

**ASIAN DEVELOPMENT BANK**

**COUNTRY STRATEGY AND PROGRAM UPDATE  
(2002-2004)**

**THE MALDIVES**

**July 2001**

## CURRENCY EQUIVALENTS

(as of 30 June 2001)

Currency Unit	–	Rufiyaa (Rf)
Rf1.00	=	\$0.084962
\$1.00	=	Rf11.77

While the Maldives rufiyaa has been under a system of managed float since March 1987, the Government has been following a de facto fixed exchange rate policy vis-à-vis the US dollar since October 1994.

## ABBREVIATIONS

ADB	-	Asian Development Bank
ADF	-	Asian Development Fund
ADTA	-	advisory technical assistance
CSP	-	country strategy and program
GDP	-	gross domestic product
LDC	-	least developed country
PBA	-	performance-based allocation
PPTA	-	project preparatory technical assistance
SACEP	-	South Asian Cooperation on Environmental Program
SME	-	small- and medium-sized enterprise
TA	-	technical assistance

## NOTES

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

## CONTENTS

	Page
I. DEVELOPMENT SITUATION	1
A. Recent Political and Social Development	1
B. Economic Assessment and Outlook	1
C. Implication for CSP	2
II. IMPLEMENTATION OF THE CSP	3
A. Poverty Reduction	3
B. Thematic Priorities	4
III. PORTFOLIO MANAGEMENT ISSUES	6
A. Portfolio Performance Implementation	6
B. Counterpart Funding	6
C. Monitoring and Evaluation	6
IV. COUNTRY PERFORMANCE AND LENDING LEVELS	7
A. Lending Level Proposed	7
B. Loan Program	7
C. Technical Assistance and Economic and Sector Work Program	7
D. Summary of Changes	8

## APPENDIXES

## **I. DEVELOPMENT SITUATION**

### **A. Recent Political and Social Developments**

1. The Maldives has experienced political stability for a long period. The current President has been in office since 1978 and has guided the modernization of the nation. A new constitution was promulgated in 1999, strengthening the democratic processes. A well-functioning formal and informal set of checks and balances serves to ensure public integrity and effective governance.

2. The Maldives has recorded impressive achievements in social development in terms of health care services and education (Appendix 2). Primary education has become the basic right of almost all Maldivian children, and piped water supply and sewerage are available in Malé. Increased access to social services has contributed to vastly improved health and mortality conditions. Since the mid-1980s, more than a decade has been added to life expectancy, with males and females expecting to live 72 and 73 years respectively. Several debilitating diseases, such as malaria, childhood tuberculosis, filariasis, and leprosy have either been eradicated or have negligible transmission rates. The Maldives is ranked as the highest among South Asian countries in the gender development index of the United Nations Development Programme (UNDP). Nonetheless, Maldivian women do suffer from certain forms of gender bias.

### **B. Economic Assessment and Outlook**

3. The Maldives' economic performance has been very good. The economy has grown by 7.4 percent annually since 1991. In 2000 the gross domestic product (GDP) growth slowed to 4.8 percent mainly due to a slow increase in tourism revenues, a decline in resort construction, and a reduction in the level of fish catches. However, the GDP growth is forecast at about 7 percent in 2001, fueled by buoyant tourism and fisheries activity, and double-digit growth in domestic construction. Per capita GDP increased from \$1,636 in 1995 to \$2,059 in 2000 (Appendix 1).

4. Over time, the tourism sector, which accounts for about one third of GDP during the last decade, played a key role in the rapid economic growth of the country, and the economy has become less reliant on the fisheries sector. The share of the fisheries sector in GDP declined from 15.1 percent in 1991 to 6 percent in 2000. Instead, the secondary sector's share increased from 12.4 percent to 14.4 percent during the period.

5. Double-digit growth in tourism revenues has propelled the economy forward in the 1990s, but the tourism industry entered into a more mature consolidation phase, in which product and source market diversification have been the key challenges. Fish production has increased due to the adoption of second- and third-generation fishing vessels, which had a significantly larger range and harvesting capacity than the traditional smaller pole-and-line vessels. But despite the upsurge in output, fisheries incomes grew at a sluggish pace due to the fall in global tuna prices to historic lows in 1999/2000 and inadequate marketing capacity.

6. A key feature of the labor market is the increasing number of expatriate workers, currently estimated at about a quarter of the total labor force. The majority of the expatriate workers occupy both the most skilled and the least skilled segments of the labor market. On the one hand, this highlights the skill shortages facing the Maldives and the constraints that a shortage of skilled labor poses to economic growth. On the other hand, it suggests that living

conditions and income-earning opportunities in fisheries have progressed to a point where what unskilled Maldivians consider as the minimum wage is above that for unskilled laborers elsewhere in the region.

7. In the early 1990s, a cyclical downturn in fisheries and tourism earnings triggered a rapid expansion of the fiscal deficit in the Maldives. After the deficit reached a peak of 12.4 percent of GDP in 1993, the Government implemented an effective stabilization program characterized by various fiscal restraint measures. In 1999, the economy was again adversely affected by terms of trade shock resulting from a 50 percent decline in global tuna prices and a near-doubling in the cost of petroleum imports. The terms of trade shock, coupled with a 30 percent civil service salary increase, contributed to a widening of the fiscal deficit to around 3.3 percent of GDP in 1999 and 2000 and increasing the public debt. An important lesson from the fiscal instability in the 1990s was the vulnerability of domestic revenues to external developments due to their heavy dependence on import duties and a tourism bed tax, and the importance of a cautionary fiscal stance. While Government spending has remained relatively stable as a share of GDP in the 1990s, the proportion of public expenditures allocated to current spending has increased while that allocated to capital spending has fallen.

8. A monetary policy reform program, launched in 1995, liberalized interest rates, eased direct credit control, and introduced new financial instruments. Due to lower Government borrowing, the rate of growth in the money supply has slowed since 1995 and has been consistent with the rate of growth in economic activity. A fixed exchange rate policy, with the rufiyaa pegged to the US dollar, has been maintained since 1994. The combination of fiscal restraint, low fish prices, and a nominal exchange rate anchor has had a favorable impact on inflation. The rate of inflation was 3.0 percent in 1999 and -1.1 percent in 2000.

9. Historically, the balance of payments has been susceptible to volatility in tourist arrivals and international fish prices. Between 1996 and 1999, the trade balance deficit remained high at about 40 percent of GDP, but this was offset by a large surplus on the services account due to tourism earnings. The current account deficit has been in the range of 5-10 percent of GDP during the past five years due to an ambitious program of private capital investments for new resort developments. Official reserves have increased during the 1990s and presently cover more than three months of import requirements.

### **C. Implication for the Country Strategy and Program**

10. The Maldives has achieved high economic and social development. With sound macro-economic management, the Government has been able to manage two severe macro-economic shocks in the 1990s without recourse to external finance. However, there are large regional disparities in incomes, and access to and availability of essential services. Moreover, the country remains highly vulnerable to global economic fluctuation and environmental changes. While the Government's Sixth National Development Plan and Vision 2020 aim to address these issues, the cost and the institutional capacity building have yet to receive adequate attention. Therefore, the ADB's activities in the Maldives need to set new priorities not found in the 1995 country operational strategy. The country strategy and program (CSP) needs to shift priority from addressing macroeconomic imbalances to promoting regional development that aims at equitable development among the atolls on one hand and promotion of economic growth for alternative centers to Malé on the other. It also needs to assist the Government to strengthen the Maldives' economic sustainability.

## II. IMPLEMENTATION OF THE CSP

### A. Poverty Reduction

11. While abject poverty and severe malnutrition are almost nonexistent, a large segment of the population subsists on very low incomes. The 1998 Vulnerability and Poverty Assessment reports that, on the basis of per capita income per day, 42 percent of the population subsist on Rf15 (\$1.3) or less, 22 percent on Rf10 (\$0.85), and 13 percent on Rf7.5 (\$0.6) or less. Average per capita incomes of about \$3 per day were reported for Malé.

12. Poverty in the Maldives differs from that in many other developing nations. A large segment of the population is highly vulnerable to global shocks and has a limited ability to effectively manage risk. Since the economy is very open and narrowly based on tourism and fisheries, the effects of export shocks are quickly transmitted to the poor. Both domestic environmental degradation and a rise in the sea level as a result of global warming threaten physical habitats and the two main industries. The scope for risk mitigation by diversifying income sources or sharing resources is limited because of the small populations of the islands, high transport and communication costs, lack of land and other mineral resources, and a low level of skills development.

13. Regional disparity between Malé and the atolls is a key poverty concern. Income disparities between Malé and the atolls were found to be in the order of 2:1, with the ratio increasing to 3:1 in the case of Malé and the atolls when the lowest average per capita income is considered. In addition, inequalities between Malé and the atolls in access to social and physical infrastructure and services were found to be far more pronounced, averaging 4:1.

14. Factors that contribute to poverty include physical and information isolation; limited institutional capacity to foster socioeconomic development in the atolls; skill shortages; quality deficiencies in basic education, and limited capacity in secondary and postsecondary education; the unreliable and poor quality of electricity, transport, and telecommunications services in the atolls; limited access to curative emergency care services outside of Malé; lack of access to term lending and savings facilities; limited product diversification and efficient marketing services in the fisheries sector; and high rates of infant malnutrition.

15. ADB is in the process of developing a new country strategy for the Maldives with a clear focus on poverty reduction. The strategy will reflect the result of ADB's poverty analysis, the high-level forum on poverty reduction, and other discussions with the Government, funding agencies, the private sector, and civil society. The strategy will also consider ADB's strengths. ADB's future operational strategy for the Maldives will support poverty reduction through a combination of pro-poor growth, social development, and good governance initiatives. To foster pro-poor growth, ADB will assist in (i) regional development including the provision of basic infrastructure and capacity building; (ii) creating an enabling environment for private sector development, including reform of the financial sector and the legal system; and (iii) developing an information and communication network in the atolls. To further raise the level of social development, ADB will provide assistance for postsecondary education and skills development. ADB will also assist in improving the quality of primary education. To support good governance, ADB will build the capacity of key public institutions and assist in computerization for the Government, with the aim of improving public sector management efficiency.

## **B. Thematic Priorities**

### **1. Economic Growth**

16. The cost of supplying appropriate economic and social infrastructure to each of the 200 inhabited islands would be prohibitively expensive. The Government has thus launched policies aimed at encouraging the population to consolidate on a smaller number of focus islands. To diversify the economic structure and shift from its heavy reliance on fisheries and tourism, the Government has made plans to nurture port-related boat building and transshipment activity, expand indigenous agricultural cultivation, and promote offshore financial services as three possible new sources of growth. Diversifying the fisheries sector and lowering its high degree of dependence on skipjack tuna, and adding new dimensions to tourism services are part of the solution to broadening economic opportunities.

17. ADB will assist the Government's public investment programs for regional development in enhancing transport access and creating an enabling environment for private sector investment in fisheries, tourism, and a range of supporting small- and medium-sized enterprise (SME) activities. Improving electricity supply in the atolls and harnessing modern information technology for a wide range of site-independent e-activities may also be an integral part of the solution to expanding the employment base. There is a need to improve connectivity of people by expanding telecommunications access in the atolls and lowering charges for telecommunication services through appropriate policy reforms in the sector.

### **2. Human Development**

18. A combination of low-quality primary education in the atolls, limited coverage of secondary schools, and lack of skilled workers constrains economic development. The strategy for human resource development needs to further target quality improvement by developing curricula, upgrading poorly staffed and underserved primary schools, developing distance learning, and developing skills through vocational training. ADB will assist the Government in upgrading the quality of atoll primary schools and in strengthening postsecondary education.

### **3. Gender and Development**

19. Women's access to higher education, participation in political decision making, and favorable representation in senior administrative posts at all levels of government have been limited. Moreover, the rate of female participation in employment has rapidly declined in recent years, owing largely to the mechanization of fish processing where the female workforce used to be engaged. ADB will actively mainstream gender considerations into its loan and technical assistance program support. Regional development initiatives will ensure that women are adequately represented in decentralized atoll administrations. Increasing women's access to quality education will improve their social awareness and increase opportunities for productive employment. ADB will ensure that future investments in human resource development assist the Government to promote gender equality, particularly through an increase in opportunities for higher education and technical training. Expanding access to financing for SMEs in the atolls, and support to SMEs with female heads, will also contribute to gender equality.

#### **4. Good Governance**

20. Both the Fifth National Development Plan (1997-2000) and the Sixth National Development Plan (2001-2005) highlight good governance as a key development objective. Establishing a modern public administration, a comprehensive and transparent set of laws, and an impartial and competent judiciary is emphasized as a priority goal in the Government's development agenda. Shortages of skills are recognized as a serious constraint to modernizing the public sector and to the continued growth of the private sector. Another area of concern is decentralization and devolving the responsibilities for planning and management of development to the atoll, and island levels. By increasingly involving island communities in the decision making process, island development will be promoted through more accountable and responsive governance. ADB will help the Government build the capacity to effectively adopt good governance standards through each of its investment projects and a wide range of advisory technical assistance activities: improving public accounting procedures, building Internet connectivity to improve public services, and improving public utility regulation.

#### **5. Private Sector Development**

21. The Government recognizes the importance of the private sector as the engine of growth. The private sector will help sustain growth and generate employment opportunities. ADB carried out the Private Sector Strategy Study for the Maldives in 1999. Considering the results of the study, ADB will create an enabling environment for the private sector to flourish in three ways: ADB will (i) assist the Government to adopt a more facilitative and regulatory role and to be less directly involved in providing commercial services; (ii) support the strengthening of the financial sector to more effectively mobilize savings and fund long-term development; and (iii) continue to provide support for improving the legal system so as to improve credibility and gain investor confidence that is necessary to sustain a vibrant private investment environment.

#### **6. Environmental Protection**

22. Environmental concerns are likely to increase as population and incomes rise. Given the limited human resources and institutional capacity, there is an urgent need to integrate and mainstream environmental management concerns into all sector development initiatives. In this context, ADB will focus its approach on assisting the Government to ensure that environmental management concerns are properly mainstreamed and integrated into ADB's proposed loans and technical assistances (TAs). Rather than undertake specific environmental projects, ADB will support sustainable environmental practices in each investment that it supports. ADB recognizes the Government's effort and the need to develop environmentally sustainable energy resources in the Maldives where diesel generator sets significantly contribute to local pollution and greenhouse gases. Future ADB assistance will help promote environmentally sustainable and renewable energy technologies.

#### **7. Regional Cooperation**

23. As a small island country with limited domestic resources, the Maldives has much to gain from regional cooperation. ADB is assisting the South Asian Cooperation on Environment Program (SACEP) involving the Maldives and other South Asian countries. Through this forum, best practices on reef management technology are being shared. In the area of higher education, ADB will continue to foster regional collaboration in tertiary education by helping to forge partnerships between institutions of higher education in the Maldives and in other parts of

the region. ADB's assistance aimed at fostering peace in neighboring Sri Lanka is expected to have substantial positive spillover effects on the Maldives, through greater cross-border investment and increased regional tourism flows.

### **III. PORTFOLIO MANAGEMENT ISSUES**

#### **A. Portfolio Performance Implementation**

24. Overall, the Maldives has made good use of ADB assistance and has demonstrated satisfactory absorptive capacity. Since 1996 to date two projects have been postevaluated and both of them were rated as satisfactory (Appendix 3). ADB's current loan portfolio in the Maldives comprises only three active loans amounting to \$21.3 million. The disbursement ratio has therefore varied according to project implementation stages. Past experience indicates delays occurring primarily in the initial phases of project implementation, in the appointment of consultants, procurement, and contract awards. More recently, the shortage of suitably qualified counterpart staff has become a concern.

25. Most of the projects focused on expanding infrastructure and institutional capacity in Malé, perhaps inadvertently contributing to regional inequity. Recent initiatives have begun to focus more on spreading the benefits of growth more widely. Disbursement and submission of audited accounts and financial statements were generally satisfactory. Only rarely have loan extensions been required. Compliance with the loan covenants on social and environmental measures have also been generally satisfactory as well as those on participation and ownership, institutional capability, budget availability, operation and maintenance, and benefit monitoring systems.

#### **B. Counterpart Funding**

26. The Government has provided sufficient counterpart funding for ADB-financed projects despite the fact that the Maldives' economy has weathered two severe macroeconomic shocks during the past decade. This is a notable accomplishment and reflects the high priority that the Government accords to prompt implementation of ADB projects.

#### **C. Monitoring and Evaluation**

27. Since there is no ADB resident mission in the Maldives, project implementation has been monitored by project review missions and country portfolio review missions from ADB headquarters. The shift of ADB's focus to the atolls for poverty reduction will require a greater effort to monitor and evaluate projects, including, among others, a thorough assessment, at the stage of project formulation, of the institutional capacity to implement projects in remote islands.

## **IV. COUNTRY PERFORMANCE AND LENDING LEVELS**

### **A. Lending Level Proposed**

28. The Asian Development Fund (ADF) resources for developing member countries are allocated based on the performance-based allocation (PBA) system. The Maldives' indicative ADF allocation based on the system is \$5 million for 2002. The proposed lending program for 2002-2004 totals \$22 million (Appendix 4) or an annual average of \$7.3 million including overprogramming, compared with an annual average of \$6.3 million for approved loans during 1996-2001. The average is subject to change, depending on the outcome of the PBA exercises for 2003 and 2004.

29. The PBA system also assesses country-specific criteria according to triggers for high, base, and low cases, which normally allow a range of up to  $\pm 20$  percent from the base case allocation. However, for the Maldives, a wider range of allocation will be granted over the program period considering the limited flexibility for small programs. The country-specific criteria were discussed and agreed upon with the Government. They include indicators for national development action plans, public utilities sector reforms, and portfolio performance. The lending scenario and selected performance triggers are in Appendix 4.

### **B. Loan Program**

30. The proposed lending program in 2002-2004 consists of four projects (Appendix 4). The four loans are the SME Development in the Atolls, Education Development, Regional Development (Phase II), and Strengthening Public Accounting System. The project selection briefs are in Appendix 6. The proposed program is consistent with the priorities identified in the Government's Sixth National Development Plan and with ADB's poverty assessment for the Maldives.

31. The SME project is aimed at providing financial and institutional support for businesses in the atolls. It will also assist in improving the policy and regulatory requirements to foster SME development in the atolls. The education project is aimed at closing the skills gap for the poor (i.e., those in the atolls) to improve social development. Upgrading primary education in the atolls and strengthening postsecondary education will also be considered. The regional development project will support Government efforts to develop a series of regional growth nodes and consolidate the population. In this second phase, the focus will be on developing regional development management offices and providing an enabling infrastructure in one or possibly two of the other regional nodes. Infrastructure and institutional requirements will be examined in the north-central, south-central, and central atolls. The public accounting system project aims at implementing a unified accounting, auditing, and budgeting system across the Government. This will improve governance by providing the Government with a greater measure of fiscal control and the capacity to mainstream poverty reduction initiatives in public expenditure planning.

### **C. Technical Assistance and Economic and Sector Work Program**

32. The TA program is envisaged to be about \$1 million annually. The proposed TA program for 2002-2004 includes 12 TAs for a total of \$4.6 million, or an annual average of \$1.5 million including overprogramming (Appendix 4). ADB will select TAs equivalent to \$1 million each year

in consultation with the Government during the country program confirmation mission. The focus of the TA program is on project preparation, institutional strengthening, and capacity building. Three project preparatory TAs (PPTAs) are included to assist the three loans. A PPTA in the area of applying the information technology network for poverty reduction will also be undertaken. This will assess the scope for using the Government's information network for a range of e-health, e-education and e-commerce applications to serve the atoll community.

33. The economic and sector work program will provide advisory services aimed at strengthening the Government's capacity to respond appropriately to an array of anticipated challenges (Appendixes 5 and 6). This includes the challenges posed by decentralization, support for private sector development, and the Maldives' possible graduation from the least developed country (LDC) status. TAs will be provided for developing a transport master plan and improved planning and institutional strengthening in public sector management. A TA will be provided to help develop an autonomous regulatory authority for public utilities. Support will also be given for divestiture and revenue diversification to help the Government develop the capacity to launch a comprehensive privatization program in a transparent and fiscally responsible manner. In anticipation of the eventual graduation from LDC status, TAs in the areas of debt management and graduation planning will be provided. These will be complemented by efforts to strengthen the information base for economic management. TA concept papers and economic and sector work program are in Appendixes 5 and 6.

#### **D. Summary of Changes**

34. In line with the new country strategy and due to the scarcity of TA resources, changes have been made in the 2001 TA program. The new program, with a total amount of \$850,000, has three TAs: (i) a PPTA for the Regional Development (Phase II) in 2003, for \$600,000; (ii) an ADTA for analysis of a Social Security System, for \$100,000; and (iii) a PPTA for Capacity Building for the Public Accounting System in 2002, for \$150,000.

35. The major changes in the 2001 TA program are (i) the deferment of the PPTA for Postsecondary Education Development (Phase II) from 2001 to 2002 (now called Education Development) due to the need for additional work on firming up the project concept, with the possible inclusion of the primary education subsector; (ii) deferment of the ADTA for a Transport Master Plan to 2003; (iii) canceling of an ADTA for Population Consolidation that will be assisted by other funding agencies; and (iv) canceling of an ADTA for Procurement Support and Project Management, where ADB could provide necessary assistance through seminars/training courses.

**APPENDIXES**

Number	Title	Page	Cited on (page, para.)
1	Economic Indicators	10	1, 3
2	Social and Environment Indicators	11	1, 2
3	Portfolio Performance	12	6, 24
4	Lending Pipeline and Technical Assistance Program - Country Lending Scenario and Performance Triggers - Lending Pipeline for 2002-2004 - Technical Assistance Program for 2002-2004 - Poverty Classification, Thematic Priority, and Sector	14	7-8, 28-33
5	Economic and Sector Work Program	18	8, 33
6	Project Selection Briefs for Lending Pipeline for 2002-2004 Technical Assistance Project Concept Papers for 2002-2004	19	7, 30 and 8, 33

### ECONOMIC INDICATORS

Item	1996	1997	1998	1999	2000 <sup>a</sup>	2001 <sup>b</sup>
<b>A. Income and Growth</b>						
GDP per Capita (\$, current prices)	1,844	1,967	1,987	2,113	2,059	2,194
GDP Growth (%)	9.1	10.2	8.2	7.4	4.8	7.0
Primary Sector	1.8	2.2	6.8	3.2	-2.1	-1.6
Secondary Sector	3.8	23.4	16.2	8.3	-0.5	11.2
Tertiary Sector	11.2	9.2	6.9	7.8	6.8	7.3
<b>B. Money and Inflation</b> (annual percent change)						
Consumer Prices	6.2	7.6	-1.4	3.0	-1.1	1.5
Money Supply (M2)	26.0	23.1	22.8	3.6	4.1	8.6
<b>C. Government Finance</b> (percent of GDP)						
Revenue <sup>c</sup>	28.9	31.0	31.8	33.8	37.8	37.1
Expenditure	31.4	32.3	33.8	38.1	42.4	42.6
Overall Surplus/Deficit (-)	-2.5	-1.4	-2.0	-4.3	-4.6	-5.5
<b>D. Balance of Payments</b>						
Merchandise Trade Balance (% of GDP)	-40.3	-42.7	-41.9	-46.9	-41.9	-42.5
Current Account Balance (% of GDP)	-1.6	-6.8	-4.5	-14.6	-9.5	-8.0
Export (\$) growth (%)	-6.0	16.4	2.8	-4.3	18.8	13.2
Import (\$) growth (%)	12.6	15.6	1.5	13.6	-3.4	11.1
<b>E. External Payments Indicators</b>						
International Reserves (\$ million)	77.6	99.7	119.9	128.5	124.1	114.9
(months of imports of goods and NFS)	2.6	3.0	3.5	3.3	3.3	2.8
External Debt Service (% of exports of goods and NFS)	3.2	6.9	3.5	3.9	4.0	4.1
External Debt (% of GDP)	38.5	35.6	38.9	38.1	41.0	42.9
<b>G. Memorandum Items</b>						
GDP (current prices, \$ million)	460.4	500.8	515.7	559.3	556.2	604.1
Exchange Rate (Rf per \$)	11.77	11.77	11.77	11.77	11.77	11.77

GDP = Gross domestic product

NFS = Nonfactor services.

<sup>a</sup> Provisional estimates.

<sup>b</sup> Provisional projections.

<sup>c</sup> Including grants.

Source: Ministry of Planning & National Development; Maldives Monetary Authority; and the International Monetary Fund.

## SOCIAL AND ENVIRONMENT INDICATORS

Indicators	1980-1985	2000 <sup>a</sup>
<b>Population</b>		
Total Population (1,000)	180	270
Annual Population Growth Rate (%)	3.4	1.9
<b>Social</b>		
	<b>1987-1992</b>	<b>Latest Year</b>
Total Fertility Rate (births per woman)	6.0	5.8 (1995)
Maternal Mortality Rate (per 100,000 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 (%)	—	98 (1999)
Primary School Enrollment Rate (% of school age population)	—	98 (1999)
Secondary School Enrollment Rate (% of school age population)	—	50 (1998)
Child Malnutrition (% of children under age five)	56.1 (1980-85)	39 (1990-1997)
Population Below the Poverty Line (%)	—	42 <sup>b</sup> (1998)
Population with Access to Safe Water (%)		
Rural	58 (1980-85)	77 (1987-1992)
Urban	12 (1980-85)	68 (1987-1992)
Population with Access to Health Care (%)	25 (1980-85)	75 (1987-1992)
Public Education Expenditure as % of GDP	4.4 (1985)	9.54 (1999)
Public Health Expenditure as % of GDP	—	6.02 (1999)
Human Development Index	0.497 (1990)	0.725 (2000)
Human Development Index Rank	112/173 (1990)	89/174 (2000)
<b>Environment</b>		
	<b>1980-1995</b>	<b>Latest Year</b>
Total Dryland Area (ha.' 000)	—	30 (1995)
Per Capita CO <sub>2</sub> Emissions (metric tons)	—	0.7 (1995)
Per Capita Commercial Energy Consumption (KOE)	89 (1980)	139 (1994)

KOE = Kilogram of Oil Equivalent.

— = not available.

<sup>a</sup> Preliminary results.

<sup>b</sup> Based on Rf15 (\$1.3) per day.

Sources: Vulnerability and Poverty Assessment, Ministry of Planning and National Development and UNDP, 1998; 1999 Statistical Yearbook of Maldives, Ministry of Planning and National Development; 2000 Human Development Report, UNDP; 1999 World Development Report, World Bank; 1999 World Development Report, World Bank; Maldives, Ministry of Planning and National Development; 2000 Human Development Report, UNDP; Social Sector Profile of Maldives, PW1, ADB; and the Government of Maldives.

Note: 2000 census data are not yet available.

**PORTFOLIO PERFORMANCE**  
**Table A3.1 : Implementation, Disbursement Performance and Postevaluation Results**  
**Public Sector Projects only**  
 (as of 31 December 2000)

A. Project Portfolio	Net Loan Amount		Rating (No.)										
			Total		Implementation Progress				Development Objectives				
	\$ million	%	No.	%	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	6.6	32.4	1	33	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	13.8	67.6	2	67	0	2	0	0	0	0	2	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
<b>Total</b>	<b>20.4</b>	<b>100.0</b>	<b>3</b>	<b>100</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>

  

B. Disbursements	OCR	ADF	Total
Total funds available for withdrawal (\$ mn, active loans only)		20.40	20.40
Disbursed amount (\$ mn, cumulative, active loans only)	0.00	2.03	2.03
Percentage disbursed [(2)/(1)] (%)	0.00	0.10	9.95
Disbursements (\$mn, active loans only, latest year)	0.00	1.30	1.30
Disbursement ratio (%) <sup>a</sup>	0.00	6.27	6.27

  

C. Net Transfer of Resources <sup>b</sup> (\$ million)	OCR	ADF	Total
1996		5.70	5.70
1997	0.00	2.50	2.50
1998	0.00	0.83	0.83
1999	0.00	-0.20	-0.20
2000	0.00	0.70	0.70

  

D. Post-Evaluated Projects						1996 - 2000	
1. Postevaluation Rating (as of 31 December 2000)						No.	%
Highly Successful						0	0
Successful						2	100
Partly Successful						0	0
Unsuccessful						0	0
No Rating						0	0
<b>Total</b>						<b>2</b>	<b>100</b>

  

2. Postevaluation Rating by Sector	Highly Successful		Successful		Partly Successful		Unsuccessful		No Rating		Total	
1996-00 (as of 31 December 2000)	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Energy	0	0.0	1	50.0	0	0.0	0	0.0	0	0.0	1	50.0
Finance and Industry	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Social Infrastructure	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Transport and Communications	0	0.0	1	20.0	0	0.0	0	0.0	0	0.0	1	50.0
Others/Multisector	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>2</b>	<b>70.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>2</b>	<b>100.0</b>

ADF = Asian Development Fund; HS = highly satisfactory; OCR = ordinary capital resources; S = satisfactory; PS = partially satisfactory; U = unsatisfactory

<sup>a</sup> 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.

<sup>b</sup> Includes private sector projects for countries with private sector operations.

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

**PORTFOLIO PERFORMANCE**  
**Table A3.2: Status of Project Implementation**  
(as of 31 December 2000)

Sector/ Subsector	Loan No.	Project Name	Net Loan Amount ADF (\$mn)	Loan Approval Date	Loan Effectiveness Date	Loan Closing Date		Physical Progress (%)	Cumulative Disburse- ments (\$mn)	Cumulative Contracts Awards (\$mn)	Project Performance Rating	
						Original	Revised				Implementation Progress	Development Objective
Energy	1532	Third Power System Development	6.62	Sep. 97	Apr. 98	Jun. 01	-	42	0.62	6.10	S	S
Social	1637	Postsecondary Education Development	6.13	Sep. 98	May. 99	Jul. 04	-	20	0.25	0.53	S	S
Social	1695	Regional Development	7.65	Sep. 99	Mar.00	Dec. 04	-	22	1.16	2.09	S	S
<b>TOTAL</b>			<b>20.40</b>						<b>2.03</b>	<b>8.73</b>		

S = satisfactory.

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

Source: CIRC Country Detail as of 31 December 2000.

**LENDING AND TECHNICAL ASSISTANCE PROGRAM FOR 2002-2004**

**Table A4.1: Lending Scenario and Performance Triggers**

Low Case	Base Case	High Case
<ul style="list-style-type: none"> <li>• Weak effort in operationalizing the country development plans</li> </ul>	<ul style="list-style-type: none"> <li>• Completion of the Sixth National Development Plan and Vision 2020 by end-2001</li> <li>• Effort to regulate the tariffs for telecoms services at a competitive and affordable level</li> <li>• Effort to improve education for student in the atolls</li> </ul>	<ul style="list-style-type: none"> <li>• Preparation of action plans for key ministries</li> <li>• Strong effort to reduce economic vulnerability</li> <li>• Significant effort to regulate the tariffs for telecoms services at a competitive and affordable level</li> <li>• A plan for an increase in access to postsecondary education for students in atolls</li> <li>• Effort to improve atoll primary schools</li> </ul>
<ul style="list-style-type: none"> <li>• Maintenance of current regulatory system for key public utilities</li> </ul>	<ul style="list-style-type: none"> <li>• Effort to establish an independent regulatory body with appropriate mandate and authority for the power and communications sectors</li> </ul>	<ul style="list-style-type: none"> <li>• Issuance of road maps for establishing an independent regulatory body with appropriate mandate and authority for the power and communications sectors</li> </ul>
<ul style="list-style-type: none"> <li>• Portfolio performance: unsatisfactory</li> <li>• Insufficient provision of managerial and technical staff for implementing ADB-assisted projects</li> </ul>	<ul style="list-style-type: none"> <li>• Portfolio performance: partly satisfactory</li> </ul>	<ul style="list-style-type: none"> <li>• Portfolio performance: satisfactory/highly satisfactory</li> <li>• Sufficient provision of managerial and technical staff for implementing the ADB-assisted projects</li> </ul>

**LENDING AND TECHNICAL ASSISTANCE PROGRAM FOR 2002-2004**  
**Table A4.2: Lending Pipeline for 2002-2004**

Sector/Project Name	Poverty Classification	Thematic Priority	Year of PPTA	Total	Project Cost (\$ million)				
					ADB			Gov't	Cofinancing (Others)
					OCR	ADF <sup>a</sup>	Total		
<b>2002 Loan Pipeline</b>									
<b>Others</b>									
1 Strengthening Public Accounting System	NC	GG	2001	3.8	0	3.0	3.0	0.8	tbd
<b>Subtotal</b>				3.8	0	3.0	3.0	0.8	tbd
<b>Total</b>				<b>3.8</b>	<b>0.0</b>	<b>3.0</b>	<b>3.0</b>	<b>0.8</b>	<b>tbd</b>
<b>2003 Loan Pipeline</b>									
<b>Social Infrastructure</b>									
1 Regional Development (Phase II)	CPI	HD	2001	9.0	0	7.0	7.0	2.0	tbd
<b>Subtotal</b>				9.0	0	7.0	7.0	2.0	tbd
<b>Finance</b>									
2 SME Development in the Atolls	PI	PSD	2002	6.3	0	5.0	5.0	1.3	tbd
<b>Subtotal</b>				6.3	0	5.0	5.0	1.3	tbd
<b>Total</b>				<b>15.3</b>	<b>0.0</b>	<b>12.0</b>	<b>12.0</b>	<b>3.3</b>	<b>tbd</b>
<b>2004 Loan Pipeline</b>									
<b>Social Infrastructure</b>									
1 Education Development	PI	HD	2002	9.0	0	7.0	7.0	2.0	tbd
<b>Subtotal</b>				9.0	0	7.0	7.0	2.0	tbd
<b>Total</b>				<b>9.0</b>	<b>0.0</b>	<b>7.0</b>	<b>7.0</b>	<b>2.0</b>	<b>tbd</b>

ADB = Asian Development Bank; ADF = Asian Development Fund; CPI = core poverty intervention; ECO = economic growth; ENV = environmental protection; GD = gender and development; GG = good governance; HD = human development; NC = not classified; OCR = ordinary capital resources;

PPTA = project/program preparatory technical assistance; PI = poverty intervention; PSD = private sector development; SDP = sector development program

<sup>a</sup> Loan amounts for 2002-2004 are subject to adjustment according to performance-based allocation.

**LENDING AND TECHNICAL ASSISTANCE PROGRAM FOR 2002-2004**  
**Table A4.3: Technical Assistance Program for 2002-2004**

	Type of TA	Amount (\$'000)		
		ADB <sup>a</sup>	Others	Total
<b>2002 Technical Assistance Program</b>				
<b>Social Infrastructure</b>				
1 . Education Development	PPTA	400	-	400
	<b>Subtotal</b>	<b>400</b>	<b>-</b>	<b>400</b>
<b>Industry and Finance</b>				
2 . Divestiture and Revenue Diversification	ADTA	500	-	500
3 . SME Development in the Atolls	PPTA	500	-	500
	<b>Subtotal</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>
<b>Other</b>				
4 . Establishing a Regulatory Authority in the Energy and Telecommunication Sectors	ADTA	200	-	200
	<b>Subtotal</b>	<b>200</b>	<b>-</b>	<b>200</b>
	<b>Total</b>	<b>1,600</b>	<b>-</b>	<b>1,600</b>
<b>2003 Technical Assistance Program</b>				
<b>Transport and Communications</b>				
1 . Applying Information Technology Network for Poverty Reduction	PPTA	500	-	500
2 . Transport Masterplan	ADTA	300	-	300
	<b>Subtotal</b>	<b>800</b>	<b>-</b>	<b>800</b>
<b>Other</b>				
3 . Debt Management	ADTA	500	-	500
4 . Establishment of Department/Bureau of Statistics	ADTA	200	-	200
	<b>Subtotal</b>	<b>700</b>	<b>-</b>	<b>700</b>
	<b>Total</b>	<b>1,500</b>	<b>-</b>	<b>1,500</b>
<b>2004 Technical Assistance Program</b>				
<b>Social Infrastructure</b>				
1 . Postsecondary Distance Education	ADTA	350	-	350
	<b>Subtotal</b>	<b>350</b>	<b>-</b>	<b>350</b>
<b>Other</b>				
2 . Graduation Planning	ADTA	500	-	500
3 . Capacity Building of Anti-Corruption Board	ADTA	150	-	150
4 . Capacity Building of Public Service Department	ADTA	500	-	500
	<b>Subtotal</b>	<b>1,150</b>	<b>-</b>	<b>1,150</b>
	<b>Total</b>	<b>1,500</b>	<b>-</b>	<b>1,500</b>

ADB = Asian Development Bank; ADTA = advisory technical assistance; PPTA = project preparatory technical assistance  
SME = small- and medium-sized enterprise; TA = technical assistance

<sup>a</sup> TAs equivalent to \$1 million each year will be selected during the country program confirmation mission.

## LENDING AND TECHNICAL ASSISTANCE PROGRAM FOR 2002-2004

Table A4.4: Poverty Classification, Thematic Priority, and Sector

Classification	2002		2003-2004	
	No.	%	No.	%
<b>I. By Poverty Classification</b>				
A. Core Poverty Intervention	0	0.0	1	33.3
B. Poverty Intervention (Non-core)	0	0.0	2	66.7
C. Not Classified	1	100.0	0	0.0
<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>
<b>II. By Thematic Priority</b>				
A. Environment	0	0.0	0	0.0
B. Gender and Development	0	0.0	0	0.0
C. Good Governance	1	100.0	0	0.0
D. Human Development	0	0.0	2	66.7
E. Private Sector Development	0	0.0	1	33.3
F. Regional Cooperation	0	0.0	0	0.0
<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>
<b>III. By Sector</b>				
A. Agriculture and Natural Resources	0	0.0	0	0.0
B. Energy	0	0.0	0	0.0
C. Industry	0	0.0	0	0.0
D. Finance	0	0.0	1	33.3
E. Transport and Communications	0	0.0	0	0.0
F. Social Infrastructure	0	0.0	2	66.7
G. Others/Multisector	1	100.0	0	0.0
<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>

## ECONOMIC AND SECTOR WORK PROGRAM

Type of ESW	Strategic or Operational Objective	Modality (staff/staffconsultant/ ADTA/RETA)
<b>1 Economic Work</b>		
Country Economic Review	Update country economic performance.	Staff
<b>2 Thematic work</b>		
(i) Divestiture and Revenue Diversification	Improve Government's capacity to undertake divestiture in a transparent and professional manner, and examine revenue sources alternative to the profits of the state enterprises.	2002 ADTA
(ii) Establishing a Regulatory Authority in the Energy and Telecommunication Sectors	Assist the Government to address the conflict-of-interest problems that arise because the regulatory authority belongs to the same ministry that provides service and makes policies.	2002 ADTA
(iii) Debt Management	Assist the Government to consolidate the management of the public debt, improve the timing and accuracy of the debt reporting system, and develop an accurate public debt forecasting capacity.	2003 ADTA
(iv) Establishment of Department/Bureau of Statistics	Strengthen the existing statistical system and coordinate the statistical activities of government agencies.	2003 ADTA
(v) Graduate Planning	Develop a new tax system with broader tax base and enhance leadership of high-level Government officials to prepare for the new economic era by graduating from the least developed country status.	2004 ADTA
(vi) Capacity Building of anticorruption board	Strengthen the anticorruption board to improve governance.	2004 ADTA
(vii) Capacity Building of Public Services Department	Facilitate the introduction of a performance-based monitoring and evaluation system in the Government to provide quality public services.	2004 ADTA
<b>3 Sector work</b>		
(i) Transport Master Plan	Assist the Government to assess the needs for transportation and identify the appropriate transportation system that is most effective for regional development.	2003 ADTA
(ii) Postsecondary Distance Education	In line with the education development project, investigate how the outer islands can benefit from the postsecondary education system in Malé.	2004 ADTA

ADTA = advisory technical assistance; RETA = regional technical assistance

## PROJECT SELECTION BRIEFS

Table A6.1: Strengthening Public Accounting System

<b>A. Data</b>	
Project Number:	
Country:	The Maldives
Sector:	Others
Subsector:	Public accounting/budget/auditing
Project Division:	IWFI
Contact Person in Projects Division:	J. Tsunoda
Programs Division:	PW1
Tentative Loan Amount According to CSP:	\$3 million
Proposed Lending Modality:	Project Loan
PPTA:	Capacity Building for Maldives Public Accounting System (Phase II)
Proposed PPTA Amount:	\$150,000
Attached ADTA:	None
Proposed ADTA Amount:	
Start Predesign Phase:	October 2001(PPTA Fact Finding)
Start Design Phase:	February 2002 (PPTA Tripartite-Loan Fact Finding)
Approval Year According to CSP:	2002
Proposed Executing Agency:	Ministry of Finance and Treasury
Contact Person in Proposed Executing Agency:	Riluwan Shareef, Executive Director
<b>B. Description</b>	
Brief Rationale of Project:	Good governance: Implementation of the new public accounting system will (i) enhance accountability and facilitate accurate recording of financial transactions; (ii) produce relevant, reliable, and timely information for effective planning, management, and control of public finance, and (iii) allow the development of effective fiscal operations and macroeconomic policy.
Summary of Preparatory Work by DMC and/or ESW by ADB or Others	TA 3320: Capacity Building for Maldives Public Accounting (Phase I) has recommended a whole design of the a new public accounting system for Maldives, which is a computerised double entry cash-based public accounting system with a central ledger and cheque production unit under the control of the Ministry of Finance and Treasury. It has encompassed preparing relevant legislation and instructions as well as improving budget procedures and training and human resource needs. The Minister Level Advisory Committee resolved to adopt the design of public accounting system on 5 April 2000.
Comparative Advantage of ADB in Proposed Project	ADB has been a major donor for public sector management, in particular in improving the public accounting system.
Rationale and Scope of attached ADTA:	
Development Objective (thematic priority)	Good governance
Environmental Classification:	C
Social Issues	To be reviewed

ADB = Asian Development Bank, ADTA = advisory technical assistance, CSP = country strategy and program, DMC = developing member country, ESW = Economic and Sector Work, PPTA = project/program preparatory technical assistance

**Table A6.2: Regional Development (Phase II)**

<b>A: Data</b>	
Project Number:	33218
Country:	The Maldives
Sector:	Social infrastructure
Subsector:	
Project Division:	AWWU
Contact Person in Projects Division:	N. Mawilmada
Programs Division:	PW1
Tentative Loan Amount According to CSP:	\$7.0 million
Proposed Lending Modality:	Project Loan
PPTA:	Regional Development Project Phase II
PPTA Amount (\$):	\$600,000
Attached ADTA:	None
Proposed ADTA Amount:	
Start Predesign Phase:	August 2001
Start Design Phase:	December 2001
Approval Year According to CSP:	2003
Proposed Executing Agency:	Ministry of Finance and Treasury
Contact Person in Proposed Executing Agency:	Riluwan Shareef
<b>B: Description</b>	
Brief Rationale of Project:	Large regional disparities are one of the challenges the country is facing. The proposed Project will promote regional development by focusing development efforts on 2-3 areas as regional nodes. The proposed project is likely to be a broad-based development effort including both physical infrastructure and environmental improvements such as water supply, sanitation, solid waste management, water quality monitoring, etc. This Project is expected to help reduce pressure on Male by providing both improved living conditions and better economic opportunities at a regional level.
Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	Tbd
Comparative Advantage of ADB in Proposed Project:	The first phase of this Project was funded by ADB and aims at establishing regional development centers in the North and South Development Regions. Phase 2 will build on the lessons learned from the first phase, and will spread development to 2-3 more regional centers, i.e., North Central, Central, and South Central.
Development Objective (thematic priority)	Human development and environmental management
Environmental Classification:	B
Social Issues:	Generating employment opportunities regionally, so that families can be reunited.

ADB = Asian Development Bank, ADTA = advisory technical assistance, CSP = country strategy and program, DMC = developing member country, ESW = Economic and Sector Work, PPTA = project/program preparatory technical assistance

**Table A6.3: SME Development in the Atolls**

<b>A: Data</b>	
Project Number:	TBD
Country:	The Maldives
Sector:	Finance and industry
Subsector:	SME development
Project Division:	IWFI
Contact Person in Projects Division:	J. Tsunoda
Programs Division:	PW1
Tentative Loan Amount According to CSP:	\$5 million
Proposed Lending Modality:	Project Loan
PPTA:	SME Development in the Atolls
Proposed PPTA Amount:	\$500,000
Attached ADTA:	None
Proposed ADTA Amount:	
Start Predesign Phase:	Late 2001 (PPTA Fact Finding)
Start Design Phase:	2002 (PPTA Tripartite-Loan Fact Finding)
Approval Year According to CSP:	2003
Proposed Executing Agency:	Ministry of Finance and Treasury
Contact Person in Proposed Executing Agency:	Riluwan Shareef, Executive Director
<b>B: Description</b>	
Brief Rationale of Project:	Pro-poor growth. Lack of employment opportunities has been a major constraint to the development of the atolls. There is an acute lack of financial sector support for the financing SMEs. There are also no suitable marketing and advisory services. Regulatory and policy impediments also inhibit the activities of these enterprises. This Project will develop an integrated program aimed at improving the enabling environment for small and medium-scale enterprises in the atolls to support pro-poor growth.
Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	IFAD and UNDP have provided assistance to pilot projects for SME development in selected atolls by providing on-lending facility through the Bank of Maldives, which is the sole Government-owned bank.
Comparative Advantage of ADB in Proposed Project:	ADB has been the leading funding agency in financial sector reform, including development of SME financing scheme.
Rationale and Scope of attached ADTA:	
Development Objective (thematic priority)	Private sector development
Environmental Classification:	B
Social Issues:	To be reviewed

ADB = Asian Development Bank, ADTA = advisory technical assistance, CSP = country strategy and program, DMC = developing member country, ESW = Economic and Sector Work, PPTA = project/program preparatory technical assistance

**Table A6.4: Education Development**

<b>A: Data</b>	
Project Number:	TBD
Country:	The Maldives
Sector:	Education
Subsector:	Postsecondary/primary education
Project Division:	AWEH
Project Team leader:	Leah C. Gutierrez
Programs Division:	PW1
Tentative loan amount according to CSP:	\$7 million
Proposed lending modality:	Project Loan
PPTA	TA-MLD: Education Development
Proposed PPTA amount:	\$400,000
Piggy-backed ADTA	Postsecondary Distance Education
Proposed ADTA amount:	\$350,000
Start Pre-Design Phase:	2002 (TA Fact-Finding)
Start Design Phase:	2003 (Loan Fact-finding)
Approval Year according to CSP:	2004
Proposed Executing Agency:	Ministry of Finance and Treasury
Contact Person in proposed Executing Agency:	Mr. R. Shareef, Executive Director
<b>B: Description</b>	
Brief Rationale of Project:	Access to primary education expanded rapidly over the past decade, but the quality of that education is deficient in many of the atoll schools. Most of the poor have only primary level education. Untrained teachers, lack of supporting materials, inadequate drinking water and sanitation facilities, poor quality classrooms, and poor child nutrition hamper the delivery of quality education in the atolls. At the same time, nearly 10,000 students per annum are leaving the school system and require postsecondary and vocational education. Demand for these services vastly exceeds domestic capacity to supply training. Providing suitable skills training is essential to replace expatriate labor which, at present, accounts for nearly a quarter of the labor force. Upgrading the quality of primary schools and increasing the scope and relevance of postsecondary education are two of the main human resource development challenges facing the Maldives.
Summary of Preparatory Work by DMC and/or ESW by ADB or others:	The Government has reviewed the education system as background to its 2000-2010 strategic plan. ADB assistance in higher education has helped to establish a framework for domestic provision of postsecondary education services and has helped identify future needs. The Sixth National Development Plan has identified both the quality upgrading challenge for atoll primary schools, and the postsecondary training and skills development challenges as the two key education sector goals. The Maldives College of Higher Education has prepared a 10-year development plan that highlights future expansion and development requirements for that institution. The World Bank's third education loan has attempted to address weaknesses in the provision of secondary schooling and in monitoring education's performance. Government has mounted a program aimed at gradually upgrading the most deficient atoll primary schools.
Comparative Advantage of ADB in Proposed Project:	ADB is the leading funding agency in postsecondary education in the country. It is also the main funding agency in regional development.
Rationale and Scope of attached ADTA:	ADB support to post-secondary education will aim to improve its quality and make it accessible to more Maldivians in the atolls. ADTA will support capacity building of postsecondary education institutions in developing distance education.
Development Objective (thematic priority)	Human development
Environmental Classification:	C
Social Issues:	To avoid the problem of unskilled youth unemployment and discontent in the atolls more generally, Government needs to take urgent actions to upgrade the quality of primary schools and expand access to relevant postsecondary training.

ADB = Asian Development Bank, ADTA = advisory technical assistance, CSP = country strategy and program, DMC = developing member country, ESW = Economic and Sector Work, PPTA = project/program preparatory technical assistance

**TECHNICAL ASSISTANCE CONCEPT PAPERS**  
**Table A6.5: Divestiture and Revenue Diversification**

<b>A. Profile</b>	
Department, Division, RM, Officer Concerned:	IWD, IWFI, Mr. Tsunoda
Type of TA (ADTA, PPTA, RETA):	ADTA
Name of Loan Project to follow (if PPTA):	
Country/Region (as applicable):	The Maldives
Sector/Subsector:	Others (Governance)
Poverty Classification and Thematic Priorities <sup>a</sup> :	Support for ADB operations
Program Year <sup>b</sup> :	2002
Expected Approval Date (mo/yr):	Tbd
Estimated Completion Date:	Tbd
<b>B. Concept and Design</b>	
1. Rationale (specific problem/issue to be addressed in TA)	Development of the capacity to undertake divestiture of state-owned enterprises (SOEs) in a transparent and professional manner will facilitate the transition of Government from a direct provider of commercial and development services to an enabler of private and community service. One of the main policy impediments to divestiture is the Government's dependence on the SOEs for revenue generation. A draft business tax has been prepared but its introduction and refinement will need to be harmonized with the pace and breadth of the divestiture effort.
2. Relation to Strategic Objectives (How the TA addresses the following):	The TA will promote private sector participation in the economy through rationalized public sector activities. A broadened tax base will provide a base for more prudent fiscal and macroeconomic management.
<ul style="list-style-type: none"> <li>• poverty reduction/thematic priorities</li> <li>• country strategy (where applicable)</li> <li>• regional cooperation</li> </ul>	
3. Scope (specific major components, e.g., capacity building)	The TA will help the Government to develop an orderly, sequenced plan for divestiture of the SOEs and measures to mobilize alternative revenues through a broadened tax base.
4. Expected Outcome and Monitorable Indicators	An approach and plan for divestiture of SOEs will be established; and new taxation measures will be in place.
5. Previous TA(s) on the Same Theme, in the Sector, Country, Region (last five years)	
<ul style="list-style-type: none"> <li>• Name, amount, status</li> <li>• Assessment of outcome</li> </ul>	
6. Executing Agency, Implementing Agency, Counterpart Agency (for RETA as applicable)	Ministry of Finance and Treasury
7. Cost and Financing Plan	
<ul style="list-style-type: none"> <li>(i) ADB Financing (JSF, TASF)</li> <li>(ii) Sources other than JSF/TASF</li> </ul>	\$500,000 (TASF)
8. Country, RETA IPF for relevant year	\$1.0 million

<sup>a</sup> Economic growth, human development, gender and support for ADB operations.

<sup>b</sup> Year of inclusion in CSP for transition period.

ADB = Asian Development Bank, ADTA = advisory technical assistance, CSP = country strategy program, JSF = Japan Special Fund, PPTA = project/program preparatory technical assistance, RETA = regional technical assistance, RM = resident mission, TA = technical assistance, TASF = Technical Assistance Special Fund.

**Table A6.6: Establishing a Regulatory Authority  
in the Energy and Telecommunication Sectors**

<b>A. Profile</b>	
Department, Division, RM, Officer Concerned:	tbd
Type of TA (ADTA, PPTA, RETA):	ADTA
Name of Loan Project to follow (if PPTA):	N/a
Country/Region (as applicable):	Maldives
Sector/Subsector:	Others (Good Governance)
Poverty Classification and Thematic Priorities <sup>a</sup> :	Support for ADB operations
Program Year <sup>b</sup> :	2002
Expected Approval Date (mo/yr):	tbd
Estimated Completion Date:	tbd
<b>B. Concept and Design</b>	
1. Rationale (Specific problem/issues to be addressed in TA)	The main public utilities in the Maldives have been regulated by Ministries that have an ownership stake in the SOEs that provide utility services. An independent agency to oversee the operations of a range of utility providers will be need for fair and effective regulation. A multisectoral regulator agency will be cost-effective especially in the outer islands.
2. Relation to Strategic Objectives (How the TA addresses the following):  <ul style="list-style-type: none"> <li>• poverty reduction/thematic priorities</li> <li>• country strategy (where applicable)</li> <li>• regional cooperation</li> </ul>	The TA will promote good governance through better regulation of public utilities.
3. Scope (specific major components, eg. capacity building)	The TA will assess the feasibility of establishing an independent regulatory body (or apex regulator). The assessment will cover alternative options for consolidating utility oversight responsibilities and for establishing a regional regulatory presence for the atolls. Constraints posed by skill shortages and the needs posed by public utilities with multiple providers will be considered.
4. Expected Outcome and Monitorable Indicators	An independent regulator for public utilities will be established. Cost for regulation will be reduced, which may lead to better and cheaper utility service.
5. Previous TA(s) on the Same Theme, in the sector/country/region (last five years)  <ul style="list-style-type: none"> <li>• Name, amount, status</li> <li>• Assessment of outcome</li> </ul>	
6. Executing agency, implementing agency, counterpart agency (for RETA as applicable)	Ministry of Finance and Treasury
7. Cost and Financing Plan  <ul style="list-style-type: none"> <li>(i) ADB Financing (JSF, TASF)</li> <li>(ii) Sources other than JSF/TASF</li> </ul>	\$200,000 (TASF)
8. Country, RETA IPF for relevant year	\$1.0 million

<sup>a</sup> Economic growth, human development, gender and support for ADB operations.

<sup>b</sup> Year of inclusion in CSP for transition period.

ADB = Asian Development Bank, ADTA = advisory technical assistance, CSP = country strategy program, JSF = Japan Special Fund, PPTA = project/program preparatory technical assistance, RETA = regional technical assistance, RM = resident mission, TA = technical assistance, TASF = Technical Assistance Special Fund.

**Table A6.7: Applying Information Technology Network for Poverty Reduction**

<b>A. Profile</b>	
Department, Division, RM, Officer Concerned:	IWTC
Type of TA (ADTA/PPTA/RETA)	PPTA
Name of Loan Project to follow (if PPTA)	Applying Information Technology Network for Poverty Reduction
Country/Region (as applicable)	Maldives
Sector/subsector	Transportation and Communications
Poverty Classification and Thematic Priorities <sup>a</sup>	Human Development
Program Year <sup>b</sup> :	2003
Expected Approval Date (mo/yr)	Tbd
Estimated Completion Date	Tbd
<b>B. Concept and Design</b>	
1. Rationale (Specific problem/issues to addressed in TA)	Under the first information technology project (to be discussed in 2001), the Government will have developed Internet linkages throughout Government and in all of the atolls while promoting competition in telecommunications services. The rationale of the PPTA is to prepare a loan project that can extend the public Internet network and bring the benefits of e-education, e-healthcare and e-commerce services within reach of the low-income atoll population.
2. Relation to Strategic Objectives	Information and communication network development in the atolls is a component of a pro-poor growth pillar of the poverty reduction strategy for Maldives. Bringing connectivity to the atolls will contribute to reduce poverty by improving information, communications and awareness.
3. Scope	The PPTA will develop a strategy and design an investment program aimed at (i) extending the reach of the Government's internet network in the atolls; (ii) developing options for public-private partnership in managing and maintaining the network in the atolls; (iii) developing a program (together with the Ministries responsible for education, health and commerce) for suitable e-education, e-health and e-commerce services; and (iv) preparing a program for testing and implementing these measures on a wide scale.
4. Expected Outcome and Monitorable Indicators	An increase in the level of telecommunications penetration in the short-run, and a decline in the income gap between Malé and the atolls in the long-run.
5. Previous TA(s) on the Same Theme, in the sector, country, region (last five years)	PPTA 3597-MLD: Information Technology Development/\$150,000/Approved in 2000 Board discussion on the loan is scheduled in 2001
6. Executing agency, implementing agency, counterpart agency (for RETA as applicable)	Ministry of Communication, Science and Technology
7. Cost and Financing Plan (i) ADB Financing (JSF, TASF) (ii) Sources other than JSF/TASF	\$500,000 (TASF)
8. Country/RETA IPF for relevant year	\$1.0 million

<sup>a</sup> Economic growth, human development, gender and support for ADB operations.

<sup>b</sup> Year of inclusion in CSP for transition period.

ADB = Asian Development Bank, ADTA = advisory technical assistance, CSP = country strategy program, JSF = Japan Special Fund, PPTA = project/program preparatory technical assistance, RETA = regional technical assistance, RM = resident mission, TA = technical assistance, TASF = Technical Assistance Special Fund.