



# Country Operations Business Plan

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September 2006

## Maldives 2007–2009

Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 31 August 2006)

|               |   |              |
|---------------|---|--------------|
| Currency Unit | – | rufiyaa (Rf) |
| Rf1.00        | = | \$0.078125   |
| \$1.00        | = | Rf12.8       |

## ABBREVIATIONS

|     |   |                        |
|-----|---|------------------------|
| ADB | – | Asian Development Bank |
| ADF | – | Asian Development Fund |

## NOTES

In this report, "\$" refers to US dollars.

|                         |   |
|-------------------------|---|
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## I. CONSISTENCY OF THE BUSINESS PLAN WITH THE CURRENT COUNTRY STRATEGY AND PROGRAM

1. Under the 2002 Poverty Reduction Partnership Agreement between the Asian Development Bank (ADB) and the Maldives, ADB is helping develop (i) energy, (ii) social infrastructure (education), and (iii) regional development with a crosscutting theme of private sector development. The subsequent country strategy and program updates have outlined ADB–Government agreements for continued assistance in these areas. To date, ADB has provided assistance for four operations in the energy sector, five in support of regional development, and two in the education sector. Under the multisector Tsunami Emergency Rehabilitation Project, ADB supports rehabilitation of energy, transport, and sanitation infrastructure, and of agriculture/mariculture and fisheries.

## II. INDICATIVE LENDING AND NONLENDING PROGRAM

### A. Indicative Lending Level

2. The Maldives is in group A and is thus fully eligible for Asian Development Fund (ADF) resources. The country specific allocations have been derived on the basis of the results of the 2005 country performance assessment (CPA) exercise, after applying the PBA formula. ADF allocation for the Maldives for 2007–2008 has been set at \$12 million. ADF assistance program for 2009 is tentative, with actual ADF assistance levels subject to results of the 2007 CPA exercise and the outcome of the discussions on the next ADF replenishment. Under the ADF-IX framework, the Maldives is not eligible to receive grant financing from ADB.

3. **2006 Lending Program.** The Government has requested ADB to defer all project-related assistance for 2006, and instead use the ADF indicative planning figure resources, supplemented with additional funding, to help stabilize the post-tsunami macroeconomic situation by providing quick-disbursing assistance through a program loan. ADB's Management has approved the processing of a program loan, and the Fact-Finding Mission was fielded from 15–29 May 2006. The Mission developed a set of policy reform measures for fiscal consolidation and resumption of sustainable growth.

4. **2007–2008 Lending Program.** Indicative lending of \$6 million per annum is tentatively programmed for 2007–2009. However, the proposed ADF lending is subject to the outcome of the annual performance-based allocation. The proposed lending program for 2007–2009 consists of three firm projects: (i) Domestic Maritime Transport, initially scheduled for 2005 and slipped to 2006, now rescheduled for approval in 2007; (ii) Small and Medium-Sized Enterprise (SME) and Commercial Agriculture Development in the Atolls, rescheduled for 2008; and (iii) Islands Electrification (Phase II). This is consistent with ADB's 2005 country strategy and program update and the Government's 6th National Development Plan (NDP) and the draft 7th NDP. The Domestic Maritime Transport Project will spur economic activity and improve access to social services by developing more reliable, more frequent, and safer domestic maritime services. This will include a network of regular domestic maritime services based on improved harbor facilities and appropriate sector policies. The proposed SME and Commercial Agriculture Development in the Atolls Project will support activities such as financing, market accessibility plans, and entrepreneurial training to reinforce the Government's pro-poor growth initiatives in the outer islands. The Islands Electrification Project (Phase II) will follow the ongoing Outer Islands Electrification Project. It will focus on providing electricity to selected islands not covered

by the ongoing project, and include a renewable energy component (solar or wind power) to supplement diesel-powered generators.

#### **B. Indicative Nonlending Program**

5. Indicative nonlending assistance of \$3 million, or an annual average of \$1 million, is programmed for 2007–2009. The current nonlending assistance pipeline continues to focus on (i) project preparation; (ii) human resource development, especially for the atolls; and (iii) good governance.

### **III. SUMMARY OF CHANGES TO LENDING AND NONLENDING PROGRAM**

6. The Domestic Maritime Transport Project is now rescheduled for approval in 2007, the SME and Commercial Agriculture Development in the Atolls Project for 2008, and the Islands Electrification Project (Phase II) for 2009. There are no changes in the nonlending program.

### **IV. INDICATIVE INTERNAL RESOURCE REQUIREMENTS**

7. It is estimated that 60 person-weeks would be required for the processing of the lending program and 30 person-weeks for processing the nonlending program.

### **V. COUNTRY PARTNERSHIP STRATEGY**

8. A results-based country partnership strategy (CPS) will be developed in 2007. Work on preparing the background thematic assessments has commenced. The CPS will support the Government's Seventh National Development Plan which is also its Poverty Reduction Strategy. The Seventh Plan is expected to be finalized by December 2006.

## INDICATIVE ASSISTANCE PIPELINE FOR 2007–2009

**Table A1.1: Indicative Assistance Pipeline for Lending Products**

| Sector<br>Project/Program<br>Name                     | Targeting<br>Classifi-<br>cation | Thematic<br>Priority | Division      | Year of<br>Project<br>Preparatory<br>Assistance | Total       | Cost (\$ million) |             |            |             |            | Gov't.     | Co-<br>financing |                  |       |        |                  |
|---|----------------------------------|----------------------|---------------|---|-------------|-------------------|-------------|------------|-------------|------------|------------|------------------|------------------|-------|--------|------------------|
|   |                                  |                      |               |   |             | ADB               |             |            | Total       | Gov't.     |            |                  | Co-<br>financing |       |        |                  |
|   |                                  |                      |               |   |             | OCR               | ADF         |            |             |            |            |                  |                  | Total | Gov't. | Co-<br>financing |
|   |                                  |                      |               |   |             |                   | Loans       | Grants     |             |            |            |                  |                  |       |        |                  |
| <b>2007</b>   |                                  |                      |               |   |             |                   |             |            |             |            |            |                  |                  |       |        |                  |
| <b>Transport and Communications</b>                   |                                  |                      |               |   |             |                   |             |            |             |            |            |                  |                  |       |        |                  |
| 1. Domestic Maritime Transport Development            | GI                               | ECG/<br>PSD          | SATC          | 2004  | 8.0         | 0.0               | 6.0         | 0.0        | 6.0         | 2.0        | tbd        |                  |                  |       |        |                  |
| <b>Subtotal</b>                                       |                                  |                      |               |   | <b>8.0</b>  | <b>0.0</b>        | <b>6.0</b>  | <b>0.0</b> | <b>6.0</b>  | <b>2.0</b> | <b>tbd</b> |                  |                  |       |        |                  |
| <b>2008</b>   |                                  |                      |               |   |             |                   |             |            |             |            |            |                  |                  |       |        |                  |
| <b>Multisector</b>                                    |                                  |                      |               |   |             |                   |             |            |             |            |            |                  |                  |       |        |                  |
| 1. SME and Commercial Agriculture Devt. in the Atolls | GI                               | ECG/<br>PSD          | SAGF/<br>SANS | 2005–2006                                       | 8.0         | 0.0               | 6.0         | 0.0        | 6.0         | 2.0        | tbd        |                  |                  |       |        |                  |
| <b>Subtotal</b>                                       |                                  |                      |               |   | <b>8.0</b>  | <b>0.0</b>        | <b>6.0</b>  | <b>0.0</b> | <b>6.0</b>  | <b>2.0</b> | <b>tbd</b> |                  |                  |       |        |                  |
| <b>2009</b>   |                                  |                      |               |   |             |                   |             |            |             |            |            |                  |                  |       |        |                  |
| <b>Energy</b>   |                                  |                      |               |   |             |                   |             |            |             |            |            |                  |                  |       |        |                  |
| 1. Island Electrification (Phase II)                  | GI                               | ECG                  | SAEN          | 2006  | 8.0         | 0.0               | 6.0         | 0.0        | 6.0         | 2.0        | tbd        |                  |                  |       |        |                  |
| <b>Subtotal</b>                                       |                                  |                      |               |   | <b>8.0</b>  | <b>0.0</b>        | <b>6.0</b>  | <b>0.0</b> | <b>6.0</b>  | <b>2.0</b> | <b>tbd</b> |                  |                  |       |        |                  |
| <b>Total</b>  |                                  |                      |               |   | <b>24.0</b> | <b>0.0</b>        | <b>18.0</b> | <b>0.0</b> | <b>18.0</b> | <b>6.0</b> |            |                  |                  |       |        |                  |

ADB = Asian Development Bank; ADF = Asian Development Fund; ECG = sustainable economic growth; GI = general intervention, gov't = government; OCR = ordinary capital resources; PSD = private sector development; SAEN = South Asia Energy Division; SAGF = South Asia Governance, Finance, and Trade Division; SANS = South Asia Agriculture, Natural Resources, and Social Services Division; SATC = South Asia Transport and Communications Division, SME = small- and medium-sized enterprise; tbd = to be determined.

Source: Asian Development Bank estimates.

Table A1.2: Indicative Assistance Pipeline for Nonlending Products and Services

| Sector<br>Assistance Name  | Responsible<br>Division | Assistance<br>Type | Sources of Funding |                    |            |                    | Total<br>(\$'000) |
|--|-------------------------|--------------------|--------------------|--------------------|------------|--------------------|-------------------|
|  |                         |                    | ADB                |                    | Others     |                    |                   |
|  |                         |                    | Source             | Amount<br>(\$'000) | Source     | Amount<br>(\$'000) |                   |
| <b>2007</b>  |                         |                    |                    |                    |            |                    |                   |
| <b>Multisector</b>   |                         |                    |                    |                    |            |                    |                   |
| 1. Capacity Development for Good Governance (Phase I)                | SAOC                    | ID                 | TASF               | 500.0              | 0.0        | 500.0              |                   |
| <b>Subtotal</b>  |                         |                    |                    | <b>500.0</b>       | <b>0.0</b> | <b>500.0</b>       |                   |
| <b>Social Infrastructure</b>   |                         |                    |                    |                    |            |                    |                   |
| 1. Post-Secondary Education II                                       | SANS                    | PP                 | TASF               | 500.0              | 0.0        | 500.0              |                   |
| <b>Subtotal</b>  |                         |                    |                    | <b>500.0</b>       | <b>0.0</b> | <b>500.0</b>       |                   |
| <b>Others</b>  |                         |                    |                    |                    |            |                    |                   |
| 1. Country Strategy and Program                                      | SAOC                    | ETSW               | SC/IAE             | —                  | —          | —                  |                   |
| 2. Country Economic Update   | SAOC                    | ETSW               | Staff              | —                  | —          | —                  |                   |
| <b>Subtotal</b>  |                         |                    |                    | <b>—</b>           | <b>—</b>   | <b>—</b>           |                   |
| <b>Total (2007)</b>  |                         |                    |                    | <b>1,000.0</b>     | <b>0.0</b> | <b>1,000.0</b>     |                   |
| <b>2008</b>  |                         |                    |                    |                    |            |                    |                   |
| <b>Agriculture and Natural Resources</b>                             |                         |                    |                    |                    |            |                    |                   |
| 1. Assistance to SME & Commercial of Agriculture Devt. in the Atolls | SANS/SAGF               | ID                 | TASF               | 400.0              | 0.0        | 400.0              |                   |
| <b>Subtotal</b>  |                         |                    |                    | <b>400.0</b>       | <b>0.0</b> | <b>400.0</b>       |                   |
| <b>Social Infrastructure</b>   |                         |                    |                    |                    |            |                    |                   |
| 1. Social Infrastructure for Regional Development                    | SANS                    | PP                 | TASF               | 600.0              | 0.0        | 600.0              |                   |
| <b>Subtotal</b>  |                         |                    |                    | <b>600.0</b>       | <b>0.0</b> | <b>600.0</b>       |                   |
| <b>Others</b>  |                         |                    |                    |                    |            |                    |                   |
| 1. Country Economic Review   | SAOC                    | ETSW               | Staff              | —                  | —          | —                  |                   |
| <b>Subtotal</b>  |                         |                    |                    | <b>—</b>           | <b>—</b>   | <b>—</b>           |                   |
| <b>Total (2008)</b>  |                         |                    |                    | <b>1,000.0</b>     | <b>0.0</b> | <b>1,000.0</b>     |                   |
| <b>2009</b>  |                         |                    |                    |                    |            |                    |                   |
| <b>Transport and Communications</b>                                  |                         |                    |                    |                    |            |                    |                   |
| 1. Domestic Maritime Transport II                                    | SATC                    | PP                 | TASF               | 600.0              | 0.0        | 600.0              |                   |
| <b>Subtotal</b>  |                         |                    |                    | <b>600.0</b>       | <b>0.0</b> | <b>600.0</b>       |                   |
| <b>Multisector</b>   |                         |                    |                    |                    |            |                    |                   |
| 1. Capacity Development for Good                                     | SAOC/RSDD               | ID                 | TASF               | 400.0              | 0.0        | 400.0              |                   |
| <b>Subtotal</b>  |                         |                    |                    | <b>400.0</b>       | <b>0.0</b> | <b>400.0</b>       |                   |
| <b>Total (2009)</b>  |                         |                    |                    | <b>1,000.0</b>     | <b>0.0</b> | <b>1,000.0</b>     |                   |

— = not available; ADB = Asian Development Bank; ETSW = economic, thematic, and sector work; IAE = internal administrative expense; ID = institutional development; PP = project preparatory; RSDD = Regional and Sustainable Development Department, SAAE = South Asia Agriculture, Environment, and Natural Resources Division; SAGF = South Asia Governance, Finance, and Trade Division; SAOC = South Asia Operations Coordination Division; SATC = South Asia Transport and Communications Division, SC = staff consultant; SME = small- and medium-sized enterprise; TASF = Technical Assistance Special Fund; tbd = to be determined.

Source: Asian Development Bank estimates.

**PRELIMINARY SUMMARY INFORMATION ON INDICATIVE LENDING AND  
NONLENDING PRODUCTS AND SERVICES FOR 2007**

**A. Lending Products**

| <b>Project Name</b>                | <b>Domestic Maritime Transport</b>   |
|------------------------------------|--|
| Objective, Components, and Outputs | The main objective is to improve domestic maritime transport through support for (i) maritime transport infrastructure facilities; and (ii) policy and institutional interventions to improve safety, efficiency, and sustainability of the sector.  |
| Expected Results                   | <p><b>Maritime transport infrastructure facilities.</b> Male North Harbor is the hub for interisland passenger and cargo traffic. Infrastructure investment will improve the existing harbor by building a 300 m L-shaped quay to reduce waiting time for vessels, and build a transit hall for goods to facilitate loading and unloading and a transit area for passengers.</p> <p><b>Sector development.</b> The component aims to support the Ministry of Transport, the primary agency responsible for domestic maritime policy. Creating a sector structure that would separate maritime transport sector policy, planning, and regulatory functions from operational activities is the long-term objective. The establishment of a port and maritime transport department under Maritime Training Center has been discussed. Further details of the component are to be agreed upon during project processing.</p> |

**B. Nonlending Products**

| <b>Project Name</b>                | <b>Capacity Development for Good Governance (Phase I)</b>   |
|------------------------------------|---|
| Objective, Components, and Outputs | During the 2006 CPM, the Government and Asian Development Bank (ADB) agreed to program a cluster capacity development grant assistance for institutional strengthening of selected government ministries. It was agreed that specific ministries would be identified later, and that candidate institutions would include the newly created Ministry of Energy, Environment and Works (MEEW); the Ministry of Atolls Development; and the Public Service Division, which leads the work for the creation of an independent civil service commission to deal with job classification, career steaming, compensation and benefits, and pension system reform. |
| Expected Results                   | The technical assistance would strengthen and develop institutional capacities of the selected ministries and institutions that deal with ADB operations. For example, MEEW deals with ADB projects for electrification of the outer islands and for water and sanitation. Assistance to the Public Service Division is pertinent in light of ADB–Government efforts to impose fiscal discipline, as the public wage bill constitutes the single largest item of recurrent expenditures. A public service commission would lend greater transparency to the recruitment, retention, and promotion of Government employees.                                  |

| <b>Project Name</b>                | <b>Post-Secondary Education II</b>   |
|------------------------------------|--|
| Objective, Components, and Outputs | The project loan will expand access to and improve the relevance of postsecondary education and training. The project preparatory technical assistance (PPTA) aims to help the Government prepare a project proposal for loan financing to address issues of capacity, access, and relevance of postsecondary education and training.  |
| Expected Results and Deliverables  | The PPTA will build on the achievements of ADB's postsecondary education and skill development projects. The capacity to design and deliver quality academic programs and technical education and vocational training, including upgrading selected programs, will be strengthened. To improve access of students in the atolls to the range of courses offered at Maldives College of Higher Education, alternative modes of instructional delivery will be considered for selected programs. The PPTA will support a situation analysis, recommendations for policy reforms where necessary, and a project loan design proposal. |

Source: Asian Development Bank.

## ASSISTANCE PROGRAM FOR 2006

**Table A3.1: Assistance Pipeline for Lending Products**

| Sector<br>Project/Program<br>Name                           | Targeting<br>Classifi-<br>cation | Thematic<br>Priority | Division | Year of<br>Project<br>Preparatory<br>Assistance | Total      | Cost (\$ million) |             |            |             |            | Co-<br>financing |
|---|----------------------------------|----------------------|----------|---|------------|-------------------|-------------|------------|-------------|------------|------------------|
|   |                                  |                      |          |   |            | OCR               | ADB         |            | Total       | Gov't.     |                  |
|   |                                  |                      |          |   |            |                   | Loans       | Grants     |             |            |                  |
| Industry and Trade<br>Public Resource Management<br>Program | GI                               | ECG                  | SAGF     | NR  | tbd        | 0.0               | 17.0        | 0.0        | 17.0        | tbd        | tbd              |
| <b>Total</b>  |                                  |                      |          |   | <b>tbd</b> | <b>0.0</b>        | <b>17.0</b> | <b>0.0</b> | <b>17.0</b> | <b>tbd</b> | <b>tbd</b>       |

ADB = Asian Development Bank; ADF = Asian Development Fund; ECG = sustainable economic growth; GI = general intervention; NR = not required; OCR = ordinary capital resources; SAGF = South Asia Governance, Finance, and Trade Division, tbd = to be determined.

Source: Asian Development Bank estimates.

Table A3.2: Assistance Pipeline for Nonlending Products and Services

| Sector<br>Assistance Name                                    | Responsible<br>Division | Assistance<br>Type | Sources of Funding |                    | Total<br>(\$'000) |              |                    |
|--|-------------------------|--------------------|--------------------|--------------------|-------------------|--------------|--------------------|
|  |                         |                    | ADB                |                    |                   | Others       |                    |
|  |                         |                    | Source             | Amount<br>(\$'000) |                   | Source       | Amount<br>(\$'000) |
| <b>Energy</b>  |                         |                    |                    |                    |                   |              |                    |
| 1. Islands Electrification (Phase II)                        | SAEN                    | ID                 |                    | 0.0                | 500.0             | 500.0        |                    |
| <b>Subtotal</b>  |                         |                    |                    | <b>0.0</b>         | <b>500.0</b>      | <b>500.0</b> |                    |
| <b>Industry and Trade</b>                                    |                         |                    |                    |                    |                   |              |                    |
| 1. Assisting the Restructuring of<br>State-Owned Enterprises | SATC                    | PP                 |                    | 200.0              | 0.0               | 200.0        |                    |
| <b>Subtotal</b>  |                         |                    |                    | <b>200.0</b>       | <b>0.0</b>        | <b>200.0</b> |                    |
| <b>Total</b>   |                         |                    |                    | <b>200.0</b>       | <b>500.0</b>      | <b>700.0</b> |                    |

ADB = Asian Development Bank, ID = institutional development, PP = project preparatory, SAEN = South Asia Energy Division, SATC = South Asia Transport and Communications Division.

Source: Asian Development Bank estimates.