Republic of the Maldives: Preparing Business Strategy for Port Development
CURRENCY EQUIVALENTS
(as of 21 October 2013)

Currency unit – rufiyaa (Rf)
Rf1.00 = $.06506
$1.00 = Rf15.37

ABBREVIATIONS

ADB – Asian Development Bank
MCH – Malé Commercial Harbour
MOFT – Ministry of Finance and Treasury
MOTC – Ministry of Transport and Communications
TA – Technical Assistance
TASF – Technical Assistance Special Fund

TECHNICAL ASSISTANCE CLASSIFICATION

Type – Capacity development technical assistance (CDTA)
Targeting classification – General intervention
Sector (subsectors) – Transport, and information and communication technology (water transport, transport management and policies)
Themes (subthemes) – Economic growth (promoting economic efficiency and enabling business environment), environmental sustainability (natural resources conservation), private sector development (private sector investment), capacity development (institutional development)
Climate change – Adaptation
Location (impact) – Rural (low), urban (low), national (high), regional (medium)

NOTE

In this report, “$” refers to US dollars.

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I. INTRODUCTION

1. This capacity development technical assistance (TA) will prepare the business strategy for port development at Malé. It will develop the overall implementation and financing strategy for shifting the existing port operations onto Thilafushi island, and redeveloping the existing Malé Commercial Harbour (MCH) site for higher-value-added activities with potential integration with an international cruise ferry terminal. A key component of this TA is to undertake robust analyses of the business and financing strategy—facilitating the government’s engagement with industry and potential cofinanciers to develop a viable financing and implementation strategy, taking into consideration phasing of developments and risk allocations.

2. The Maldives country operations business plan (2013–2015)\(^1\) included a project preparatory TA for a transport project to be processed in 2013. During the country programming mission in July 2013, the Ministry of Finance and Treasury (MOFT) requested the Asian Development Bank (ADB) to use the project preparatory TA resources to develop Thilafushi Port and redevelop MCH. The scope of the TA was discussed and agreed during the mission. A memorandum of understanding between ADB and the government was signed in July 2013, where it was agreed that the Ministry of Transport and Communications (MOTC) would be the implementing agency for the TA, the government would provide counterpart funding support of up to $1 million for technical surveys to support the TA, and permanent and technical staff would be identified and maintained to oversee and coordinate the TA.

3. In September 2013, ADB and MOFT agreed to utilize the resources for a capacity development TA rather than project preparatory TA to reflect the need to assist the government in developing a strategic business and financial model for the overall port development concept, before undertaking specific project preparatory studies.

II. ISSUES

4. Maritime transport is the economic lifeline of the Maldives and the majority of international trade occurs through MCH. The most recent physical upgrade of the port was in 1998, when ADB assisted in the reclamation and expansion of the port as part of the Second Malé Port Project.\(^2\) In December 2011, expansion of the adjacent domestic harbor—Malé North Harbour—was completed under the Domestic Maritime Transport Project.\(^3\) From previous project experience, the key challenges faced in the Maldives transport sector include implementation delays, limited resources and/or funding, lack of complementary efforts with other sectors, and ad-hoc development of infrastructure. This TA is designed to tackle these challenges and incorporate these lessons learned.

5. The ongoing Maldives Maritime Transport Masterplan Project (MTMP)\(^4\) recently undertook a holistic review of the country’s overall passenger and cargo infrastructure needs. In terms of cargo transport, the study revealed that cargo demand would increase by more than three times over the next 20 years, up to 2032. However, MCH is already operating at capacity and congestion around Malé is becoming chronic. This has resulted in long passenger travel times and high cargo distribution and logistics costs. Moreover, land is very scarce on Malé and further physical expansion of port operations at MCH is not feasible. To meet the growing


demand, it was recommended to shift the existing port operations onto Thilafushi island, which is zoned and planned for industrial development. The new location on Thilafushi also provides ample space for port expansion plans in the longer term. Shifting the port operations from Malé to Thilafushi would also reduce conflicting movements between passenger and cargo vessels, improving the passenger travel time and quality to and from Malé. Moreover, this proposal would free up prime land at the existing MCH site for redevelopment for higher-value-added economic activities such as commercial development and international cruise ferry terminal facilities. The proposed international cruise ferry terminal is in line with the recommendations of an ongoing study on the Feasibility Study of the Indian Ocean Cargo and Passenger Ferry Service initiated by the South Asian Association for Regional Cooperation.5

6. Following the recommendations of the MTMP, this TA will develop the overall port development business strategy. In particular, it will conduct technical pre-feasibility studies and develop the overall financing strategy and implementation plan of the new Thilafushi port, as well as redevelopment of MCH. The analyses on risk allocations and financing strategy will facilitate the government’s engagement with cofinancers and potentially the private sector for cofinancing opportunities. During the course of the TA, the existing institutional and regulatory frameworks would also be reviewed and strengthened to enhance project readiness for implementing future projects.

7. As a port development initiative, the TA also contributes significantly to the Regional Cooperation Strategy in South Asia, 2011–20156 by strengthening connectivity and economic integration between the Maldives and the rest of South Asia. The objective of improving subregional connectivity and promoting intraregional trade in South Asia is aligned with the South Asian Association for Regional Cooperation objectives of promoting greater interactions between peoples, and facilitating enhanced investment and trade in the region.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

8. The impact of the TA will be an enabling environment for strong partnership among the government, private sector, and cofinanciers in ports development. The outcome of the TA will be a port development plan for Malé and Thilafushi approved. This will include the indicative term sheets of legal agreements between the government and developers. The target will be to obtain official approval and commitment from the government by 2015 to implement the port development plan.

B. Methodology and Key Activities

9. A key feature of the TA is to assist the government in developing the port development plan in consultation with developers, including potential cofinanciers and the private sector. Involving these delivery partners at the outset would ensure that the business and financing strategy is robust and realistic. The engagement of these stakeholders in developing the implementation plan will ensure feasible phasing of the developments, and more accurate and appropriate risk allocation in future commercial contracts to implement the project components.

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10. During the TA implementation, financial management assessments will also be conducted on potential delivery partners. This will ensure that the necessary support for institutional and capacity strengthening is put in place to enhance readiness for future projects.

11. Estimates for constructing a new port on Thilafushi island were developed from the MTMP. This TA will refine the cost estimates based on initial bathymetric, geotechnical, and environmental surveys to be funded by the government during the course of the TA.

12. Given the environmentally sensitive nature of the marine biodiversity around the overall port development site, the TA will undertake an initial scoping study of potential environmental impacts to assess the impact of port development on the marine environment, as well as existing environmental problems on the island that may affect the proposed port project. In particular, the TA will also assess the suitability of operating the new port adjacent to the existing landfill site on Thilafushi.

13. Initial climate risk screening for the port development sites on Malé and Thilafushi revealed that the proposed sites are susceptible to rising sea level and risk of tsunami. These risks will be taken into account in the pre-feasibility design and cost estimates will be developed during the course of the TA.

14. The TA outputs and their respective key activities are listed below.

15. **Output 1: Business and financial model for overall port development completed.** This output will (i) identify redevelopment options for the existing MCH; (ii) undertake market analyses (including international cargo demand, cruise passenger, and future commercial demand) to create a business model for overall port development; (iii) assist the government in exploring alternative and sustainable financing strategies with industry and potential cofinanciers to develop a viable financing strategy; and (iv) develop cost estimates of each project component.

16. **Output 2: Implementation and financing strategy completed.** This output will (i) assess the economic and financial viability of incremental development phases for the overall port development project; (ii) conduct stakeholder analysis and engagement workshops with the government and delivery partners to develop feasible implementation phases; (iii) undertake financial management assessments of key delivery partners, and propose capacity building measures to strengthen financial management, anticorruption, and procurement processes to implement proposals; (iv) assess the legal and institutional framework of relevant stakeholders and develop and implement a program to strengthen the legal and institutional framework; (v) for project components within the overall port development plan, undertake initial assessment of the environment, involuntary resettlement, and indigenous people safeguards according to ADB’s Safeguard Policy Statement (2009) and government policies; and (vi) develop phasing of project components.

17. **Output 3: Pre-feasibility study of constructing a new port on Thilafushi island completed.** This output will (i) undertake technical pre-feasibility design for Thilafushi port; (ii) develop preliminary cost estimates using least-cost analysis and risk analysis; and (iii) identify risk management measures for climate change and environmental impacts that need to be considered during implementation.
18. The critical assumptions are (i) continued commitment by government to improve maritime infrastructure, (ii) MOFT and MOTC make timely decisions regarding implementation, and (iii) counterpart staff are fully involved and share ownership of the TA outputs.

19. Key deliverables include the port development business plan; implementation plan for port development; and reports on stakeholder analysis and pre-feasibility for priority investment, safeguard documents, and climate change assessment. At least two workshops will be held during the TA, and the firm will submit inception, midterm, and final reports.

C. Cost and Financing

20. The TA is estimated to cost up to $1,750,000, of which $750,000 will be financed on a grant basis by ADB’s Technical Assistance Special Fund (TASF-V). The government will provide counterpart support in the form of technical surveys, office space, domestic transportation, communications and logistic support to the TA team, and other in-kind contributions. Equipment and assets purchased under the work will adhere to ADB’s Procurement Guidelines (2013, as amended from time to time). Upon completion of the project, the assets will be turned over to the implementing agency. The detailed cost estimates and financing plan are in Appendix 2.

21. During the Country Programming Mission (CPM) in July 2013, a Memorandum of Understanding was signed between the government and ADB, where the government committed to finance and undertake initial technical surveys – including bathymetry, geotechnical and environmental - in support for this TA.

D. Implementation Arrangements

22. MOFT will be the executing agency and the MOTC will be the implementing agency. A full-time project director from the MOTC will be assigned to oversee day-to-day implementation of the TA. Satisfying the commitment in the memorandum of understanding to put in place permanent technical staff, the government has established a new team—the Policy and Planning Section—under the MOTC to oversee implementation of this TA from inception to completion. The MOTC is preparing for mobilization of technical surveys by February 2014. To ensure close coordination on cross-agency issues, the project director will form a technical committee consisting of key stakeholders, including state-owned enterprises such as Thilafushi Corporation Limited (TCL) and Maldives Ports Limited (MPL). TCL is responsible for developing Thilafushi island, and MPL is the port operator for the existing MCH. Under the TA, the financial management capacities of the potential agencies involved in implementing the components within the port development plan would be assessed.

23. The TA consultants will be mobilized from March 2014 to February 2015. The firm will have extensive experience in successfully developing and implementing similar large-scale maritime infrastructure, and will provide technical expertise in maritime infrastructure development, finance, institutional development, transport economics, environment, and social safeguards, as well as climate change. Nine experts will provide an estimated 37.4 person-months of consultancy (20.4 international and 17 national) over 12 months. The outline terms of reference for the international firm are in Appendix 3.

24. ADB will engage the international firm in accordance with its Guidelines on the Use of Consultants (2013, as amended from time to time) using quality-and cost-based selection and a quality–cost ratio of 90:10. This is necessary to engage a good quality firm to deliver a viable
business strategy and implementation plan for this large-scale and complex maritime infrastructure investment in the Maldives. All procurement (e.g., office equipment and tools) will be done in accordance with ADB’s Procurement Guidelines (2013, as amended from time to time). Full technical proposals for the recruitment of the firm under quality-and cost-based selection will be used. Disbursements under the TA will be done in accordance with ADB’s Technical Assistance Disbursement Handbook (2010, as amended from time to time).

IV. THE PRESIDENT’S DECISION

25. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of $750,000 on a grant basis to the Republic of the Maldives for Preparing Business Strategy for Port Development, and hereby reports this action to the Board.
## Design and Monitoring Framework

### Design Summary

**Impact**
- Provide enabling environment for strong partnership among the government, private sector, and cofinanciers in ports development

**Outcome**
- Port development plan for Malé and Thilafushi approved

**Outputs**
1. Business and financial model for overall port development completed
2. Implementation and financing strategy completed
3. Pre-feasibility study of constructing a new port on Thilafushi island completed

### Performance Targets and Indicators with Baselines

- By 2018: Commence implementation of port development plan
- By 2015: Official approval and commitment by the Government of the Maldives to implement port development plan
- By 2015: Submit to MOTC and obtain approval for:
  1. Business and financial model
  2. Implementation and financing strategy
  3. Pre-feasibility study of investment project

### Data Sources and Reporting Mechanisms

- Maldives: Strategic action plan, 2014–2018
- Maldives: Country partnership strategy, 2014-2016
- Formal approval of the port development plan by MOFT
- Consultant report incorporating comments from the Government of the Maldives
- Consultant report incorporating comments from the Government of the Maldives
- Consultant’s design report

### Assumptions and Risks

- Continued commitment by government to improve maritime infrastructure
- MOFT and MOTC makes timely decisions regarding implementation
- Counterpart staff are fully involved and share ownership of the TA outputs

### Activities with Milestones

**1. Business and financial model for overall port development completed**
- Complete draft business and financial model by month 3.5
- Complete public sector workshop by month 4
- Obtain all related information and data by month 5

**2. Implementation and financing strategy completed**
- Undertake government stakeholder analysis and identification of key private sector participation by month 4

### Inputs

**ADB: $750,000 (TASF-V)**

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<th>Item</th>
<th>Amount ($'000)</th>
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<tbody>
<tr>
<td>Consulting services</td>
<td>705.9</td>
</tr>
<tr>
<td>Equipment</td>
<td>5.0</td>
</tr>
<tr>
<td>Workshop</td>
<td>10.0</td>
</tr>
<tr>
<td>Surveys</td>
<td>5.0</td>
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<tr>
<td>Contingencies</td>
<td>24.1</td>
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</tbody>
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Note: The government will provide counterpart support in the form of technical surveys, office space, domestic transportation, communications and logistic support, and
## Activities with Milestones

<table>
<thead>
<tr>
<th>Activities with Milestones</th>
<th>Inputs</th>
</tr>
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<tbody>
<tr>
<td>2.2 Complete public sector workshops by month 4</td>
<td>other in-kind contributions.</td>
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<tr>
<td>2.3 Complete private sector engagement workshops by month 7</td>
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<tr>
<td>3. Pre-feasibility study of constructing a new port on Thilafushi island completed</td>
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<tr>
<td>3.1 Complete initial technical surveys by month 7</td>
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<tr>
<td>3.2 Complete preliminary feasibility study by month 10</td>
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## COST ESTIMATES AND FINANCING PLAN

($'000)

<table>
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<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Asian Development Bank</strong>&lt;sup&gt;a&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>1. Consultants</td>
<td></td>
</tr>
<tr>
<td>a. Remuneration and per diem</td>
<td></td>
</tr>
<tr>
<td>i. International consultants</td>
<td>544.2</td>
</tr>
<tr>
<td>ii. National consultants</td>
<td>114.7</td>
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<tr>
<td>b. International and local travel</td>
<td>40.0</td>
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<tr>
<td>c. Reports and communications</td>
<td>7.0</td>
</tr>
<tr>
<td>2. Equipment (computer, printer, etc.)&lt;sup&gt;b&lt;/sup&gt;</td>
<td>5.0</td>
</tr>
<tr>
<td>3. Training, seminars, and conferences</td>
<td>10.0</td>
</tr>
<tr>
<td>4. Surveys</td>
<td>5.0</td>
</tr>
<tr>
<td>5. Contingencies</td>
<td>24.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>750.0</td>
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Note: The technical assistance (TA) is estimated to cost $1,750,000, of which $750,000 will be financed on a grant basis by the Asian Development Bank as presented in the table above. The government will provide counterpart support in the form of technical surveys, office space, domestic transportation, communications and logistic support to the TA team, and other in-kind contributions. The value of government contribution is estimated to account for 57% of the total TA cost.

<sup>a</sup> Financed by the Asian Development Bank’s Technical Assistance Special Fund (TASF-V).

<sup>b</sup> Equipment will be turned over to the implementing agency upon completion of the TA activities.

Source: Asian Development Bank estimates.
OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Justification

1. The Government of the Maldives has requested the Asian Development Bank (ADB) to undertake technical assistance (TA) to develop a new port on Thilafushi and explore opportunities to redevelop the existing Malé Commercial Harbour (MCH). This is a priority project, with national and strategic importance. It will (i) primarily enhance the port handling capacity of the Greater Malé region, resulting in lower logistics costs; (ii) relieve the chronic congestion around Malé, resulting in improved domestic maritime connectivity, and movement of people and goods in Greater Malé; and (iii) release prime land on the existing MCH site for redevelopment. The TA outputs and key activities are detailed in the main report in paragraphs 15 to 19.

B. Consulting Services

2. The TA will be implemented over 12 months from March 2014 to February 2015. Consultancy services will be provided by an international firm. The TA will require 20.4 person-months of international consultants and 17 person-months of national consultants. The consultant will work closely with key agencies including the Ministry of Finance and Treasury, the Ministry of Transport and Communication, the Ministry of Environment and Energy, the Transport Authority, and Maldives Ports. The international firm will be engaged in accordance with ADB’s Guidelines on the Use of Consultants (2013, as amended from time to time). The outline terms of reference for the TA consultants are described below.

3. Port specialist and team leader (international, 7.9 person-months). The team leader will be responsible for overall coordination and delivery of TA outputs. In particular, the specialist will (i) provide overall project management and technical advisory support to the implementing agency; (ii) review surveys conducted by the government; (iii) oversee and deliver the business strategy, implementation strategy, and pre-feasibility design of the new port on Thilafushi; (iv) conduct stakeholder consultations and discussions with government agencies; and (v) review the existing port operations and develop and/or implement improvements to enhance port operational efficiency. The consultant will have at least a bachelor’s degree in civil engineering, preferably with a master’s degree in civil engineering or business administration. The candidate will also have a minimum of 20 years of project management and team leader experience in developing and implementing port infrastructure in several countries, including public–private partnership port projects.

4. Deputy team leader and civil engineer (national, 8.0 person-months). The deputy team leader will support the team leader and implementing agency in all areas of TA delivery. The consultant will have at least a master’s degree in civil engineering, specialized in infrastructure development; and a minimum of 15 years of project management and team leader experience in the maritime and port sector.

5. Finance specialist (international, 3.0 person-months). The finance specialist will conduct financial due diligence and develop feasible financing options involving the public sector, cofinanciers, and potential private sector partners; and prepare the project financing model with financial sensitivity scenarios. Financial due diligence will include assessment of the project’s long-term sustainability. For private sector participation proposals, the specialist will prepare marketing and business plans. The specialist will undertake financial management
assessment of the executing and implementing agencies for the ensuing loan in accordance with ADB’s Financial Management and Analysis of Projects, and evaluate the financial impact of the investment project on the potential borrower, ensuring adequate controls are in place to support monitoring and supervision of the project. The consultant will have at least a master’s degree in finance, preferably a chartered accountant or certified public accountant with infrastructure development experience; and a minimum of 15 years of experience in public–private partnership projects or project finance.

6. Legal and institutional specialist (international, 2.0 person-months). The legal and institutional specialist will assess the existing legal and regulatory framework, as well as the institutional capacity of the relevant stakeholders. The specialist will develop and implement the necessary legal and institutional framework towards an enabling environment for implementation of the overall investment plan. The consultant will have at least a bachelor’s degree in law, finance, or accounting; and a minimum of 15 years of experience in dealing with regulatory reform in public sector institutions.

7. Transport economist (international 1.5 person-months). The transport economist will undertake economic analysis of the overall project to determine its acceptability in terms of economic efficiency and sustainability. The consultant will have (i) an advanced degree in economics or a closely related field; and (ii) at least 5 years of experience in undertaking economic analysis for development projects, particularly transport projects, or closely related experience.

8. Civil engineer (port) (international, 3.0 person-months). The civil engineer will undertake technical feasibility studies for the new port, and deliver the project design and preliminary cost estimate. This will take into account the preliminary climate change risks that have been identified, mainly sea level rise and precipitation, in the initial climate risk screening report. The consultant will have at least a bachelor’s degree in civil engineering, and a minimum of 15 years of experience in undertaking delivering engineering design and supervision consultancy for major maritime and port infrastructure projects.

9. Environment specialist (national, 7.0 person-months). The national environmental specialist will assess the environmental impacts of the proposed port project, and conduct an initial environmental examination or environmental impact assessment in accordance with the requirements of ADB’s Safeguard Policy Statement (2009) and the Environmental Impact Assessment Regulations (2012) of the Ministry of Environment and Energy. The specialist will work closely with the International Environment Specialist for sharing of data and facilitating local communications and information gathering. In particular, the specialist would assess impact of the project on the physical and ecological environment. The consultant will have at least a master’s degree in environmental assessment of development projects in a marine environment, marine biology, or a related subject; and a minimum of 5 years of experience in conducting environmental assessments for development projects in a marine environment.

10. Environment specialist (international, 2.0 person-months). The international environmental specialist will study the status of the waste disposal site and associated waste and contamination issues. The specialist will make recommendations for managing the waste based on international best practices. The specialist will work closely with the national environment specialist where necessary for getting local data. The consultant will have at least a master’s degree in Environmental Management; and a minimum of 10 years of experience in

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environmental waste management and conducting environmental assessments, preferably in South Asia.

11. **Social development specialists** (international, 1.0 person-month; national, 2.0 person-months). The social development specialists will assess impact on poverty and social impacts, including involuntary resettlement, indigenous peoples, HIV/AIDS, human trafficking, gender, participation and empowerment, labor, and other relevant issues. They will also conduct assessment and prepare required documentation in accordance with the requirements of the ADB and the Government of the Maldives. The international consultant shall have at the minimum a master's degree in Social Sciences, and minimum of 10 years of relevant work experience, especially in areas of HIV/AIDS and human trafficking mitigation. Experience with planning or implementing a multilateral or bilateral funded project is highly preferred. Experience with port projects is preferred. The national consultant shall have at the minimum a master's degree in Social Sciences, and minimum 8 years of relevant work experience, especially in areas of HIV/AIDS and human trafficking mitigation in the Maldives.