. The current practice is neither cost-effective due to the high costs of contracting consultants nor sustainable as the Government has limited involvement in and understanding of the required legal and technical specifications of the tender document. Accordingly, a small-scale technical assistance for **Procurement Support and Project Management** is included in 2000, to strengthen the capacity of procurement staff in preparation of bidding documents, evaluation of tender documents and project management and monitoring, to enhance the effectiveness of Government procurement procedures.

21. The recent adoption by ADB of Performance-based Allocation (PBA) system is aimed to: (i) promote aid effectiveness and aid-selectivity; (ii) provide input to ADB's poverty reduction strategy; (iii) support good governance among borrowers; (iv) carry out significant policy dialogue; (v) highlight achievements in borrowers' economies; and (vi) benchmark ADB's graduation policy.

22. PBA, as being currently designed, uses both top-down and bottom-up approaches in evaluating country performance. Common standardized criteria across all borrowers comprising, e.g., economic growth, or monetary policy stance, is an example of a top down criteria; while specific tariff adjustment, or a specific policy reform in borrower's economy, or portfolio management would be examples of a bottom-up approach. Under the proposed system, country specific allocation will depend upon the borrower's per capita gross national product (GNP), the size of its population, and performance of its economy. The factors that will be critical in determining country specific performance in Maldives relate to: (i) macroeconomic management; (ii) structural policies; (iii) poverty reduction policies; (iv) protection of environment; (v) governance and public sector management; and (vi) portfolio performance. At the same time, it should be noted that Maldives will be treated as special case together with the Pacific developing member countries for the relatively small size of the country and the vulnerability of its economy to external shocks.

23. The development of specific indicators to measure country performance is expected to be complete by the end of 2000, in extensive consultations with key Government agencies, policy institutes, and other donors. While some criteria are based on objective quantitative indicators and some others are subjective in nature, the PBA assessment is also based on both immediate past performance and the promise of future performance.

II. Country Operational Strategy

A. The Country Operational Strategy

24. The current Country Operational Strategy (COS) for Maldives was prepared in 1995 when macroeconomic instability, regional disparities, environmental vulnerability and skill shortages were the major concerns. Accordingly, the operational priorities included: (i) improvement of fiscal management; (ii) promotion of regional development together with improvement of quality of and access to education; and (iii) the protection of environment. As the macroeconomic position improved, the Government advised ADB and the International Monetary Fund that it would no longer need external assistance to implement a program of macroeconomic reforms and that it would proceed with the reforms using its own resources. The Government, accordingly, requested ADB to redirect assistance to support improvements in public sector management and human development.

B. Progress in Implementation

25. Regional development across atolls has been a high priority for ADB assistance to achieve a more equitable and cost-effective distribution of basic economic and social services and to ease the development pressures on Malé. ADB has approved the **Regional Development Project** in 1999 aiming at developing a northern development region and a southern development region. The need for ADB support for human development has remained a high priority. A sustained effort is required to raise the education and skills level of the population to meet the demands of a rapidly modernizing economy and to reduce the heavy reliance on expatriate workers. ADB assisted in the preparation of the Education Sector Master Plan¹¹ and is currently assisting to restructure and strengthen the postsecondary education system to improve the quality and quantity of skilled manpower in the country.¹² Success in regional development and the upgrading of human resources will call for strong and sustained commitment and appropriate budget allocations from the Government. Investments in regional development activities will require careful screening to ensure that they are environmentally friendly and cost-effective. With respect to the environment, the Government had been able to mobilize grant assistance from bilateral and multi-lateral sources to address its main concerns. Accordingly, ADB operations do not include stand-alone environment projects, but address environmental issues in ADB funded projects. Given the logistical challenge of monitoring 199 inhabited¹³ and 992 uninhabited islands, over a vast stretch of ocean, this approach is realistic and practical.

26. The preparation work for a new COS/poverty reduction strategy for Maldives commenced in late 1999. The strategic considerations of future ADB assistance to Maldives will take into account the Government's development priorities and ADB's strategic development objectives under the overarching objectives of poverty reduction. Subject to further in-country consultation, key areas of support by ADB will include: (i) regional development through the provision of basic social and economic infrastructures to help create economic opportunities for the disadvantaged island population; (ii) human development especially through higher education and training to meet the skill demand of a modern economy; (iii) environmental management through institutional capacity building in monitoring and enforcing environmental rules and regulations and taking appropriate mitigating measures for environmental protection;

¹¹ TA 2324-MLD: *Education Sector Master Plan*, for \$300,000, approved on 26 April 1995.

¹² Loan 1637-MLD: *Postsecondary Education Development Project*, for \$6.3 million, approved on 30 September 1998.

¹³ Including Malé.

and (iv) improvement of the efficiency of the public sector and the financial system and promotion of sustainable private sector led growth in the economy. The sector focus of ADB's future public sector operations will be placed in the above key areas, providing equal support in institutional capacity building and investment finances for specific subsectors.

C. Poverty Reduction Partnership Agreement

27. Based on the *Vulnerability and Poverty Assessment*, ADB is preparing a poverty analysis and a country-specific poverty reduction strategy for Maldives. The poverty reduction strategy will form the basis of a Partnership Agreement between the Government and ADB on poverty reduction in Maldives. The Partnership Agreement, expected to be concluded in 2001, will outline specific operational targets and measures to optimize the poverty impact of the ADB operations in the country and the Government's own commitments to this objective. Close consultation will be conducted with the Government, donors, non-government organizations (NGOs), the private sector, and community groups in formulating the poverty reduction strategy.

III. Sector Strategies

A. Infrastructure

1. Energy

28. ADB has made significant contribution through its loan and TA program to help meet the electricity demands in Malé and to undertake institutional development of the power sector. The **Third Power System Development Project**¹⁴ has been geared to improving the reliability of the power supply in Malé. The Government's *Fifth National Development Plan* and ADB's poverty reduction strategy both call for the shifting of future development projects in the sector to the outer atolls, where the majority of the country's poor reside and the economic and social development has been constrained by poor electricity supply. While significant progress has been made in atoll electrification, about 28 percent of the atoll population reportedly have electricity for 6 hours or less each day: the quality is poor and the costs are usually high. This restricts their income earning activities. Planned assistance by ADB during 2001-2003 includes a loan project for **Outer Islands Electrification** in 2001, to be prepared by a PPTA¹⁵ being implemented in 2000, aiming to provide environmentally sustainable sources of energy for the outer island population and to improve governance of the sector.

2. Transport

29. In the absence of comprehensive strategy and planning in the transport sector, the sector development has been undertaken in a relatively ad hoc manner, which has resulted in the inefficiency of investment projects and the lack of coordination in external assistance. The Government expressed its strong desire to formulate the first National Transport Master Plan, covering international sea transport and inter-islands shipping, air transportation networks and road transport. An ADB TA for **Transport Master Plan** is included in 2001, to assist the Government to develop a master plan for the transport sector together with a strategic environmental impact study. To further support its regional development plan by providing basic infrastructure and social services to create economic opportunities for the island population, a

¹⁴ Loan 1532-MLD: *Third Power System Development Project*, for \$7.0 million, approved on 9 September 1997.

¹⁵ TA 3232-MLD: *Outer Islands Electrification*, for \$300,000, approved on 30 July 1999.

PPTA for **Islands Roads Development** has been included in 2002, focusing on selected regional development centers for synergy effect on regional development impact.

3. Finance and Industry

30. One of the major deficiencies in the financial sector is non-availability of long-term finance. Lending capacity of domestic commercial banks is not adequate to meet the financial needs of the private sector, especially resort development projects in the tourism subsector. The importance of capital market developments as an alternative measure to mobilize medium and long-term financing of capital investment has been recognized. ADB is conducting a comprehensive review of the financial sector and has formulated a paper on *Strategic Thrust on the Financial Sector for Maldives*.¹⁶ ADB will continue to dialogue with the Government on possible assistance to further reforms in the financial sector in future.

B. Social Infrastructure

1. Human Resource Development

31. Human resource development is a high priority, with two distinct goals: to sustain higher economic growth and to address regional disparities between the outer islands and the Malé region. The dearth of sufficiently skilled workers is a serious obstacle to achieving national development objectives, and continued efforts in human resource development will be required to reduce the dependence on expatriate labor and save foreign exchange. The strategy for human resource development needs to further target quality improvement through curriculum development, expansion of secondary education and distant learning, and skill development through vocational training. The Government has taken steps to strengthen the education system, with particular emphasis on improving the capacity of the postsecondary education system. Through the ongoing **Postsecondary Education Development Project**,¹⁷ ADB is assisting the Government in strengthening the management and expanding the output of the postsecondary education system by improving the seven existing technical institutes under the Maldives College of Higher Education (MCHE).

32. **Postsecondary Education Development (Phase II)** is planned for 2002, to be prepared by a PPTA in 2001, focusing on outreach programs to the atolls to ensure that education and training become available to students on the atolls. The Government emphasized that both secondary and postsecondary education need to be further developed to address critical skill shortages to meet the urgent need for key economic and social sector developments in the atolls as part of the country's regional development plan. In this respect, an ADTA for **Tertiary Education in Outer Atolls** is also included in 2002, providing support for development and implementation of outreach tertiary education programs for the atolls. The newly established Tertiary Institute for Open Learning is expected to especially benefit from the institutional capacity building support provided under the ADTA.

33. With limited land, natural resources, skilled labor and capital, Maldives has been seeking ways to take advantage of science, information and technology to promote sustainable economic growth while reducing dependency on tourism and fisheries. The ongoing TA for **Science and Technology Masterplan**¹⁸ has been supporting the Government to develop a

¹⁶ *Strategic Thrust on the Financial Sector for Maldives*, Asian Development Bank, 2000 (forthcoming).

¹⁷ Loan 1637-MLD: *Postsecondary Education Development*, for \$6.3 million, approved on 30 September 1998.

¹⁸ TA 3405-MLD: *Science and Technology Masterplan*, for \$600,000, approved on 2 March 2000.

science and technology masterplan which would provide a strategy and action plan for the country's science and technological development, and to strengthen the capacity of the newly established Ministry of Communication, Science and Technology. Provision for investment support for **Information Technology Development** in both Malé and the outer atolls has been made in 2001 following completion of the TA for Science and Technology Masterplan by the end of 2000. The development of information network would support the development of a modern economy with increased focus on services industry, and especially, it would improve public sector management efficiency, transparency, and accountability, and facilitate the Government's decentralization programs to empower local decision-makings in support of regional development. The development of information network would improve public information to build consensus and ignite community pressures to promote responsible behavior towards the environment.

2. Regional Development

34. Regional disparity between Malé and the outer islands has continued to be a key development issue. The average per capita income differential between the Malé region and poorer outer islands is estimated at 3:1. In addition, there is also a marked discrepancy between Malé and the outer islands in the availability of physical and social infrastructure such as schools, markets, health care facilities, sanitation and energy. The rapid growth of the population in Maldives has increased the urgency for the provision of a broad range of economic and social infrastructure in the outer islands. The wide dispersal of the population inevitably raises the costs in providing these services. Meanwhile, it is recognized that an excessive development focus on the Malé region will constrain future growth. Therefore regional development is considered to be a key factor in easing the development pressures on Malé and at the same time addressing equity concerns.

35. The Government acknowledges the recent assistance extended by ADB in promoting regional development in the northern and southern regional development centers.¹⁹ Under the **Regional Development Project**, a program to develop a northern development region and a southern development region including establishment of two Regional Development and Management Offices (RDMOs) in the two regions will be implemented. Overall progress of the ongoing Project has been satisfactory, and construction for the two permanent RDMOs buildings, one in the northern development region and one in the southern development region, will be completed in 2000. However, the RDMOs are already in operation in a rented accommodation since the commencement of the Project in May 2000.

36. Following the Government's strong request to start early preparation of a second phase regional development, focusing on development of the northern central and southern central regions, a PPTA for **Second Regional Development** has been included in 2001, which would enable the Government to seek co-financing opportunity from other donors based on the investment proposal. A loan project is planned in 2003, following satisfactory progress of the ongoing **Regional Development Project**.

C. Governance Dimensions of ADB Operations

37. The Government continues to make progress in improving public sector management with assistance by external funding agencies, including ADB. This has helped modernize the public sector and address skills shortages in the public administration system. ADB's

¹⁹ Loan 1695-MLD: *Regional Development Project*, for \$8.0 million, approved on 2 September 1999.

operational program has assisted in: (i) strengthening the Audit Office; (ii) corporatizing and improving financial management of the public power utility; (iii) strengthening the Statistics Section of the Ministry of Planning and National Development; (iv) establishing MCHE and improving management and efficiency in the postsecondary education system; (v) strengthening legal education and judicial training; and (vi) enhancing capacity of the public accounting system. ADB will provide advisory services in 2000 to prepare a first national science and technology masterplan, to enhance institutional capacity of Maldives Customs Services and to conduct a comprehensive review of the social security system and provide recommendations for its reforms. Further ADB assistance is being considered to: (i) further strengthen the capacity of the public accounting system; (ii) enhance the capacity of anti-corruption investigation; and (iii) support institutional development and capacity building in regional planning and decentralized atoll development.

D. Gender Dimensions of ADB Operations

38. The Government has recently taken steps to mainstream gender issues to ensure a balanced development. It initiated workshops promoting awareness and legal literacy among women and increasing their participation in the decision making process in the community and the public and private sectors. In the outer islands, ADB's operational program has been assisting gender development through increasing women's access to education and training. ADB's **Regional Development Project** is also expected to mitigate the pressure on male out-migration to the Malé region that has resulted in a high incidence of female-headed households in the outer islands. ADB will assist the Government to conduct a gender participatory assessment, which will evaluate the effectiveness of the institutional mechanisms for formulating and implementing gender and development policies and programs, and develop a strategy of gender-sensitive policies and program for ADB's projects.

E. Private Sector Operations

39. The recent *Private Sector Strategy Study and Strategic Thrust on the Financial Sector for Maldives*²⁰ by ADB concluded that one of the key constraints to further growth of the private sector in Maldives is access to long-term finance, particularly for tourism and fisheries development, the backbone of the country's economy. Key issues that need to be addressed to further develop the financial sector include promoting competition among banks, transforming the existing Provident Fund into a national vehicle for mobilizing and channeling long-term savings, gradually developing a domestic capital market, and improving legal and institutional framework for macroeconomic and financial management. Particular attention also should be paid to the implication of private sector activities on environment, and the improvement of legal and institutional framework on private sector activities will be of importance to promote sustainable natural resource management.

40. ADB's public sector loan and TA program has been assisting the Government in creating a suitable environment for the expansion of private participation in the economy, including recent support for private sector participation in port operations.²¹ Because of the country's small size, ADB to-date has not funded any private sector operations. The Government requested ADB to further assess possibilities particularly in support of tourism development through ADB's private sector window. The International Finance Corporation (which started with a loan of \$6

²⁰ Both studies were undertaken by ADB in 1999 with assistance of international and local staff consultants in consultation with concerned Government agencies, business communities, and private sector representatives.

²¹ TA 3099-MLD: *Private Sector Participation in the Maldives' Port*, for \$400,000, approved on 20 November 1998.

million for a resort development in 1996 in Maldives) and the National Development Bank of Sri Lanka have recently made a proposal to establish a leasing company.

41. The corporatization of MPA would be completed by 2000, when the new Maldives Port Company will start operation following the Companies Act. Notable progress in public enterprise reform/private sector development includes the ongoing work in corporatization of Maldives Airports Authority, and in further opening to private sector participation in frozen fish exports, which has been under the monopoly of the Maldives Industrial Fisheries Company Ltd. At a future time and subject to request of the Government, ADB could consider providing further assistance, either for privatization of or for improvement of corporate governance of the public enterprises remaining in the public sector. Scope also exists in strengthening the Public Enterprise Monitoring Unit, which was established by the Government in 1995 to look systematically into institutional improvements of the 19 parastatal public enterprises. To date, six of the 19 public enterprises have been opened to minority private participation, ranging from 49 percent of equity for Air Maldives down to 25 percent for the Bank of Maldives.

IV. Regional Cooperation

42. As a small island country with limited domestic resources, regional activities such as South Asian Association for Regional Cooperation (SAARC) could prove crucial to the future development of Maldives, particularly in the areas of trade, commerce and tourism. Intra-regional trade constitutes a significant proportion of Maldives imports and exports. The Government recognizes that Maldives could eventually be a beneficiary from intra-regional trade liberalization, including South Asia Free Trade Area (SAFTA), that is being pursued within SAARC. ADB is assisting the South Asian Cooperation on Environment Program (SACEP) to develop a regional coastal and marine resource management agreement, which covers Maldives and other South Asian countries. Relying heavily on tourism and fisheries, the Government is keen in developing economic ties with countries that would bring benefits to its own domestic economy.

V. Donor Activities and Aid Coordination

43. In 1997 the Committee for Development Planning of the General Assembly of the United Nations reviewed the classification of the Maldives as a "Least Developed Country" and recommended that in the year 2000 it should graduate from this category. If this recommendation is adopted, it may lead to a change in the amount and terms of development assistance available to the country in the form of grant and loan. The Government has been contesting this recommendation in light of the country's continuing vulnerability to external shocks, both economic and environmental. In May 1999 at the Donor Roundtable Meeting on Maldives, there was unanimous support from the donors for the Government's position that Maldives should not be graduated at this time from the Least Developed Country status because of the vulnerability of the economy and the need for continued assistance to consolidate the impressive development gains made in recent years.

44. Maldives received official development assistance as both grants and concessional loans at an average of about \$40 million per year during 1994-1998 (on disbursement basis). The assistance (about evenly split between grants and concessional loans) amounts to about 12 percent of GDP and is critical for supporting Maldives' development efforts. Japan, ADB, the United Nations agencies, and the World Bank are the principal donors. Japan has been the country's largest grant aid donor (about \$10 million per annum). It has provided support for seawall construction, fisheries, island electrification and other infrastructure projects through

Japan International Cooperation Agency (JICA). At the Donor Roundtable meeting held in 1999, Japan announced its continued grant assistance at around the same annual level to Maldives in the next five years. Japan Bank for International Cooperation (JBIC) is also prepared to start operations in Maldives once suitable projects have been identified. The World Bank has provided assistance for fisheries and education.²²

45. In recent years there has been a noticeable decline in sources of bilateral assistance and this is of concern to the Government. The Government is taking the lead in aid coordination and has accorded high priority to closer coordination with other donors in the formulation of ADB's loan and TA programs and also in the design of specific projects and in seeking co-financing opportunities for ADB-financed projects. As the majority of the donor agencies have no resident offices in Maldives, the ADB's Country Programming Mission to Sri Lanka actively consults representatives of major donor agencies in Colombo that cover also Maldives. Recent donor assistance in Maldives is given in Appendix 3.

VI. Cofinancing and Catalyzing External Resources

46. In recent years the Government and ADB have accorded priority to closer coordination with other donors in the formulation of ADB's loan and TA program and the design and the financing of specific projects. Official cofinancing has played the major role and it will continue to do so. In the last three years (1997-1999) ADB's lending attracted cofinancing for a total of \$10.3 million from Nordic Development Fund (NDF), Australian Agency for International Development (AusAid) and Islamic Development Bank. ADB will continue its effort to mobilize resources from other sources for its operation in Maldives.

VII. ADB's Operational Program

47. ADB's lending operations in the past averaged one loan approximately every two years, with the average loan size in recent years of about \$7 million per annum. The proposed lending and TA programs have been formulated within the broad framework of country performance, focusing on the key development concerns of the outer island population through regional development, environmental management, human development, improved public sector management, and increased private sector growth in the economy. The proposed lending program during 2001-2003 consists of 4 projects totaling \$21 million, or an average of \$7 million per year. However, the annual average lending level amounts to about \$5 million per year if it is taken into account that there is no loan project in 2000. The proposed lending level is consistent with the country's need for continued external concessional assistance and based on the satisfactory portfolio performance achieved in recent years.

48. Over the period 2001-2003, the sectoral distribution of the proposed loan program (by number) is social infrastructure 75 percent and energy 25 percent. In line with ADB's overarching objective of poverty reduction, an important feature of the lending program is the inclusion of projects with scope to maximize poverty impact. Out of total of 4 projects over the period 2001-2003, projects targeting core poverty intervention tentatively constitute 50 percent by the number of projects and 52 percent by the total value, depending on the poverty line to be established under the poverty analysis.

²² The *Third Education and Training Project* was approved by the World Bank in February 2000 for \$17.4 million. The Project aims at (i) further increasing secondary school access in the atolls; (ii) expanding the in-country teacher training capacity and other skill training facilities; (iii) updating primary/secondary curriculum and educational materials; and (iv) assisting the Government in strengthening education planning and financing.

49. The TA program for Maldives in recent years has averaged about \$1.5 million per annum. The TA program for the period of 2001-2003 includes 11 TAs (4 PPTAs and 7 ADTAs) with a total value of \$5 million, or \$1.7 million per annum. The ADTAs continue to focus on capacity building for key Government agencies, and human development and governance issues for improved public sector efficiency and private sector led growth. The PPTAs are aimed to help sustain a robust pipeline of quality projects for ADB financing in support of regional and human development. A list of loan and TA program is given in Appendix 4.

50. ADB's project implementation experience in Maldives has been generally positive. Of the six completed projects, four have been postevaluated. Three were rated generally successful, while one was rated unsuccessful which suffered from major project design flaws. In order to maintain and further improve this satisfactory implementation performance, ADB will adopt a strict performance-based lending approach in determining the level of future ADB assistance to Maldives.

Table 1: Lending and Technical Assistance Program, 1999-2003

MALDIVES										
A. Public Sector Lending Program										
	1999 (Actual)		2000		2001		2002		2003	
	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)
Lending Program ^{a/}	1	8.0	-	-	2	11.0	1	5.0	1	5.0
ADF	1	8.0	-	-	2	11.0	1	5.0	1	5.0
OCR	-	-	-	-	-	-	-	-	-	-
Lending Pipeline ^{b/}	1	8.0	-	-	2	11.0	1	5.0	1	5.0
ADF	1	8.0	-	-	2	11.0	1	5.0	1	5.0
OCR	-	-	-	-	-	-	-	-	-	-

B. Technical Assistance Program										
	1999 (Actual)		2000		2001		2002		2003	
	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)
TA Program ^{a/}	3	1,805.0	4	1,700.0	5	2,200.0	3	1,300.0	3	1,500.0
TA Pipeline ^{b/}			4	1,700.0	5	2,200.0	3	1,300.0	3	1,500.0

^{a/} The Program comprises firm projects.

^{b/} The Pipeline consists of both firm and standby projects.

VIII. Economic and Sector Work Program

51. To underpin the preparation of the new COS/poverty reduction strategy and the loan and TA operations, ADB's Economic and Sector Work is focused on the provision of advisory services in support of: capacity building for improved public accounting system, good governance and regional development; preparation of transport masterplan; development of population consolidation plan; and promotion of education in outer atolls.

IX. Local Cost Financing

52. The Government has been working to introduce a business profit tax and a property rental value tax. Through these actions the Government is attempting to reduce the vulnerability of the Maldivian economy and national budget to the destabilizing impact of external shocks such as occurred in the early 1990s. The measures being taken also have the aim of developing a more equitable and sustainable tax base that will reduce the substantial reliance on import duties as a revenue source.

53. However, there are indications of emerging macroeconomic imbalance in the fiscal accounts. The fiscal deficit (including grants) in 1999 was 6.6 percent GDP compared to 2.0-3.8 percent during 1996-1998. The deteriorating fiscal position in 1999 largely resulted from higher expenditures on wage of public employee, which increased about 30 percent on average. The 2000 budget of the Government shows estimated expenditure and revenue at 48.4 percent and 46.9 percent of GDP respectively, which would result in an overall deficit of 1.5 percent of GDP, a large improvement over 1999. In the period 2001-2003, it is proposed that local cost financing of projects in Maldives will be assessed on a case by case basis, taking into account the type of project and the prevailing economic and fiscal situation.

MALDIVES
COUNTRY PERFORMANCE INDICATORS

Item	1995	1996	1997	1998	1999 ^a	2000 ^c
Economic Indicators						
A. Income and Growth						
GDP per Capita (\$, current prices)	1,109	1,201	1,310	1,410	1,415	1,506
GDP Growth (%)	7.2	7.9	9.1	9.1	8.5	7.6
Primary Sector	1.6	1.9	2.3	6.2	7.5	4.4
Secondary Sector	8.6	9.1	18.7	15.3	8.4	9.2
Tertiary Sector	8.7	9.5	8.9	8.3	8.9	8.0
B. Saving and Investment (percent of GDP)						
Gross National Saving	41.4	43.5	na	na	na	na
Gross Capital Formation	47.5	42.7	na	na	na	na
C. Money and Inflation (annual percent change)						
Consumer Prices	5.5	6.2	7.6	-1.4	3.0	na
Money Supply (M2)	15.6	26.0	23.1	22.8	3.6	na
D. Government Finance (percent of GDP)						
Revenue ^b	44.1	44.2	45.7	43.5	46.8	46.9
Expenditure	53.5	47.9	47.8	46.2	53.4	48.4
Overall Surplus/Deficit (-)	-9.4	-3.8	-2.0	-2.8	-6.6	-1.5
E. Balance of Payments						
Merchandise Trade Balance (% of GDP)	-55.5	-61.5	-63.1	-57.2	-66.8	-65.2
Current Account Balance (% of GDP)	-6.7	-2.5	-10.1	-6.8	-17.8	-13.2
Export (\$) growth (%)	12.7	-6.0	16.3	2.8	-4.3	-3.6
Import (\$) growth (%)	20.9	12.6	15.6	1.5	13.7	5.1
F. External Payments Indicators						
International Reserves (\$ million)	49.3	77.6	99.7	119.9	128.5	na
(months of imports)	2.2	3.1	3.4	4.1	3.8	na
External Debt Service (% of exports of goods and services)	3.4	3.2	6.9	3.5	3.7	na
External Debt (% of GDP)	63.5	58.8	52.8	53.2	54.0	na
Memorandum Items:						
GDP (current prices, \$ million)	271.4	301.6	339	377.2	392.9	435.4
Exchange Rate (Rf per \$)	11.77	11.77	11.77	11.77	11.77	11.77

^a Provisional estimates.

^b Including grants.

^c Provisional projection.

Source: The Government of Maldives.

MALDIVES
COUNTRY PERFORMANCE INDICATORS

Population Indicators	1980-85		2000^a	
Total Population (thousands)	0.18		0.27	
Annual Population Growth Rate (%)	3.4		1.9	
Social Indicators	1987-92		latest year	
Total Fertility Rate (births per woman)	6.0		5.8 (1995)	
Maternal Mortality Rate (per hund. thous. live births)	480		172 (1999)	
Infant Mortality Rate (per 1,000 live births)	55		20 (1999)	
Life Expectancy at Birth (years)	62		72 (1999)	
Female	-		73 (1999)	
Male	-		72 (1999)	
Adult Literacy Rate (%)	na		98 (1999)	
Primary School Enrollment Rate (% of school age pop)	na		98 (1999)	
Secondary School Enrollment Rate (% of school age pop)	na		50 (1998)	
Child malnutrition (% of under age five)	56.1	(1980-85)	39	(1990-97)
Population below poverty line (%)	na		22 (1998)	
Population with access to safe water (%)				
Rural	58	(1980-85)	77	(1987-92)
Urban	12	(1980-85)	68	(1987-92)
Population with access to health care (%)	25	(1980-85)	75	(1987-92)
Public Education Expenditure as % of GDP	4.4	(1985)	9.54	(1999)
Public Health Expenditure as % of GDP	na		6.02 (1999)	
Human Development Index	0.497	(1990)	0.725	(2000)
Human Development Index Rank	112/173	(1990)	89/174	(2000)
Environmental Indicators	1980-95		latest year	
Total dry land area (thou. Ha.)	na		30 (1995)	
Per capita CO ₂ Emissions (metric tons)	na		0.7 (1995)	
Per capita Commercial Energy Consumption (KOE)	89	(1980)	139	(1994)

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na - not available

a/ Preliminary results.

Note: 2000 Census Data are not yet available.

Sources: 1999 Statistical Yearbook of Maldives, Ministry of Planning and National Development; 2000 Human Development Report, UNDP; 1999 World Development Report, World Bank; and Socail Sector Profile of Maldives, PW1, ADB; and the Government of Maldives.

MALDIVES
PORTFOLIO PERFORMANCE

Table 1 : Implementation, Disbursement Performance and Postevaluation Results
Public Sector Projects only
(as of 31 December 1999)

A. Project Portfolio	Net Loan Amount \$ million %		Rating (No.) ^a										
			Total No. %		Implementation Progress				Development Objectives				
					HS	S	PS	U	HS	S	PS	U	
Agriculture and Natural Resources	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0
Energy	7.0	32.4	1	50	0	1	0	0	0	0	1	0	0
Finance and Industry	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0
Social Infrastructure	14.5	67.6	1	50	0	1	0	0	0	0	1	0	0
Transport and Communications	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0
Others/Multisector	0.0	0.0	0	0	0	0	0	0	0	0	0	0	0
Total	21.5	100.0	2	100	0	2	0	0	0	0	2	0	0

B. Disbursements	OCR	ADF	Total
(1) Total funds available for withdrawal (\$ mn, active loans only)	0.00	13.40	13.40
(2) Disbursed amount (\$ mn, cumulative, active loans only)	0.00	0.61	0.61
(3) Percentage disbursed [(2)/(1)] (%)	0.00	0.45	0.45
(4) Disbursements (\$mn, active loans only, latest year)	0.00	0.61	0.61
(5) Disbursement ratio (%) ^b	0.00	4.45	4.45

C. Net Transfer of Resources ^c (\$ million)	OCR	ADF	Total
Net transfer in 1996	0.00	5.70	5.70
Net transfer in 1997	0.00	2.50	2.50
Net transfer in 1998	0.00	0.83	0.83
Net transfer in 1999	0.00	-0.20	-0.20

D. Post-Evaluated Projects	1968 - 1977		1978 - 1987		1988 - 1999		1968 - 1999	
1. Postevaluation Rating (as of 31 December 1999)	No.	%	No.	%	No.	%	No.	%
Rated Generally Successful (GS)	0	0	2	67	1	100	3	75
Rated Partly Successful (PS)	0	0	0	0	0	0	0	0
Rated Unsuccessful (US)	0	0	1	33	0	0	1	25
No Rating	0	0	0	0	0	0	0	0
Total	0	0	3	100	1	100	4	100

2. Postevaluation Rating by Sector 1968-99 (as of 31 December 1999)	GS		PS		US		NR		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	0	0	0	0	0	0	0	0	0	0
Energy	1	33	0	0	0	0	0	0	1	25
Finance and Industry	0	0	0	0	0	0	0	0	0	0
Social Infrastructure	0	0	0	0	0	0	0	0	0	0
Transport and Communications	1	33	0	0	1	100	0	0	2	50
Others/Multisector	1	33	0	0	0	0	0	0	1	25
Total	3	100	0	0	1	100	0	0	4	100

^a HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; U: Unsatisfactory

^b Ratio of disbursement during the year over the undisbursed net loan balance less cancellations at the beginning of the year. Effective loans during the year have also been added to the beginning balance of undisbursed loans.

^c Includes private sector projects for countries with private sector operations.

Source : Programs (A), CTD (B & C), OEO (D)

**MALDIVES
PORTFOLIO PERFORMANCE**

**Table 2: Status of Project Implementation
(As of 31 December 1999)**

Sector/ Subsector	Loan No.	Project Name	Net Ln Amt ADF (\$Mn)	Loan Approval Date	Loan Effectivity Date	Loan Closing Date		Physical Progress (%)	Cumulative Disburse- ments (\$million)	Cumulative Contracts Awards (\$ million)	Project Performance Rating	
						Original	Revised				Implement Progress	Development Objective
Energy	1532	1 Third Power System Development	6.95	Sep-97	Apr-98	Jun-01	-	15	0.48	1.25	S	S
Social	1637	2 Postsecondary Education Development	6.45	Sep-98	May-99	Jul-04	-	15	0.00	0.25	S	S
Social	1695	3 Regional Development	8.05	Sep-99	-	Dec-04	-	5	0.00	0.00	S	S
		TOTAL	21.45					35	0.48	1.50		

Note: A loan is considered closed when the loan account is closed.

Source: CIRC Country Detail as of 31 December 1999.

MALDIVES
OVERALL EXTERNAL ASSISTANCE
(In US\$ Million)

External Resource ^a	Past 3 Years (1996/98) (Annual Average)		1999 Approvals ^b	
	Loan/Credit	TA	Loan/Credit	TA
A. Multilateral Assistance				
ADB	4.43	1.14	8.00	1.81
CTFC	-	0.02	-	-
European Union	-	0.40	-	-
FAO	-	0.08	-	0.10
GEF/UNDP	-	0.39	-	-
IDA/World Bank	-	-	-	-
IDB	1.67	-	3.83	-
NDF	1.85	-	-	-
OPEC Fund	1.33	-	1.50	-
UNDP	-	0.82	-	0.30
UNFPA	-	0.83	-	-
UNICEF	-	-	-	3.47
Subtotal (A)	9.28	3.68	13.33	5.68
B. Bilateral Assistance				
Australia	-	1.26	-	2.48
Canada	-	0.03	-	0.06
China, People's Republic of	-	0.40	-	0.07
India	-	-	-	0.02
Germany	-	-	-	-
Japan	-	14.09	-	2.12
Korea	-	0.05	-	-
Kuwait Fund	0.17	3.43	9.57	-
New Zealand	-	0.03	-	0.01
Pakistan	-	0.33	-	-
Saudi Fund	-	-	4.81	-
United Kingdom	-	0.46	-	0.39
USA	-	0.01	-	-
WICS	-	0.01	-	-
Subtotal (B)	0.17	20.10	14.37	5.12
Total (A + B)	9.45	23.77	27.70	10.80
Memo Items:				
Total External Assistance as % of Total Current Expenditures was 44% in 1999.				
Total External Assistance as % of Total Capital Expenditures was 69% in 1999.				
<i>Note:</i> Current Expenditure was \$107.5 million and Capital Expenditure was \$69.4 million in 1999.				

^a commitment base.

Source: Information provided by the Ministry of Finance and Treasury & Department of External Resources.

MALDIVES
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2001-2003

Sector/Project Name	Poverty Classification ^{a*}	Crosscutting Operational Priority ^{b*}	Responsible Division	Year of PPTA	PROJECT COST (\$ million)					
					TOTAL	ADB			Gov't	Cofinancing (Others)
						OCR	ADF	Total		
2001 LOAN PIPELINE										
Energy 1 Outer Islands Electrification <i>Subtotal</i>	CPI	ENV	IWEN	1999	13.5	0	6.0	6.0	2.5	5.0
					13.5	0	6.0	6.0	2.5	5.0
Social Infrastructure 2 Information Technology Development <i>Subtotal</i>	ODI	GG	IWTC	2000	7.0	0	5.0	5.0	2.0	tbd
					7.0	0	5.0	5.0	2.0	tbd
Total					20.5	0.0	11.0	11.0	4.5	5.0
2002 LOAN PIPELINE										
Social Infrastructure 1 Postsecondary Education Development (Phase II) <i>Subtotal</i>	PI	HD	AWEH	2001	7.0	0	5.0	5.0	2.0	tbd
					7.0	0	5.0	5.0	2.0	tbd
Total					7.0	0.0	5.0	5.0	2.0	tbd
2003 LOAN PIPELINE										
Social Infrastructure 1 Second Regional Development <i>Subtotal</i>	CPI	HD	AWWU	2001	7.0	0	5.0	5.0	2.0	tbd
					7.0	0	5.0	5.0	2.0	tbd
Total					7.0	0.0	5.0	5.0	2.0	tbd

^a CPI = Core Poverty Intervention; PI = Poverty Intervention; and ODI = Other Development Interventions.

^b ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD = Private Sector Development; and RC = Regional Cooperation

* This classification was completed prior to the finalization of the improved and redesigned system in December 2000, which will be applied in 2001.

MALDIVES
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2001-2003

Sector/Project Name	Responsible Division	Type of TA	Amount (\$'000)		
			ADB	Others	Total
2001 TECHNICAL ASSISTANCE PROGRAM					
Social Infrastructure					
1 . Postsecondary Education Development (Phase II)	AWEH	PPTA	300.0	-	300.0
2 . Second Regional Development	AWWU	PPTA	600.0	-	600.0
3 . Population Consolidation	SOCDC	ADTA	500.0	-	500.0
	Subtotal		<u>1,400.0</u>	<u>-</u>	<u>1,400.0</u>
Transport					
4 . Transport Masterplan	IWTC	ADTA	300.0	-	300.0
	Subtotal		<u>300.0</u>	<u>-</u>	<u>300.0</u>
Finance and Industry					
5 . Capacity Building for the Maldives Public Accounting System (Phase II)	IWFI	ADTA	500.0	-	500.0
	Subtotal		<u>500.0</u>	<u>-</u>	<u>500.0</u>
Total			2,200.0	-	2,200.0
2002 TECHNICAL ASSISTANCE PROGRAM					
Transport					
1 . Islands Roads Development	IWTC	PPTA	500.0	-	500.0
	Subtotal		<u>500.0</u>	<u>-</u>	<u>500.0</u>
Social Infrastructure					
2 . Tertiary Education in Outer Atolls	AWEH	ADTA	300.0	-	300.0
3 . Capacity Building for Regional Development Planning	AWWU	ADTA	500.0	-	500.0
	Subtotal		<u>800.0</u>	<u>-</u>	<u>800.0</u>
Total			1,300.0	-	1,300.0
2003 TECHNICAL ASSISTANCE PROGRAM					
Energy					
1 . Outer Islands Electrification (Phase II)	IWEN	PPTA	500.0	-	500.0
	Subtotal		<u>500.0</u>	<u>-</u>	<u>500.0</u>
Social Infrastructure					
2 . Capacity Building for Decentralized Atoll Development	AWWU	ADTA	500.0	-	500.0
	Subtotal		<u>500.0</u>	<u>-</u>	<u>500.0</u>
Others					
3 . Capacity Building for Good Governance	PW1	ADTA	500.0	-	500.0
	Subtotal		<u>500.0</u>	<u>-</u>	<u>500.0</u>
Total			1,500.0	-	1,500.0

* Although the proposed TA program has been generally agreed upon by Management, ADB financing may be subject to further reprioritization to fit in with ADB-wide annual resource envelope.

MALDIVES
FIRM LENDING PROGRAM, 2001-2003
BY POVERTY CLASSIFICATION, CROSSCUTTING OPERATIONAL PRIORITY AND SECTOR

Classification	2001		2002-2003	
	No.	% ^a	No.	% ^b
I. By Poverty Classification *				
A. Core Poverty Intervention	1	50	1	50
B. Poverty Intervention (Non-core)	-	-	1	50
C. Other Development Interventions	1	50	-	-
Total	2	100	2	100
II. By Crosscutting Operational Priority *				
A. Environment	1	50	-	-
B. Gender and Development	-	-	-	-
C. Good Governance	1	50	-	-
D. Human Development	-	-	2	100
E. Private Sector Development	-	-	-	-
F. Regional Cooperation	-	-	-	-
Total	2	100	2	100
III. By Sector				
A. Agriculture and Natural Resources	-	-	-	-
B. Energy	1	50	-	-
C. Industry	-	-	-	-
D. Finance	-	-	-	-
E. Transport and Communications	-	-	-	-
F. Social Infrastructure	1	50	2	100
G. Others/Multisector	-	-	-	-
Total	2	100	2	100

^a rounded off.

* This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

MALDIVES

PROJECT PROFILE					
1. Project Name: Outer Islands Electrification			2. Sector/Subsector: Energy/Electric Power		
3. Poverty Classification: ^{a*} CPI			4. Crosscutting Operational Priority: ^{b*} ENV		
5. Rationale & Objectives: The Project will provide improved and sustainable expansion and upgrading of power supply system in the outer islands, promoting equitable and regionally balanced economic growth and easing the sustainable population pressures being placed on Male.			6. Beneficiary Participation/Consultation Needs: Beneficiaries in the relevant outer islands will be consulted.		
7. Scope: Based on the outcome of the PPTA, the Project will expand or upgrade power supply system in the outer islands. The Project will also establish renewable energy generation facilities.					
8. Estimated Cost & Financing Plan:				Remarks:	
Loan Project Cost (\$m)					
Financing (Source)		FC	LC		Total
ADB					6.0
Co-financing(NDF)					5.0
Borrower					2.5
Sub-borrowers					-
Total					13.5
9. Estimated Benefits and Beneficiary Groups: It will provide improved quality of electricity supply in the outer islands, where 74 percent of the nation's population live. Most of these people have access to some of electricity, but the supply systems are generally inadequate. Operation hours are often restricted, quality is usually poor, and tariff levels are too high.					
10. Executing Agency: To be determined			11. Project Implementation Period: Start: 2001 End: 2004		
12. Environment Category: B or C			13. Processing Year: 2001		

^a CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions

^b ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD = Private Sector Development; and RC = Regional Cooperation

* This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

Note: For 2001 loan projects only.

MALDIVES

PROJECT PROFILE					
1. Project Name: Information Technology Development			2. Sector/Subsector: Social Infrastructure		
3. Poverty Classification: ^a ODI			4. Crosscutting Operational Priority: ^b GG		
5. Rationale & Objectives: The Government has accorded a high priority to establish a government data communication network, which will improve productivity and efficiency of public sector activities. Given the scattered islands setting in Maldives, the development of information network among key public sector institutes all over the country will be conducive to facilitate economic and social development in outer islands. Most importantly, the Project will play a key role in diversifying the Maldivian economy to quality and efficiency oriented service country.			6. Beneficiary Participation/Consultation Needs: The Project will be formulated in close consultation with concerned government agencies and communities in outer islands among others.		
7. Scope: The Project will assist the Government to develop the Government Network of Maldives (GMN). The first step would be the establishment of a high-speed data communication network within Male including all the government organizations. The second step would be the extension of the GMN to cover all the inhabited islands in Maldives.					
8. Estimated Cost & Financing Plan:				Remarks: Feasibility study of the investment project has been completed by the Government with UNDP assistance, and will be further reviewed under ADB-assisted SSTA.	
Loan Project Cost (\$m)					
Financing (Source)		FC	LC		Total
ADB					5.0
Co-financing(NDF)					2.0
Borrower					tbd
Sub-borrowers					-
Total				7.0	
9. Estimated Benefits and Beneficiary Groups: People, especially in outer islands, will have more opportunities to receive public sector services and to participate in the decision making process of the Government.					
10. Executing Agency: Ministry of Finance and Treasury Ministry of Communication, Science and Technology			11. Project Implementation Period: Start: 2001 End: tbd		
12. Environment Category: B or C			13. Processing Year: 2001		

^a CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions

^b ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD = Private Sector Development; and RC = Regional Cooperation

* This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

Note: For 2001 loan projects only.