An Enduring Partnership
The Maldives and the Asian Development Bank

The Asian Development Bank has partnered with the Government of the Maldives since 1978 to help in the country’s development. The partnership has yielded substantial improvements in various sectors of the economy, with particular emphasis on tax administration, energy development, maritime transport, regional development, micro, small, and medium-sized enterprise development, and economic policy and public financial management, among others. As the country continues to make impressive gains in attaining its economic and social goals, the Asian Development Bank stands ready to work together with the Maldives to help fulfill its development objectives.

About the Asian Development Bank

ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to the majority of the world’s poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 68 members, including all from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.
AN ENDURING PARTNERSHIP

THE MALDIVES AND THE ASIAN DEVELOPMENT BANK
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Over the past few decades the Maldives has enjoyed sustained economic growth, driven largely by its tourism sector. The country has seen vast improvements in its socio-economic development indicators, and in 2011 graduated to middle income status. However, many challenges still remain, and the Asian Development Bank (ADB) has proved to be an invaluable partner to the country in facing these formidable challenges. This publication well documents the collaboration and efforts between ADB and the Government of the Maldives.

The partnership between ADB and the Government of the Maldives started in 1978, and throughout this long-standing relationship ADB has played a critical role in assisting the country achieve inclusive and sustainable growth. ADB assistance to the Maldives supports sectors such as transport and information communication and technology, industry and trade, energy, education, and public sector strengthening and development. Also noteworthy is the timely assistance provided by ADB following the Indian Ocean tsunami of 2004, without which the recovery efforts of the Government would have had several limitations.

It gives me pleasure to note that this publication has materialized at a time when the Maldives is entering a new phase of economic development. The government has embarked on an ambitious economic agenda to transform the economy. As a small, forward looking middle-income country, our vision is to become a resilient, diversified high income economy in the next decade. We believe that foreign investments and private sector led-growth are the essence of achieving this goal. In this regard, we invite ADB to assist the Maldives achieve its private sector development objectives. At a time when the country is transitioning into a stable democracy, we are positive that our collective efforts can help realize this idea.

On behalf of the people and the Government of the Maldives, I thank ADB for being a true friend, and a trusted partner in our development endeavor. It is my deepest wish that this partnership between ADB and the Maldives will widen and deepen in the years ahead. We look forward to ADB’s continued partnership in supporting our development objectives.
The Maldives, with its pristine beaches and wonderful climate, certainly lives up to its reputation as an exotic and high-end vacation destination. Add to that its top quality hospitality and service, and the country is assured a bright future.

Yet, even as the Maldives continues to be a favorite destination for holiday-goers, significant constraints impinge on the country’s ability to grow and offer its citizens the quality of life that they seek.

The Asian Development Bank, in the years it has partnered with the Government of the Maldives, has focused on helping the country find solutions to these constraints. As the government’s most significant multilateral development partner, ADB has responded swiftly to the needs of the country. In An Enduring Partnership: The Maldives and the Asian Development Bank, readers will witness the progress of this partnership over the years, and the impact of ADB’s assistance.

This book is evidence of ADB’s increasing focus on knowledge in its development work. As part of our “Finance ++” focus, ADB seeks to make sure our involvement is anchored not only in providing financial support but also in generating and disseminating information about our development operations.

With the Maldives, we at ADB take pride in the manner in which the country has rebounded from the devastation of the tsunami of 2004. We stand ready to deepen our support for the government as it deals with the challenges that remain, and we are keen to serve as a worthy partner in its efforts to transform the Maldives into an upper middle-income country in the very near future.
vi an enduring partnership: The Maldives and the Asian Development Bank
An Enduring Partnership: The Maldives and the Asian Development Bank documents the work of the Asian Development Bank (ADB) in the Maldives since the partnership began in 1978. The book covers six sectors in which ADB has provided support: transport and information communication and technology, industry and trade, energy, multisector services, public sector, and education. ADB's presence in the country was most visible in its immediate bold response after the December 2004 tsunami. Much of ADB's support in the post-tsunami years was anchored in that response.

In maritime transport, ADB has helped the government plan the development of the country's ports, in Malé and elsewhere, and strengthen their capacity to handle more cargo and passengers. In energy, the search for a long-term, sustainable solution to the problem of energy sources on the outer islands, particularly those not connected to the national grid, has included ADB support for renewable energy generation on those islands. The model developed for this project has proven to be energy efficient, and the government is intent on using it in its current expansion plan for the sector.

In the education sector, a highlight of the partnership between the government and ADB, the foundation laid for postsecondary education eventually resulted in the establishment of the Maldives National University, the country’s first university. In the public sector, ADB has helped the government prepare sound economic policies, develop the financial markets, and give the private sector, including small and medium enterprises, easier access to funds and credit.

This book does not analyze the binding constraints on the country's growth and economic development (that is done in a separate ADB diagnostic study for the Maldives). What it does is highlight the range of areas of ADB involvement over the past three and a half decades. It seeks to paint—with broad strokes—the manner in which the partnership between ADB and the people and the government of the Maldives has evolved over the years.

Several individuals contributed to the preparation of this book. The Maldives Ministry of Finance and Treasury gave guidance and encouragement, and Huiping Huang, then economist with ADB’s South Asia Department (SARD), helped get the project off the ground. Grendell Magoncia, a consultant, provided valuable input and coordinated the photography; and Shelley Kenigsberg contributed substantially to the write-up. The manuscript underwent internal peer review within ADB and review by government before the structure and contents of the book were finalized. Key logistics and administrative support came from Pia Reyes, Mary Anne Aclan-Chaneco, and Francoise Marie Alonzo-Calalay at SARD.

Ahmed Munawar, Minister of State for Finance and Treasury, the Government of the Maldives, and Gambhir Bhatta, Principal Knowledge Management Specialist with ADB’s SARD, led the work on the finalization of the book.
Over 80% of the land mass in the Maldives is less than 1 meter above sea level.
Abbreviations

ADB    Asian Development Bank
ADF    Asian Development Fund
BPT    business profit tax
EDU    Enterprise Development Unit
ESTP   Employment Skills Training Project
ERP    Economic Recovery Program
FT     freight ton
GDP    gross domestic product
GST    goods and services tax
ICT    information and communication technology
MCH    Malé Commercial Harbor
MCHE   Maldives College of Higher Education
MDG    Millennium Development Goal
MIRA   Maldives Inland Revenue Authority
MMA    Maldives Monetary Authority
MNH    Malé North Harbor
MNU    Maldives National University
MOFT   Ministry of Finance and Treasury
MPA    Maldives Port Authority
MSMEs  micro, small and medium enterprises
MW     megawatt
NDP    National Development Plan
NDR    Northern Development Region
PPP    public–private partnership
PSDP   Private Sector Development Project
RDMO   Regional Development Management Office
SDR    Southern Development Region
SMEs   small and medium enterprises
SOE    state-owned enterprise
STELCO State Electric Company
TA     technical assistance
TEAP   Tsunami Emergency Assistance Project
TGST   Tourism Goods and Services Tax
TVET   technical and vocational education training

CURREnCY eQUivalenTS
(as of 7 July 2015)

Currency unit  –  rufiyaa (Rf)
Rf1.00  =  $0.065061
$1.00  =  Rf15.37000

Unless otherwise stated, “$” refers to US dollars.
The Republic of the Maldives, situated in the Indian Ocean west of the Indian subcontinent, has attracted fame for its idyllic sandy beaches, abundant sea life and dazzling underwater scenery, and consistently warm climate.

As might be expected with such a constellation of features, the country is well regarded as a luxurious, high-end tourist destination. Real per capita income is the highest among countries in South Asia, largely because of the tourism industry, which accounts for 30% of total gross domestic product (GDP) and more than 60% of foreign exchange receipts.

The Maldives, however, has a relatively small land area—at 300 square kilometers, it is the smallest country in Asia. It is also the planet’s lowest-lying country, with an average ground-level elevation of only 1.5 meters above sea level.

Of the 1,200 or so islands that make up the Maldives, only 188 are populated, each one with fewer than 1,000 people in the case of the majority of these islands (70%). Almost a third of the Maldives population of 341,200 lives and works in the capital, Malé.

Over half of the other inhabited islands have self-contained tourist resorts, and around 10% have other commercial operations.

The Power of a Shared Vision
At present, there are 105 resorts in the different atolls of the Maldives.
Change and Challenges

In 2015, the Republic of the Maldives and the Asian Development Bank (ADB) marked the 37th year of a dynamic association, which has covered development work in many sectors. The partnership shaped by understanding and support began in 1978, when the Maldives became an ADB developing member country.

Since its first collaboration with ADB and until 2014 December, the Maldives had received more than $242 million for 24 loan/grant and 67 technical assistance projects spread across various sectors (detailed in the Appendix). Nearly two-thirds of ADB assistance (through its Asian Development Fund—ADF—which is a concessional financing window for developing member countries) has been for projects in public sector management, transport and information and communication technology, energy, and education.

The Maldives’ economy grew by 6.8% in 2014, up from 4.7% in 2013. Tourism and related subsectors such as transport and communication together contributed nearly 58% to GDP growth and comprised about 45% of GDP. Growth was also supported by strong performance in the construction sector, which contributed about 23% to GDP growth, driven by resort projects and real estate development including in Hulhumale’.

External debt as a percentage of GDP has declined from 47% in 2009 to about 27.4% in 2014. And continuing to ensure effective debt management measures will strengthen the Republic’s ability to meet all the Millennium Development Goals (MDGs) in coming years.

But this small island economy faces many challenges. It has a limited land base and few resources, and is extremely vulnerable to environmental hazards. Its high dependence on tourism and imported goods also makes the Maldives susceptible to external shocks from
the global economy. Annual GDP growth has averaged 6.8% since 2002. GDP grew 6.5% in 2011, driven by the tourism boom and by construction and fisheries.

In addition, there are significant disparities between the country’s regions—in education and health services, and economic opportunities, among others—particularly between Malé and the rest of the regions, and the disproportion is magnified by the wide dispersal of the population. Almost a third of the population lives in Malé.

For these very low-lying islands, a moving and rising sea, often resulting from climate change, is a particular threat. This threat became a reality in December 2004, when the Indian Ocean tsunami battered the country, bringing loss of lives, financial disruption, and hardship in its wake.

Global support came swiftly. In 2005, the United Nations General Assembly granted an exceptional 3-year moratorium on debt repayments to ensure postdisaster rescue and reconstruction.

When the moratorium on debt repayments ended in 2007, it was followed by a 3-year pretransition period, which ended in December 2010. Productivity and confidence have been restored, thanks in large part to the continuing efforts of committed stakeholders to seize opportunities for growth, and the deepening relationship between ADB, other development agencies, and the Republic of the Maldives.

The Way Forward

The Maldives’ post tsunami rebuilding and recovery has seen significant changes. The Maldives graduated from the United Nations list of least-developed countries on 1 January 2011 and is now officially categorized as a middle-income country.

Moreover, the country has not only met five of the eight MDGs—eradicating extreme poverty and hunger, achieving universal primary education, reducing child mortality, improving maternal health, and combating HIV/AIDS, malaria, and other diseases—but has done so ahead of the agreed timeline of 2015 and has been labeled an “MDG plus” country, with life expectancy reaching 73 years for men and 75 years for women. The number of schoolchildren enrolled in primary and secondary schools has increased markedly since 2004 and has consistently been close to 100% among both girls and boys.¹


Impelled by these achievements to go beyond agreed targets, the Maldives government has shored up support in the development community for further, sustained progress. Three MDGs—promoting gender equality and empowering women, ensuring environmental sustainability, and creating a global partnership for development—still have to be attained. Through continued effective debt management, the country should be able to meet all the MDGs in the coming years.

The past three-and-a-half decades in the Maldives have been marked by economic growth fueled by the development of tourism. ADB has focused firmly on maximizing potential and opportunities for sustainable growth in this and many other areas.

The challenge of sustaining its achievements and moving to even greater economic, social, and environmental health faces the Maldives on its path to sustained success. Working together, the Maldives and ADB walk forward on that path.
Nature’s Power and Nature’s Threat: Tsunami Emergency Assistance

When the country needed to rebuild after the 2004 tsunami, ADB was there to support the Maldives and help in the recovery.

The Maldives is viewed internationally as a tropical paradise. It is no wonder then that the economy revolves around tourism. Thousands of visitors each year flock to the many islands catering to the top end of the tourist market.

While the natural windbreak from the reefs in these idyllic atolls affords some protection from the wind and wave action of the surrounding sea, the Maldives is still vulnerable to a rise in sea level. None of its coral islands are more than a few hundred meters long, and 80% are less than 1 meter above sea level. Indeed, in this regard, this is the most vulnerable country in the world.

The much-feared rise in sea level may come from changes associated with global warming. But on 26 December 2004, the sea rose for a different reason. That morning, a massive undersea earthquake off Sumatra in Indonesia triggered a series of devastating waves across the Indian Ocean ranging between 1 and 5 meters. The low-lying Maldives was not spared the ensuing loss of lives and destruction of property.
The Maldives has over 1,190 islands, only 180 of which are inhabited.
Waves of Devastation

Estimates indicate that the tsunami directly and drastically affected more than 22,000 people (about 6.5% of the population) in the Maldives: 80 people died, about 1,300 were injured, more than 12,500 were displaced from their islands, and 8,500 were temporarily relocated within their own islands.

Two-thirds of the capital city, Malé, was flooded during the first few hours of 26 December. Outlying low-level atolls were hit by massive waves; some low-lying islands and major resorts were submerged at the peak of the tsunami. Flooding wiped out electricity and power systems, and the loss of vital communication links between the Maldives’ almost 1,200 islands severely hampered the first rescue efforts.
About 15% of the islands had water supply disruptions, while 18% suffered major damage to essential infrastructure such as jetties and harbors. The marked regional disparities, particularly between Malé and outlying atolls, became even more pronounced after the tsunami, especially as the already acute unemployment on the far atolls intensified.

The tsunami also brought with it huge risks to human health from widespread deposits of municipal and human waste, coral sand, vegetation, and hazardous substances (oils, asbestos, batteries, etc.) and from mosquitoes bearing diseases such as malaria and dengue in areas of stagnant water.

Freshwater sources were swamped by saltwater on almost all of the 1,200 islands, causing vegetation to shrivel and die.

In all, the economy lost an estimated at $470 million—almost 62% of the country’s GDP.

**Immediate Action**

The government’s response was immediate. It created the National Disaster Management Center to coordinate swift rescue, relief, and rehabilitation operations. As members of the development partner community, ADB and other organizations—six Red Cross societies, the United Nations Development Programme, the World Bank, the European Union, and the Japan
The Maldives and the Asian Development Bank (ADB) provided support. Priorities had to be established early on. Within 24 hours of the tsunami, communication on 11 atolls was restored. Providing emergency shelter for those displaced by the tsunami was also critical, as was restoring infrastructure including schools, hospitals, coastal structures, transportation, and all communication. The country needed safe water supplies and the restoration of sewerage, solid waste disposal systems, and electricity systems on the 104 most affected islands.

A Tsunami Relief and Reconstruction Fund (TRRF) was set up under the Ministry of Finance and Treasury to manage external financial assistance and funds for relief, recovery, and reconstruction work. The TRRF operated as a separate fund so the government could disburse funds transparently and account for tsunami-related assistance.

ADB contributions included a $20 million grant from the Asian Tsunami Fund, an ADB loan of $1.8 million under the Tsunami Emergency Assistance Project, and a $1 million technical assistance (TA) grant from the Japan Fund for Poverty Reduction. The TA grant was provided to support the livelihood restoration efforts of farmers in the 26 worst-affected agricultural communities.

The government’s National Recovery and Reconstruction Plan (2005) was designed to guide the restoration of housing, infrastructure, and livelihoods and, most importantly, create the conditions for sustained economic recovery. Of the estimated reconstruction costs of $406 million for 2005–2008, $120 million was spent in the first half of 2005.

**Keeping Within Safe Borders**

The Tsunami Emergency Assistance Project (TEAP) of 2005, the second developed under ADB’s Disaster and Emergency Assistance Policy (2004), followed the guidelines for earlier emergency projects and was developed in close cooperation with the World Bank and the United Nations, both of which were involved in the rehabilitation and reconstruction efforts.

The TEAP grant ($20 million) consisted of quick-disbursing funds amounting to $4.7 million for imports from a list of preapproved items that were urgently needed for the government’s recovery programs, and $15.3 million for the rehabilitation of tsunami-damaged infrastructure and facilities in five sectors (water supply and sanitation, transport and ICT, energy, fisheries, and agriculture).

The quick-disbursing component of the project (the $4.7 million grant plus $1.8 million in ADF loan funds) funded the procurement of materials and equipment, the repair and upgrading of damaged infrastructure, and livelihood restoration, particularly in the fisheries sector.

The $20 million TEAP grant was aimed at immediate as well as medium-term rehabilitation and reconstruction. Clearly, sustainable economic recovery depended on minimizing the devastating impact of the tsunami by restoring public infrastructure, communications, water supply, sanitation, solid waste management, power, and transport as quickly as possible. In addition, the funds supported relief works and projects aimed at longer-term development such as environmental protection and disaster mitigation measures.

**Calm Returns**

ADB’s Country Strategy and Program prioritized improvements in physical and social infrastructure to support pro-poor growth and poverty reduction on the outer islands and atolls. Water supply, sanitation, solid waste management, domestic maritime transport, outer-island electrification, employment skills training, and small and medium enterprise (SME) development were to be improved. In the post-tsunami period, ADB programs continued to focus on promoting economic diversification and employment by providing basic economic, public, and social infrastructure on the atolls.

Transport Resumed

The joint needs assessment review done by ADB, the World Bank, and the United Nations in February 2005 estimated the costs of reconstruction in the transport sector at $24.9 million. This amount would cover the repair or replacement of infrastructure and transport vehicles including navigation aids, 36 jetties, almost 4,200 meters of quay walls, and 15,000 meters of seawalls and breakwater structures. It would also cover the necessary dredging of harbor basins and approach channels. Five causeways, critical to interisland connections, had been partly damaged and needed repair, as did Malé’s commercial harbor and international airport.

Dhidhdhoo Island, a key harbor in the country’s far north, was significantly upgraded in 2005. Since then, the number of fishing boats using the facility has tripled.

Power Restored

The power supply systems of at least 95 islands (comprising about 48% of the islands with electricity) were disrupted by the tsunami. Islanders waited for days for resumption (even temporary) of power. The estimated repair bill was $5.0 million and TEAP aimed to fund about half of those costs.

The recovery program included constructing six new power stations on six outer islands: Filladhoo, Maafaru, Madifushi, Maroshi, Meedhoo, and Nolhivaranfaru. Each received a new powerhouse (including diesel engine generator sets and synchronizing switchboard for control), fuel system (storage tanks and pumps), and low-voltage distribution network.

The island of Madifushi had suffered severe damage from the tsunami. Though the power station was completed, the entire population (of about 1,100 people) was classified as displaced and provided with temporary shelter and free electric power.

On Filladhoo, the economic benefits of having a new power station were the additional units of electricity sold with the new system, fuel cost savings due to increased fuel efficiency, and cost savings from reduced distribution losses and maintenance costs. The power component was timely. Business owners such as tradespeople and shop owners, who were determined to resume their activities, no longer needed generator sets to compensate for an unreliable power supply.

The rehabilitation of the power system also enabled the provision of public services such as computer laboratories in schools and health-center laboratories. Businesses benefited from a rise in domestic consumption (computers, refrigerators, televisions, and digital media equipment) when householders were assured of a reliable supply of power.

Fisheries Supported

The fishing industry is second only to tourism as a source of national income in the Maldives. The tsunami caused widespread damage to the sector and, according to the joint needs assessment, it would take more than $25 million to rehabilitate the fisheries sector—to repair or replace fishing vessels, boat engines, fishing gear and accessories, seafood-processing equipment, and basic infrastructure such as storage buildings, docks, and access roads.
TEAP activities included holding consultations with fishermen to strengthen community-based organizations; providing fishermen with processing kits (fish finders, global positioning systems, nets, and small generators); training fishermen to develop appropriate seafood-processing systems; establishing fishing cooperatives on 15 islands; and putting in place regulatory frameworks for the fishing industry. In addition, $800,000 was committed to the Ministry of Finance and Treasury for microcredit.

By December 2005, consultations to strengthen community-based organizations were complete. Then, from February to March 2006, social mobilization visits followed, as did training for the development of fishing cooperatives. Local fishermen visited Bangladesh to learn Bangladeshi fishing methods. By the end of the third quarter of 2006, a total of 488 processing kits (each worth about Rf6,000) had been distributed. In addition, by the end of 2007, about 560 fishermen had joined fisheries training programs related to seafood processing and marketing.

Fishermen could apply for a microcredit loan of Rf16,000. Beneficiaries—there were about 600 of them—could qualify for only one loan.

Project funds disbursed for all activities totaled about $1.8 million.
Agriculture Rehabilitated

The tsunami caused widespread damage to farms, soil, standing crops, arable land, and groundwater. On many farms, it swept away equipment and leveled buildings. The Ministry of Fisheries, Agriculture, and Marine Resources identified 42 islands where field crops were affected, and 26 islands where perennials and fruit trees were severely affected. Crop production and yields plunged in the months following the floods.

The TEAP provided affected farmers in the perennial and field crop sectors with farm tools, equipment, and working capital to enable them to rehabilitate their farms and restore their livelihoods. A farmer's handbook, Agriculture in an Atoll Environment, was produced (in English and with translations into the vernacular) and distributed. It contained information about appropriate farming approaches for greater sustainability and income generation, as well as recordkeeping and basic accounting practices, to help develop and support commercial agriculture. Agricultural kits (fertilizer, seeds, and tools) were distributed. These initiatives were most successful on Gan, Laamu Atoll.

About 70% of ADB’s assistance of $2.5 million was intended for equipment and basic materials, about 10% for working capital, and the rest for services, training, extension, and administrative support.

Tsunami-Affected Trees Saved

Starting April 2004, and during the post-tsunami period, ADB made available $250,000 for saving the tsunami-affected trees in the Maldives. This financial support was provided as part of the technical assistance aimed at promoting environmental interventions that would help reduce poverty and improve the environment.

After the devastation caused by the tsunami to standing grain crops and perennial crops such as fruit and timber trees on many islands, as well as the contamination of soil and groundwater by seawater, support in saving tsunami-affected trees was provided. By May 2006, the first crops of TA-assisted cultivations of dragon fruit, guava, jackfruit, mango, and star fruit had begun to bear fruit.

Promoting Sound Environmental Management

Environmental management is important in minimizing the risk of future damage from extreme weather events. The TA project Promoting Sound Environmental Management in the Aftermath of the Tsunami (TA 4614-MLD) was a successful post-tsunami reconstruction program involving the development of a community-based water quality monitoring and resource management system and its pilot-testing on selected islands.

The TA was aimed at improving environmental sustainability, and thus helping the country achieve its MDG targets. It involved helping communities build capacity for environmental assessment and formulate environmental impact assessment regulations to be applied countrywide.

Innovative education and public awareness programs in environmental health and environmental management were broadcast widely. Communities on islands around the country were mobilized and organized to operate and manage sanitation and solid waste management systems.

The successful TA saw tool kits produced and distributed to communities to enable them to manage solid waste and monitor beach erosion and water quality, and generally strengthen community action to protect the environment. Importantly, the communities involved were able to use information and new experiences to manage the environment with greater awareness of sustainable practices and greater commitment to them.
A separate grant project, Restoration of Livelihoods of Tsunami-Affected Farmers (TA 39108MLD), funded by the Japan Fund for Poverty Reduction (JFPR) helped farmers in the 26 most affected agricultural communities to restart their agricultural livelihood activities and improve their quality of life beyond pre-tsunami levels. The project was also carried out to increase the participation of community-based organizations in the farm activities of the beneficiary communities. It was implemented in conjunction with the agricultural component of the TEAP.

This grant project amounted to $1,000,000 and, though originally planned for 2 years, was extended to 4 years. It provided agriculture input and equipment (e.g., fertilizers, pesticides, seeds, tools); complementary working capital; and training and consulting services.

The Ministry of Fisheries and Agriculture was assisted in a needs assessment of the 26 mostly agricultural islands for determination of the activity matrix and funding requirements.

The TEAP supported the preparation of detailed design and tender documents for conventional sewerage systems for Kulhudhufushi and Guraidhoo islands, in Thaa Atoll. The systems
were built (for $1.47 million) on Guraidhoo. The sanitation and sewerage improvements benefited hundreds of households. Better sanitation meant less illness, less medical expenses, and fewer days’ work (and salary) lost. Local island leaders reported that odor problems previously common in groundwater disappeared.

Under a separate project, Regional Development Project 2, sanitation and sewerage services on two islands affected by the tsunami were also greatly improved.

Dhidhdhoo Island Upgrade

Dhidhdhoo Island lies at the center of Haa Alif Atoll in the far north of the Maldives and is a key harbor, serving the surrounding islands. The island has banks, an atoll hospital, and atoll police. Dhidhdhoo had a population of 3,396 in 2010 and an original land area of 52 hectares. Now, after a land reclamation project in 2010 to accommodate the growing population and industries, the total land area is about 85 hectares. As the capital of Haa Alif Atoll, Dhidhdhoo is the atoll’s most populous island and its economic trade hub. It is the third largest among the outer islands.

ADB funded the upgrading of Dhidhdhoo Island’s harbor, an essential part of the island’s infrastructure, under the TEAP, thus benefiting economic activity not only on the island itself, especially fishing, but also on the surrounding islands, and several new resorts being developed in the area.

After the reconstruction, larger supply vessels were able to dock and unload their cargo more swiftly and easily and could therefore make more cargo trips each year. The improvements also meant a storm-safe, clean harbor for fishing boats, coast-guard vessels, and speedboats serving nearby resorts.

Before the upgrade, offshore mooring and ocean swells were relatively costly for fishing and cargo boats. The upgrade lowered average repair costs per boat from Rf3,500 to Rf2,500, boat owners said.

The island’s infrastructure before the tsunami comprised the harbor, a secondary school, a health center, banks, mosques, and a desalination plant. The roads were unpaved, and there was no central freshwater supply system or waste management system. The population was mainly engaged in fishing, government jobs

The 2004 tsunami devastated the Maldives. A lot of structures were damaged. The implementation of a proper sewerage system on Mahibadhoo and Fonadhoo islands was a project milestone. The old septic tank system had contaminated the groundwater on the outer islands and the tsunami worsened the problem. Now there is a better sewerage system, so atoll-to-atoll migration can take place. The islands will develop further as water and sanitation facilities improve and more families move to the islands.

Afsal Hussain, Project Officer
Ministry of Environment and Energy
An enduring partnership: The Maldives and the Asian Development Bank

Dhidhdhoo Island’s rebuilt harbor is now fully functional and provides better services essential to economic activity on the island, helping the fishermen and ensuring more efficient transport of goods and people. Although the Maldives was in the direct path of the 2004 tsunami, the coral beds and fishing grounds sustained little permanent damage.

The harbor was destroyed mainly because it was made of cement. The tsunami easily wiped out the entire area.

“Apart from Dhidhdhoo residents, the fishermen from different islands who dock at the harbor benefited from the harbor rehabilitation. Residents of other islands belonging to Haa Alif Atoll also benefited since they come to Dhidhdhoo for the goods and services available on the island. Now, loading goods from the island onto the boats is easier.

Yoosuf Siraj, Atoll Councilor

The Way Forward

On a per capita basis, the Maldives was among the countries that were worst affected by the Indian Ocean tsunami. Many on the islands lost their lives. Others had to endure the ravages of the tsunami: severe physical damage, loss of livelihood, and displacement. Many lost their savings.

But with strong support from ADB and other development partners, the economy and its vital tourism and fisheries sectors were quick to recover. Real GDP growth rebounded sharply in 2006 after dropping by 21.2 percentage points in 2005.

The successful construction of new infrastructure projects improved standards of living and economic opportunities in the Maldives. ADB’s response to the tsunami helped improve the quality of the infrastructure and raise environmental standards. The policy of “building back better” focused the attention of the government and the development community on making sure that methods and materials used in building new facilities met the highest environmental and safety standards.
Protective walls, such as this, can now be seen in the islands across the Maldives.
As the leading donor in maritime transport, ADB has contributed to a tenfold increase in international and interisland cargo-handling capacity in the Maldives. The ICT reforms have improved communications on the islands and made regional integration more effective.

For a country like the Maldives with almost 1,200 islands, a fundamental element of robust and sustainable development is the ability to connect—person to person, and place to place. To create opportunities for all Maldivians to reap the benefits of economic growth, the country must have strong transport services on and between the islands, as well as up-to-date and efficient information and communication networks.

The first discussion between ADB and the government about their collaboration centered on the transport and ICT sectors. Indeed, the first ADB loan, approved in 1981, was for the Interisland Transport Project, which provided a reliable, publicly operated transportation system between Malé and the atoll islands through an interisland ferry service.

It was a vital step for a country where maritime transport fulfills a demand for mobility, like road transport in land-based countries. Later measures taken to connect people and places across the Maldives included setting up a government communications network and improving the access and affordability of internet services. The growth in capacity significantly enhanced the country’s circumstances and prospects.
Excellent design and planning went into maximizing the space and capacity of the new Malé Commercial Harbor and accounts to a great extent for its current boom.
Establishing More Connections

In 1988, the Malé Commercial Harbor (MCH) Project was launched, in acknowledgment of the fact that the development of the harbor capacity of the capital, Malé, would be a powerful impetus for the growth of the country.

The Malé Port Development Project loan of 1988 and the Second Malé Port Project, approved in 1993, meant considerable infrastructure enhancements and institutional support for the Maldives Ports Authority, to relieve congestion in the MCH. The Multiproject Loan (Loan 681-MLD [SF]), approved in 1984, ADB’s fourth loan to the transport sector, included infrastructure investments to support the deepening of harbors on priority islands (in this case, Thinadhoo and Kulhuduffushi).

ADB’s support for the sector—totaling $31.2 million—has gone to four transport projects, one ICT project, and several advisory TA projects:

• the Interisland Transport Project, which introduced a reliable, publicly operated transportation service between Malé and the atoll islands, and made interisland transport much safer and more efficient;
• the two ADB loans in support of MCH development;
the Multiproject Loan for harbor deepening on priority islands; and
• the loan for the Domestic Maritime Transport Project, approved in 2007 and completed in December 2011, which was aimed at improving the capacity and efficiency of the Malé North Harbor (MNH), to lower transport costs between remote islands and Malé, and to introduce effective and sustainable public asset management and maintenance.

From 2011 to 2012, through the Australia-ADB South Asia Development Partnership Facility, ADB also assisted the Government of the Maldives in designing a maritime transport master plan, which laid the groundwork for a well coordinated approach to improvements in this important sector.4

ADB’s interventions in more than 30 years have helped transform maritime transport in the Maldives, notably achieving a tenfold increase in international and interisland cargo handling capacity and, after the completion of the Malé Port Development and Second Malé Port Development projects, sizable increases in the capacity of the MCH.

ADB’s Independent Evaluation Department in 2011 concluded that the projects led to a sharp increase in vessel turnaround time at both the commercial and domestic harbors in Malé.

Traffic Flow at Malé Port

The capital, Malé, lies on an area of less than two square kilometers, within which more than a third of the population of the country lives. Malé harbor is the main loading and unloading port for all international and interisland shipping.

Before ADB projects were successfully implemented, international passenger and cargo capacity was severely limited. Given Malé’s facility constraints and the absence of conventional port facilities on the outer atolls, it would take 6,000 or so wooden fishing sailboats with a carrying capacity of 10–20 tons to transport the bulk of annual traffic between the atolls.

The robust economic activity was accompanied by a strong rise in imports—basic foodstuffs, construction materials, manufactured goods, and petroleum products. The country was heavily dependent on international shipping services.

Need for a Commercial Harbor

But the Maldives is not only a consumer of imported goods. It also exports fish, fish products, and garments. Exports in 1987 had an estimated volume of 25,000 tons. Before ADB projects, virtually no exports were handled through the Malé Port.

In the late 1980s and early 1990s, 191 foreign trade ships entered Malé Port and discharged about 115,000 tons of imported cargo. The fish catch, destined for the export market, was transferred at sea from fishing vessels to local fish collector vessels, or to foreign trade transport vessels.

With import and export traffic increasing, it was clear that a regular and efficient cargo and passenger transportation system linking the Maldives to the rest of the world, and particularly to the Asia and Pacific region, would be of enormous benefit.

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ADB supported the proposal to ensure that Malé—gateway to the country’s imports and exports—had sufficient capacity to handle cost-effectively the growth in cargo volumes that was forecast alongside the growth of the economy.

Parallel to this outreach to the rest of the world was an urgent need to link the islands to one another. An effective and efficient interisland transport system would not only increase reliable communication and contact but would further aid exchange and trade between and among the various atolls.

**Malé Port Development Project**

Improving international and interisland transport services was a key early focus of ADB support for the Maldives. ADB sought to extend its commitment to assist areas where there could be a direct impact on sustainable and increased private sector–led activities.

The transport sector was among the high-priority areas identified in the government’s Third National Development Plan (1991–1993). The Malé Port Development Project proved to be a significant opportunity for ADB to continue its policy dialogue with the government on strengthening port operations, the shipping sector, and the institutional development of the Maldives Port Authority (MPA). The project also
enabled the MPA to consolidate its advances in operating efficiency and develop further to meet future short- to medium-term operating demands as more cargo entered the port despite its limited land area.

**Commercial Harbor**

Rehabilitating the MCh and the existing harbor, including dredging the basins to 3.5 meters and creating an alongside wharf with five berths for lighters, was a considerable undertaking. New roads had to be built, and a vessel repair yard, a workshop, and ancillary buildings, including a transit shed with about 3,000 square meters of covered storage, had to be added. This new storage supplemented the roughly 11,000 square meters of open storage available in backup areas behind the berth.

The effect of this added capacity was dramatic. Cargo was soon being processed faster than had been envisaged at project appraisal. From a base of 154,000 freight tons (FT) in 1989, by 1991, throughput amounted to 273,000 FT, compared with the forecasted 197,000 FT, and was more than one million FT in 2011. Service time for ships and handling costs for cargo volumes were all greatly reduced.

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The Malé Port in the early 1990s was tough! We had a lot of difficulties with its limited facilities. Most of our vessels were handled at outer anchorage and this caused delays at the port. We encountered problems with container movements because the port did not provide tracking of laden and empty containers. Now, our vessel turnover has been reduced from 5 days to 3 or even 2 days.

Mohamad Nabeel, General Manager
The Silver Company
(a shipping, freight forwarding, and logistics company)
Southwest Harbor

Before the project, the interisland harbor was congested. After project completion, interisland boats of all sizes calling at Malé could now berth. Between 1989 and 1993, there was a dramatic change in the carriage of interisland cargo by dhonis (traditional fishing boats) and diesel boats. The number of ship calls at Malé by dhonis was reduced from 6,070 to 3,500, while ship calls for diesel boats increased from 210 to 700. Congestion was significantly reduced and the end users—boat owners—no longer considered it a problem.

The volume of cargo moved through Malé in interisland trade had increased since appraisal. The major flows, outward cargo movements, increased from about 30,000 FT in 1989, to 52,500 FT in 1993. The average quantity of cargo carried per vessel also increased, primarily because of the shift from cargo dhonis to large diesel boats.

The future development of commercial facilities—warehouses and shops, for example—will now be possible with the conversion of about 27,000 square meters of previously sloping beach area into an elevated, level site.

A Stronger Maldives Port Authority

Over 18 months, intensive on-the-job training from ADB consultants led to significant improvements and measurable efficiencies in MPA operations. Benefits included a raft of improvements in port operations, equipment handling and maintenance, workshop management, operational training, port productivity monitoring systems, and organization structure, and noticeably stronger financial management of the authority.

If operating ratio (which measures an institution’s management efficiency by comparing operating expense with net sales) is used as indicator, the MPA improved its financial performance between 1989 and 1993: its operating ratio decreased from 77% in 1989 to 47% in 1993.

Second Malé Port Development Project

The successful completion of one project often ensures a seamless transition to the next. The Second Malé Port Development Project (1993–1998) was proof of this. Increased activity at the harbor meant that the capacity and productivity of the MCH needed further enhancement. Installing an efficient wharf had reduced double-handling of cargo by eliminating the need for lighterage—transferring cargo between vessels of different sizes, usually between a barge and a bulker or oil tanker, to reduce the vessel’s draft in preparation for entry into port facilities that cannot accommodate very large vessels.

The development of Malé Port minimized ship turnaround time and cargo damage caused by cargo loading and unloading to and from barges, and also enabled craft loaded with containers to traverse Malé harbor with ease. The new cargo-handling equipment, port service craft, navigation aids, and other facilities supplemented the MPA’s existing equipment.

We estimate that losses and damages have been reduced by as much as 30%–40%

Ali Ahmed, General Manager and Head of Operations
Maldives Port Authority
New wharf facilities have sharply increased freight volumes at Malé’s commercial harbor.
Construction of an Alongside Berth

The Malé Port Development Project ably addressed the most urgent and immediate concerns of a busy commercial port. But any major improvements in port productivity and efficiency would be realized only with the addition of an alongside berth. A 101-meter wharf, complete with fenders, deck fittings, bollards, and mooring facilities, was built at the outer-reef margin of MCH to cater to 15,000-deadweight-ton vessels. It was one of the major achievements of the Second Malé Port Development Project.

Cargo-handling costs were reduced and the port was able to operate continuously. Cargo handling has increased by about 75% for container unloading and by 300% for container and break-bulk loading. Once the project was complete, ship turnaround time was reduced. What used to take about 10 days in 1991 was achieved in 3.8 days by 1997, and about 2.6 days by 2014.

Local project staff members were skilled in preparing detailed designs, drawing up tender documents, checking the prequalification of bidders, and evaluating bids. With the increased volume of construction at the ports, having staff members who could supervise the building works and design the most effective and appropriate container storage and transportation systems was both timely and very important.

The Second Malé Port Development Project addressed the remaining issues and constraints affecting port operations in Malé Port and the ports subsector. Before the project, the Malé Port was an anchorage port where all cargo handling was done with hatch barges and wooden craft with very limited handling equipment—cranes, forklifts, handling gear. The new wharf reduced cargo-handling costs by eliminating double-handling of cargo and the time delays inherent in the lighterage system.

The movement of cargo through Malé Port is now faster and more frequent because of the alongside berth, which has reduced stock-holding costs, both for goods in transit and for warehousing at ports of origin in Malé. The project was able to provide berthing facilities for bigger ships and container-handling equipment, and more space and open areas.

Before the Malé North Harbor project, the local harbor was just a place to anchor small boats with no guaranteed access to the jetty side. Passengers hopped from one vessel to another in an effort to reach the harbor.

With the upgrading of the North Harbor, a new mechanism was established. Vessels must report to the North Harbor 30 minutes before their arrival. After receiving the signal, the North Harbor staff arranges the berthing area for the vessel. There is also 24-hour monitoring. Congestion due to the booming business activity, both in Malé and on the outer islands, persists but the project was able to reduce it significantly.

Ali Ahmed, General Manager
Maldives Ports Limited
(Malé Commercial Harbor administrator and manager)
Former ADB President Haruhiko Kuroda, center, inspects the newly constructed Malé Commercial Harbor (May 2011).
Ancillary earthworks included paving to the berth backup area and adjustments in pavement levels and drainage; reclamation east of the workshop (stabilization and edge protection); additional lighting and power; extension of the fire main; rehabilitation of the seawall next to the berth; and construction of a marine workshop.

Congestion was not only a problem for port productivity but also posed dangers to workers in the area. Abdul Hameed, a truck driver who has been working in the Commercial Harbor since 1996, is very happy with the expansion of the Commercial Harbor.

The Malé Commercial Harbor with its wider space can now use rubber-tired gantry cranes to stack containers.

Before the Second Malé Port Development Project, about 273,000 FT of cargo went through Malé Port each year. By project completion in 1999, that volume had risen to 855,000 FT—more than double the forecast. In 2014, average ship productivity increased from 500 FT to 2,500 FT daily, and port efficiency increased to 70%. In addition, the wharf has cut the time and costs incurred as a result of the double-handling of cargo.

A very welcome benefit from the project has been the noticeable improvements in water quality in the harbor, which can be linked to the elimination of fuel and garbage discharge into the North Harbor.

Sustaining the results of a successful project is vital. The Second Malé Port Development Project was in the hands of a very effective team. Attention to detail and vigilance meant that the civil works remain sound after 5 years of operation and are expected to long outlast the projected end of their economic life in 2017.

The wider work space prevents accidents and damage to vehicles. There used to be a lot of accidents here because of the narrow area and the disorganized stripping and stuffing of cargoes.

Before, the warehouse was very small, only about 90 meters, and the quay was just 140 meters. Everything was done manually. There was no equipment, such as bar handlers or rubber-tired gantry cranes, to transport heavy cargoes.

Abdul Hameed, cargo truck driver

An efficient, busy port augurs well for a robust maritime economy. The port improvements coincided with strong GDP growth, which averaged 6.3% in real terms between 1991 and 1998, while GDP per capita doubled over the same period.
Improving Interisland Transport

In April 2007, ADB approved a loan (Loan 2327-MLD) of $5.33 million for the upgrading of the infrastructure at the MNH, and for institutional development and capacity building in the transport sector. Following its successful involvement in the transport sector (infrastructure investments and MPA capacity enhancement), ADB approved the Domestic Maritime Transport Project (2007–2010).

The project goal of sustained, equitable, and regionally balanced economic growth in the country through improved access to markets and social services was in line with the Seventh National Development Plan (2006–2010).

The MNH was the main hub for interisland transport. For those living on the outer atolls, it was the gateway to the social and economic development opportunities available in Malé. But chronic congestion at the North Harbor was always a bottleneck for those from the outer atolls who wanted to enter the capital. It meant multilayer berthing—larger vessels frequently mooring in four to five layers and unloading and loading across adjacent boats.

Without regular or skilled harbor management, the congestion was appalling. Transport services were provided on demand, with no

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The vessel turnaround time has vastly improved. Before, vessels had to queue for a week to 10 days. Now the queuing time has been brought down to about 5 days or less. This also means lower costs for the boat owners, because of the shorter waiting time for the crews they hire.

Abdul Nasir Mohamed, Deputy Director General
Transport Authority of Maldives
Earlier, there was heavy congestion and our vessel couldn’t get to an alongside berth. Sometimes we had to do doublebanking, moor alongside another vessel in the same berth, because of congestion.

With the congestion, there was a lot of waiting time. We couldn’t have our vessel repaired right away.

Hussain Ali, Captain
Aagalaa Queen vessel

My business has increased by at least 20% since the congestion problem in the harbor was reduced. I’m also able to pay my employees higher wages.

Ahmed Mamik
Moonlight Trading

Routine schedule of transport passenger and cargo services, in particular, from Malé to the outer atolls. Passenger and cargo services were fragmented but not yet sufficiently large to give rise to economies of scale.

Infrastructure Investment Component

When the Domestic Maritime Transport Project was completed in December 2010, a 268-meter quay had been built along the North Harbor. The harbor basin had also been dredged to a mean sea level of 4.0 meters and 26,500 cubic meters of land had been reclaimed.

With 6,500 square meters of interlocking concrete block pavement, and the ancillary harbor facilities (bollards, fenders, lighting, etc.) in place and supported by utility works (electricity, water supply and drainage, and sewer lines), there is now additional drive-on access and cargo-handling capacity. Fishermen, passengers, management, and other personnel now make good use of the new covered shelter (480 square meters) with its management office and guardroom.
Institutional Development and Capacity Building

The Domestic Maritime Transport Project was centered on complementing the maritime transport activities of the Maldives Transport and Contracting Company with the building of capacity to effectively plan and regulate the maritime transport sector, and with training, especially in harbor management and financial management. The Maldives Ports Authority, the agency responsible for managing the ports, was given the mandate to perform planning, policy, and regulatory functions to better manage the maritime sector.

Since the construction of the North Harbor and the Commercial Harbor, the precinct has seen a boom in small businesses, including restaurants and food shops, that serve the growing population of workers and passing trade.

Information Technology Development Project

Clearly, without strong interisland communication, the efforts of the Maldives government to reduce the disparities between the capital and the outer islands, and in turn to raise the economic status of all Maldivians, would be seriously undermined.

In 1999, the government of the Maldives asked ADB to assist the newly created Ministry of Communication Science and Technology in developing and implementing a master plan. In March 2000, ADB provided TA of $600,000 for the preparation of the Science and Technology Master Plan, which identified significant technical and cultural challenges in the telecommunications sector. ADB recommended the establishment of a new regulatory regime; this meant passing new legislation to regulate the telecoms industry and liberalize the market for internet services.

In its Sixth National Development Plan (2001–2005), the Maldives government stressed the need for modern public administration and made it a priority goal in its development agenda. A key development objective under this plan was good governance, which required, among other things, an efficient, transparent, and accountable information and communication network. The plan emphasized the considerable efficiency to be gained from networking government agencies and thus allowing them to share and exchange information online. In December 2001, the Information Technology Development Project (with a loan of $10.3 million) was approved by ADB.

“Normally, the shopping area is very close to the North Harbor. So it’s easier to transport goods from the shops to the cargo vessels. Usually, goods are bought from Malé and sold on the outer islands. From the outer islands, goods such as fish and bananas are brought to Malé.”

Rabih Mohamed
Maldives Ports Limited
backhaul traffic from 21 government offices on other islands. A further six atolls were online.

**Telecommunication Sector Reform**

Implementing a “one island nation” policy to provide for the present and future telecommunications needs of all Maldivians was no small task. But ICT connectivity had greatly improved since 2000. From about 7,638 mobile cellular subscriptions in 2000, the number spiked to around 560,547 in 2012. The number of internet users also increased exponentially, from 2.20 (per 100 people) in 2000 to 38.9 in 2012.\(^5\)

In 2003, a dedicated effort was made to restructure and reform the sector and to separate policymaking functions. Reliable communication is a key to progress. The Telecommunications Authority of Maldives was formed as an independent regulatory body, and regulations were passed (Maldives Telecommunications Regulation 2003) to support the reform measures.

By May 2003, a second national internet service provider was registered and, as an immediate demonstration of the effectiveness and economic health of the project, costs of internet services were dramatically reduced (from the equivalent of $108.70 for 1,000 megabytes in 2007 to just over $13.00 in 2011). This cost reduction provided welcome support for greater regional integration and better business communications.

The Maldives Telecommunication Policy 2006–2010 was another outcome of the Information Technology Development Project.

**The Way Forward**

The port development interventions have dramatically improved the maritime sector, particularly maritime activity at the main ports in Malé. Maritime safety and interisland movement of passengers and cargo have dramatically increased.

Through its development of an information and communication network, the Information Technology Development Project improved public sector management efficiency, transparency, and accountability, and enabled the government’s decentralization programs to empower local decision making—significant for regional development in the country.

In ICT, the implementation of reforms (with important input from other international agencies) has had a positive impact on pricing and sector competition: the existence of one provider with a thriving business was enough incentive for another provider to enter the market, hence

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**Nationwide Networking**

A fiber-optic network—the Government Network of the Maldives—was successfully installed. It linked government offices in Malé with 106 government offices on the other islands, via fiber-optic cable (79 offices) or asymmetric digital subscriber line (27 offices). Twenty other outer atolls were also connected, four of these via microwave technology provided by a local mobile operator and capable of connectivity and

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An ADB mission being shown how the internet kiosk is operated.
increasing sector competition. Telecom services are more affordable than ever, connectivity has improved, and the technology advances allow for more rapid and reliable transmission of information, with a strong flow-on to business transactions and efficiencies.

Aligned with the Millennium Development Goal of developing a global partnership, these reforms fit in with the target of making available the benefits of new technologies, especially information and communications, in cooperation with the private sector.

It is important to be mindful of future capacity needs and encouraged by the possibilities for future cooperation and creative collaboration between ADB and the Government of the Maldives in this sector.

The web provides complete access to e-government services. The Malé kiosks, or web access centers, are housed at the National Centre for Information Technology (NCIT) in Malé, and at the NCIT district office on Vilingili and atoll offices on the 20 outer atolls.
Harvesting the Riches: Industry and Trade

With its growing involvement in this sector, ADB has supported Maldivian businesses—from small to medium and large enterprises—in developing further and becoming stronger and more competitive.

The injunction to “Think globally, act locally” is particularly apt when applied to the industry and trade sector of the Maldives and to the government’s collaboration with ADB. Impressive socioeconomic progress has been achieved through a combination of improved macroeconomic management, favorable external conditions, and steady development assistance.

While economic growth has been mainly driven by tourism (accounting for almost 30% of GDP in 2013) the growth has spilled over into other sectors—construction, transport and communications, and wholesale and retail trade, among others. ADB strives to respond consistently to the evolving needs of the country and, in the same vein, has been involved in addressing the remaining vulnerabilities in the Maldives economy.

Think Globally, Act Locally

The government prepared its Seventh National Development Plan (NDP) (2006–2010) to address regional inequalities and make Maldivian businesses more competitive by supporting small entrepreneurs. Developing MSMEs was a government priority, a critical step toward economic progress. ADB’s Private Sector Development Project (Loan 2427-MLD [SF], for $75 million) provided opportunities to strengthen the MSME subsector and thereby significantly reduce income disparities between Malé and the atolls.
Improvement in roads infrastructure in the islands are also common.
One of the main pillars of the Seventh NDP was private sector development. The Maldives government still plays a large role in the economy, indirectly limiting private sector participation despite the liberal trade, labor, and investment environment. A shift by the government from direct service provision to facilitation of private enterprise would be mutually beneficial.

The NDP envisaged a cooperative relationship, with the government and the private sector working together to provide opportunities for MSMEs to maximize the potential of public-private partnerships (PPPs) and to improve corporate governance and transparency, while forming private sector networks at both the domestic and the international level.

Preparing the Project

In 2005, at the request of the government, ADB provided TA, estimated at $720,000 equivalent, for the preparation of an SME project that would reduce regional income inequalities through economic growth and diversification. The project really took shape only in 2008; post-tsunami priorities took up the intervening years.

The final project design encompassed a framework for private sector and SME development, business development services, and technical support for SMEs, particularly entrepreneurial opportunities for the poor.

Project Components

The Private Sector Development Project (PSDP) was aimed at developing and expanding the private MSME subsector in an effort to accelerate inclusive growth for broad-based and sustainable local economic development in the northern and southern regions and targeted sectors of the Maldives. The PSDP was also designed to provide the necessary support infrastructure to improve the competitiveness of domestic MSMEs and redress regional imbalances by promoting public-private partnerships.

Micro, Small, and Medium Enterprise Promotion

A PSDP component involved establishing business development service center (BDSC) operations and a cost-sharing facility (CSF), to make private sector business development more efficient and in turn help existing as well as start-up MSMEs acquire the business skills they needed.

The project assisted MSMEs in getting appropriate credit by setting up a line of credit finance and the supporting infrastructure for business owners to get appropriate credit information. In conjunction, the project helped lessen the restrictions on the amount and type of collateral that lenders were asking of borrowers.

Business Development Service Center

When the project began, there was no business development service provider in the Maldives. By the time the project was completed, seven BDSCs had been established and were offering a range of training programs.

New business owners had access to training, including counseling and coaching, in business planning, the identification and provision of the right business information, costing and pricing, marketing and sales, accounting and entrepreneurship, and access to markets and to finance. They could learn how to form business cooperatives and, critically, how to manage government-related services, such as business registration and licensing, by linking to the government database and extension services.

The BDSC services benefited owners of businesses in agriculture, aquaculture, arts and crafts, fish products, food and catering, general retail, medicine retail, garment sales, and accessories and sewing.

By March 2012, two formal training programs—in business start-up and business planning—had trained more than 2,800 participants in the space of less than 18 months, according to a Ministry of Economic Development survey.
More than 1,500 people had one-on-one counseling sessions at various levels, from individuals (usually women) trying to make ends meet with a small business from home, to large companies with very large annual turnovers. The BDSCs also organized specific activities, such as resort forums and Hubasaana arts-and-crafts festivals, in which 430 MSMEs participated, marketed their products, and formed new networks of buyers.

Cost-sharing Facility

By July 2012, a CSF grant of $1.0 million for training had helped 277 people to start and develop business in specific areas in a wide range of services in the targeted regions (North, Upper South, and South). Fifty fully committed grants were provided, of which 22 went to agriculture and food production, 17 to arts and crafts, 6 to fisheries, 3 to the development of BDSC-type activities, and 1 each to tourism and maritime transport.

Dhonthakkan was one of the loan recipients. He and his son prepared a business plan for increasing production efficiency through the purchase of equipment and intensified marketing to resorts and directly to tourists, as well as plans for building a display shop. Dhonthakkan’s goldcrafting business is well known to locals.

With their loan of Rf600,000, the goldsmith and his son bought three mills to process the raw materials—cut gold pieces into tiny cylinders and then flatten them for use as part of a thin gold necklace. Since receiving the new equipment, Dhonthakkan has been able to speed up his production cycle from 1–2 weeks to 1–2 days.

Ahmed Shafeeq (top) of Feydhoo Island (Addu Atoll), known locally as Dhonthakkan, has worked as a goldsmith for 40 years and taught the trade to his son. He is the only known goldsmith in the south region and his services are in demand. He crafts jewelry and other articles made of 13-, 15-, 18-, and 22-karat gold.
I grow corn, lettuce, Chinese cabbage, and chili. After I saw the advertisement put out by the business development service center, I approached the cooperative to help me out in the loan process. I was able to get a loan of RF320,000 and I used this to construct a greenhouse.

Crops are difficult to grow in extreme weather. I built the greenhouse as a nursery for the plants. My farming business certainly improved and I was able to double my farm production.

With my income, I bought another piece of land and expanded my farm expansion. Now I only have a small amount of the loan left to pay—around RF4,700.

Mohammad Waheed

Mohamed Waheed is a farmer on Meedhoo Island and a member of the Addu Meedhoo Cooperative. He started his business almost 25 years ago.

Aishath Didi lives on Feydhoo Island, Addu Atoll, and is in the business of fish processing. She buys fish in bulk from fishermen in the harbor and sells them raw or cooked (hard-smoked). Her clients are from the islands within the Addu Atoll and also Malé.

Aishath Didi and her husband outside their kitchen, which they turned into their fish processing plant. Here they cook tuna, which is later smoked over a slow fire on a long grill in the kitchen.
I started this business 3 or 4 years ago with only Rf800. I was able to borrow Rf500,000 through the PSDP and, with it, I bought a pickup truck to deliver my goods to customers on the island.

I also bought a ‘theli’ (a big pot used to cook fish) and a ‘thaas’ (a frying pan used to make fish paste, or ‘rihaakuru’).

My production increased and my business became three times as large as it used to be. With the growing business, my husband and I were able to build an additional room and a toilet in our house and even constructed a base for five water tanks.

Addu Heritage is a quaint shop near Equator Village on Addu Atoll. It has two areas: the Addu Heritage features different souvenir items, and the Addu Heritage Center displays Addu historical artifacts. Owner Ali Fahumee, a famous artist, enjoys collecting exhibit items for tourists. He is also a painter and his artworks can be viewed around the shop. Several souvenir shops are found in the same area.

Aishath Didi

Developing the Agencies

Enterprise Development Unit of the Ministry of Economic Development

The government established the Enterprise Development Unit (EDU) in 2004 to foster effective and competitive private sector development. The EDU operated with newly recruited staff in need of experience related to MSME promotion. Training for EDU staff included providing support for the agency’s project coordinator, communications specialist, and monitoring and evaluation specialist. Other training was held for regular EDU staff.
in project coordination, marketing, financing, and communication skills. There was training in designing and implementing media campaigns, developing and registering a web portal for EDU, and developing policy by studying products and services and prioritizing specific industries and sectors. Staff members learned to provide strategic support for relevant clusters and supply chains in the targeted regions.

Maldives National Chamber of Commerce and Industry

When the project began, the Maldives National Chamber of Commerce and Industry (MNCCI), with about 460 members (60%–80% of which were MSMEs) provided a range of services in advocacy, lobbying, government liaison, and organization of trade fairs. With limits to its effectiveness, the agency needed to address a lack of regional chapters in the atolls, a lack of strategy and plan of activities, and the absence of any business development service products for its members.

Women Entrepreneurs Council

Meanwhile, the Women Entrepreneurs Council (WEC), which shared facilities with MNCCI but had no secretariat, functioned to foster gender equality by supporting the role of women in the private sector. Its WEC for Women Empowerment Program trained women to produce handicrafts. Empowering the agency involved supporting members in undertaking these activities efficiently and providing extension services for BDSC operations.

Improving Access to Finance

Three financing roadblocks are the limitations created by bank standards, insufficient technical capacity to comply with bank standards, and low awareness of financing opportunities. The challenge of limited capital financing was certainly not restricted to businesses on the atolls, but that was where the project’s emphasis lay. Banking rules for businesses on the atolls allowed loan amounts of up to only 50% of the assessed value of collateral (houses and registered vessels). The PSDP responded to these restrictions by setting up a credit line to provide finance to the MSMEs and develop supporting credit infrastructure that would facilitate credit decision making and reduce the limiting effects of collateral requirements.

Credit-Line Operation and Capacity Development

Since lack of access to finance for medium- to long-term funds was a major bottleneck for MSME development, the government decided to embark on a credit-line initiative with the Bank of Maldives as the implementing agency for the facility.

As of mid-2012, the credit-line facility had approved 86 loans to MSMEs, exceeding the initially targeted 70 loans. The loans were for arts and crafts, tourism-related, and fisheries businesses, and were also aimed at developing the capacity to gain access to finance from the banks and at formalizing the MSME sector through registration. For each of the three priority sectors, 40% of the loan funds were allocated for women-owned MSMEs. However, few women availed themselves of the opportunity because they considered the floor amount—$20,000—to large to manage. “Women entrepreneurs are mostly into microenterprises and could only dare take out much smaller loans,” ADB noted in a report.6

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Most individuals are not aware of the opportunity to access additional capital for their businesses. In addition, they need training and technical capacity to complete loan application forms and to come up with a business plan. Most start their business as a continuation of a family tradition, business, or hobby. They carry it on because their fathers and grandfathers started it. Most business owners do not make a conscious effort to find out whether their business is making a profit or losing. They consider it an occupation.

Through the Private Sector Development Project, we tried to address directly the market linkage between tourism and outer-island micro, small, and medium enterprises (MSMEs) because bringing the goods from the outer islands to Malé would incur transaction costs.

Business development service centers (BDSCs) were set up in Kulhudhuffushi and Addu and, with their success, the government provided funding for two more centers in Gafdhoo and Lhaviyani. These BDSCs do face-to-face consultations with MSMEs and can provide technical assistance (such as filling out loan forms).

In 2008, we did an MSME mapping survey, and the most challenging issues we identified were low capacity, lack of funding, and weak or nonexistent market linkages. Through the BDSCs, the government was able to reach these businesses through several visits, which involved conducting interviews and getting information about the challenges the businesses faced and the type of technical assistance they required. For example, farmers don’t have enough land and they don’t have training in agribusiness. BDSC project officers identified these gaps and the technical assistance needed. Service providers with expertise in key areas were then hired to train the MSMEs for 3–4 months.

Fathimath Thasneem, Project Officer
Private Sector Development Project

Access to Information

Credit Information Bureau

An MSME portal for information about any aspect of the project was created, to allow MSMEs to lodge grievances related to the process of gaining access to finance. Judgment debts against MSMEs, awarded by the courts, must be captured in a central repository of all judgment debts to give the banks a financial picture of the MSMEs. Improved access to information and knowledge sharing has, in this way, helped MSMEs strengthen and understand the commercial environment far better.

Established under the Maldives Monetary Authority (MMA), the CIB is a central repository of credit histories (positive and negative) of borrowers. Bureau membership (including telecommunication and utility companies, and nonbank credit providers such as insurance companies, student loan providers, and other public and private credit providers) was expanded under the project. New reporting and credit-scoring products were developed, and public awareness of the importance of a credit track record was heightened. The shift from collateral-based lending to risk-based lending (using one’s credit history as a measure of risk) was especially beneficial to women entrepreneurs, who often did not have property registered in their names that they could use as collateral when applying for bank loans.
Central Moveable Assets Registry

The Centralized Moveable Asset Registry (now the Secured Transaction Registry) was created to formalize the tracking of transactions and contribute to the integrity of money transfers within the country and internationally. This would involve strengthening the legal framework for broader access to finance and commercial laws pertaining to MSMEs, including new e-commerce and data protection laws.

Public–Private Partnership Framework

This component provided support in PPP capacity building and in the structuring and development of two identified pilot projects—one in domestic maritime transport and logistics, and the other in the power subsector. The PSDP, which closed in February 2013, developed measures and reforms needed for a transparent environment for infrastructure projects—through legal, fiscal, tax, foreign investment framework, and other incentives. It was also targeted at the formulation of strategies to identify support for managing public–private partnerships.

Inclusive Micro, Small, and Medium Enterprise Development Project

In a seamless transition from the PSDP, the Inclusive Micro, Small, and Medium-Sized Enterprise Development Project (MEDP) ($10.02 million) was approved by ADB in May 2012. The success of the PSDP had increased the demand for business development services—not only greater geographic coverage but also new and more sophisticated services.

As its name suggests, the more inclusive and broad-based MSME sector project was intent on enhancing the business environment and supporting infrastructure, access to financing (with an expanded letter-of-credit facility), and business opportunities for MSMEs, including wider use of ICT to promote information and knowledge sharing between MSMEs and with the government. A pilot ICT project provided a platform for the expanded delivery of e-governance services, such as e-payment through citizen service centers.

Conservative assessments placed the unmet credit demand of MSMEs under the PSDP at $15–$30 million. The MEDP would further review collateral requirements, noting that the lack of collateral and restrictive collateral requirements were critical inhibitors of MSMEs' access to finance. In addition, stakeholders needed a credible mechanism—most likely involving ICT innovations—for recording movable assets that might meet the strict collateral requirements. The aim was to reduce the transaction costs incurred in obtaining financing, creating new markets for MSME products and services, and improving services and expanding them, especially to geographically dispersed islands.

Through participation in the project, MSMEs blended their traditional skills with a raft of new technical skills in the area of finance and business operations.

Promoting Women’s Economic Empowerment

The Maldives–ADB partnership to reduce regional disparities by supporting private sector development did more than just increase the competitiveness of small enterprises. Women’s economic empowerment received a strong push from the projects, as women often engage in micro and small businesses to help support their families.
Small and medium business owners in Kulhudhuffushi, Haa Dhaal Atoll, are engaged in a wide variety of endeavors including glass painting, decorative ceramic painting, soft-toy making, and woodwork. While owning a business is a challenging prospect for many, it has also resulted in great successes, and the side benefits, by way of social and cultural interactions, have been significant and long lasting.

The PSDP experience showed that community outreach programs aimed at women are as critical as capacity-building programs in getting more women to engage in entrepreneurship. The BDSCs held outreach information sessions in setting up businesses and provided business development services in conjunction with community-based organizations (sports clubs, youth clubs, women’s associations, etc.). As a result, women’s participation in business start-ups and in business planning and training increased.

Women’s economic empowerment was further facilitated by policy commitments supportive of gender equality, such as the allocation of funds for women-owned enterprises and the representation of women in the SME Development Council. This demonstrated how gender equality outcomes can be achieved when implementing partners support gender equality and create strategic entry points for addressing gender issues.
Until very recently, all roads in Kulhudhuffushi, Haa Dhaalu Atoll, were sandy and unpaved. Motorcycles and cars, which became popular, stirred up the dust. Now some islands are gradually being paved.

In Kulhudhuffushi, owners of houses facing broader, bigger streets are converting their house fronts into shop spaces.

The regional presence of BDSC officers was a major factor in the success of this project. Outer islands in the Maldives are remote and hard to reach. The project could not have been implemented without the one-on-one interaction between project officers and private individuals. These officers really went out there, from one island to another, to conduct training programs and meet the MSMEs.

The greatest impact of this project was in helping these MSMEs to become more stable. With the help of the loan and training provided, they are now able to hire additional staff and thus contribute to employment opportunities on the outer islands.

In addition, the PSDP helped improve the livelihoods of families on the outer islands. The MSMEs increased the incomes of families, and they could now afford to send their children to school and build better houses.

Fathimath Thasneem, Project Officer
Private Sector Development Project

The Way Forward

A continuing objective for the Maldives, as it builds on its middle-income country status (awarded in 2011) is to ensure that the benefits of economic growth trickle down to all of its people.

As the MSMEs in a range of sectors expand and strengthen, there is an opportunity to address the many remaining challenges in economic and social development.

The benefits of strengthened enterprises at the various levels inevitably flow on to the national level. This is as good a time as any to remember to “Think global, act local.”
Housing flats are new on the islands. These pilot units being built in various larger population centers are encouraging people from nearby islands to come and settle (this picture shows a government initiated project in Kulhudhuffushi, Haa Dhaalu Atoll).
Powering Ahead: Energy

As a major development partner in this sector, ADB has funded projects that met the shortfall in electricity supply in Malé and contributed to reliable power supply on all outlying islands. The quality of life has improved, as a result.

All countries are power hungry—for the kind of power that runs life-giving machinery in health clinics, lights in classrooms, computer screens, sewing machines, and food coolers and freezers. For decades, unreliable, intermittent, and inadequate power supply curbed growth and economic opportunities in Malé and the outer islands, and eroded the quality of life.

Since 1984, ADB has been a major multilateral development partner of the Maldives in the energy sector, with six loan and grant projects totaling more than $80 million and eight TA projects worth $2.8 million.
Solar energy is increasingly being tapped in the Maldives; here, solar panels are seen atop the Ministry of Environment and Energy building in Malé.
Earlier ADB assistance was primarily aimed at increasing electricity-generating capacity in Malé to serve the rapidly growing demand, and strengthening the sector institutions, including the State Electric Company (STELCO). Electricity supply in Malé has substantially improved.

In 2001, the assistance shifted its focus from Malé to the outer islands with the approval of the Outer Island Electrification Project, in an effort to decentralize economic activity. But electrifying the outer islands has proven to be no less challenging.

ADB’s Tsunami Emergency Assistance Project in 2005 (Loan 2160-MLD) rehabilitated power supply systems in six outer islands. In 2011, ADB helped the Maldives Energy Authority build the capacity of its staff to enforce priority licensing regulations, technical codes and standards, tariff regulations, and renewable energy–related instruments. Solar energy and smart grid TA projects are ongoing and are now centered on solar–diesel hybrid projects. In 2014, ADB supported project preparatory activities for a renewable energy program for the outer islands.

In addition, ADB’s private sector arm is evaluating opportunities to support innovative renewable energy investments on the resort islands.

Lighting Up the City

The capital island of Malé is the country’s most densely populated island, with more than one-third of the total Maldives population. It is the hub of commerce. Import and export businesses, luxury resorts, and government departments have their offices in Malé.

It is no surprise, then, that the need for uninterrupted and reliable sources of energy is felt most keenly in Malé. But until the government and ADB worked together on three major energy sector projects, reliable supply was not a certainty.

ADB has provided over $22 million in ADF financing for three power system development projects. The First Power System Development Project (1988–1992) constructed a diesel power station with two 2.15-megawatt (MW) medium-speed diesel generator sets producing 87.8 megawatt-hours of electricity a day—thus substantially increasing electricity generation and distribution capacity in Malé. Stakeholders proclaimed the civil works construction extremely successful: the machinery is well maintained and should long outlast the projected end of its economic life in 2021.

Next Phases of Power System Development

ADB’s strategies and operations in the energy sector (supporting programs and institutional improvements) have also led to a concerted approach to rational energy pricing based on economic and efficiency criteria, which has made the sector agencies more financially viable.

The Second Power System Development Project (1992–1996; $9.2 million loan) increased total generating capacity in the capital by 7,940 kilowatts. New connections created for 3,000 residents got rid of power restrictions and electricity blackouts. Electricity consumption rose by 13.5% a year between 1991 and 1997, confirming the need for additional capacity.

ADB’s TA grant for institutional improvements at the Maldives Electricity Board helped strengthen the operations of the board to enable it to assume full responsibility for its activities in the medium to long term.

The Third Power System Development Project (1997–2004; $7 million loan), with cofinancing of $5.1 million from the Nordic Development Fund and $4.72 million from Danida, gave Malé 12 MW of additional generating capacity, allowing it to retire or relocate generating units at its first power station. Minimized air, noise, and groundwater pollution

An Enduring Partnership: The Maldives and the Asian Development Bank
The densely populated capital, Malé, needs a reliable and powerful supply of energy. With the success of ADB projects, this supply has vastly improved.

was a positive side effect. An 11-kilovolt distribution system was developed, and the technical, management, and human resource capabilities of STELCO received a significant boost.

Expanding the Utilities

Besides the loan, ADB approved TA (of $350,000) for institutional improvements in the Maldives Electricity Board (MEB), a STELCO predecessor. MEB staff gained broader skills in accounting, computing, and management, as befitting a growing utility company.

Importantly, consistent with the commitment of ADB and the government to economic sustainability, electricity tariffs more than cover operating and capital costs. With its improved managerial capabilities, STELCO is well placed to manage its finances and ensure the financial viability of its operations through electricity tariffs.

Today, Malé enjoys 24-hour power from STELCO. Unannounced (and inevitable) power blackouts are a thing of the past. Solar energy, which is abundant and could be harnessed to benefit the country, is still used in limited ways, for remote area telecommunications, navigational aids, water heating for tourist resorts, and similar applications. Constraints on its wider use include the high cost of the technology and space limitations in populated islands.
The government planned to establish power in Malé in phases, until enough capacity was reached to power the island of Malé. The added capacity was beneficial to residents and businesses. Now they can go about their daily routines without power interruptions.

A milestone of the Third Power Project was the decommissioning of worn-out and inefficient power systems, and environmentally unsatisfactory generating units at the old power station in Malé.

Since the project covered the entire Greater Malé Region, about 60% of the population benefited from its improvements. If the capacity were enough to power the entire island of Malé, the impact would be even greater.

Ahmed Iqbal, Senior Engineer, STELCO

Reaching Out and Bringing People In

The power system development projects dramatically improved the reliability and quality of electricity supply and increased opportunities for residents and new businesses—restaurants, small shops, and guesthouses.

Private land was used for the construction of the new facilities, with no negative socioeconomic impact. Malé businesses also did their share by saving power. Environmental impact was carefully managed through the use of proper fuel storage.

Kaimoo Travels and Hotel Services has been in tourism in the Maldives for 20 years. It operates the Kam Hotel and the Mookai Hotel in Malé.

Power breakdowns several years back didn’t take long to fix but their frequency affected our services to clients. So we decided to install a backup generator in 2002.

Ibrahim Ali, General Manager
Kaimoo City Hotels
Powering Ahead: Energy
saheefa ahmed, Manager of operations
azmi-naeem Medical & diagnostic Centre

The azmi-naeem Medical & diagnostic Centre is one of the longest-running private medical clinics in the Maldives, established in 1991. It relies on power-consuming equipment—X-ray scanner, hematology analyzer, incubators, centrifuge, and air-conditioner with inverter technology—for much of its diagnostic work.

facilities and exhaust systems, and underground wiring.

MEB staff received support and training in organizational and staffing matters (preparing accounting systems, setting tariffs and utility guidelines), and legal advice was provided to the Attorney General’s Office, which significantly led to the passage of the Cooperative Societies Act through Parliament in early 2007. This assistance was consistent with the government’s development objectives and ADB’s country operational strategy, which in this case concentrated on ensuring the sustainable operation of new assets.

“STELCO has improved its services and we no longer experience power interruptions. We ourselves switched to inverter technologies to save power.”

Saheefa Ahmed, Manager of Operations
Azmi-Naeem Medical & Diagnostic Centre
Baarah Island

The Outer Islands Electrification (Sector) Project of 2002–2009 (Loan 1887–MLD, $8.0 million equivalent) provided new or upgraded diesel-fueled power systems for 19 islands with a total population of almost 29,000. The systems included powerhouses and generators with 6.2 MW in total capacity, as well as the associated infrastructure and distribution networks.

This was a vigorous answer to the challenge of regional disparities in access to social and physical infrastructure and services between Malé and the outer islands.

Baarah Island, a half-doughnut-shaped island in Haa Alifu Atoll, north Maldives, sits on a land area of 2.6 square kilometers and is one of the 19 outer islands now enjoying 24-hour power supply as a result of the project. The island’s power is delivered through the utility company, Fenaka, and serves its 1,925 residents and businesspeople.
**Household Supply**

Before the successful implementation of the Outer Islands Electrification Project, electricity supply on the island was inadequate, poor in quality, and inefficient. Even private utility providers had uneconomical power systems and networks with high energy losses. Electricity costs were a burden to the residents of the island.

Electricity used to be available only from 2 pm to 12 midnight. The electricity tariff was Rf7 per unit. On average, residents paid a high Rf700 per month to use electricity.

Mohamad Shamah, Officer-in-Charge
Upper North Utilities

Different private utility companies used to provide power to the outer islands at unregulated prices. Each liter of diesel fuel would produce 1 unit of electricity.

Then the government had this project with ADB. Now, with the power system installed under the project, we can produce three to four units of electricity from 1 liter of diesel fuel. This means that with the old system, we were losing 2 to 3 units of electricity for every liter of diesel fuel. The new system minimizes that loss and provides continuous electricity.

Ahmed Ali, Project Officer, Outer Islands Electrification Project
Director General, Ministry of Environment and Energy

Mohamad Shamah inspects generators on Baarah, HaafAlifu Atoll.
6.2-megawatt generators in the island’s power station.
An Enduring Partnership: The Maldives and the Asian Development Bank

Clinics

The island’s health clinic was established in 2008, after 24-hour power supply became available. Before 2008, the center provided minimal services.

Schools

Without electricity, students endured classes in the afternoon heat and limited light inside the classrooms. With electricity, classes in schools now run from 6:45 am to noon, and from 12:45 pm to 5:45 pm. Electric fans lessen the stifling heat and the classrooms are well lighted.

Students now learn in a comfortable environment, with brightly lit classrooms cooled with electric fans.

Providing health care for the young in remote island communities of the Maldives.

The health clinic operated without a laboratory before 2008, as the power supply was intermittent and the laboratory needs continuous power to run. Now, the laboratory provides full service and the clinic is open from 8 am to 11 pm.

Mohamed Zahir, Administrative Officer
Baarah Health Clinic
Baarah School has a mixed curriculum. It is government owned and run, and there are no fees and no uniforms.
Industry

Baarah Power House—state built and run with subsidized fees.
Before, we worked manually. Now that we have 24-hour power supply, we can use a heavy-duty woodcutter. Our production has increased by 50%. I have even built my own home and saved some money.

Ali Tooktu, carpenter
The power system that was set up under the Outer Islands Electrification Project is efficient and cost-effective. It has given the rest of the islands in the Maldives an example to follow. An opportunity to improve power generation in other islands, based on the facilities designed, installed, and commissioned under the project, is not far off in the government’s plan.

The Way Forward: Sustainable Energy Development

The Maldives has about 141 MW of installed diesel-based generation capacity on the inhabited islands and 105 MW more on the resort islands. While it has the distinction of being the first and only country in South Asia with 100% access to electricity, this achievement has come at a cost.

Because of the country’s geographic spread, each island is electrified with its own diesel-powered grid system, resulting in expensive and not very reliable supply. The cost of diesel power is unaffordable, at $0.30–$0.70 per kilowatt-hour, and requires government subsidies in excess of $40 million annually.

In 2012, the Maldives spent over $470 million on imported oil, a large share of which went into electricity generation. The country’s total dependence on diesel also makes its carbon emissions per unit of electricity among the highest in the region.

With 24-hour power, I can work from morning until 11 pm and not end my workday early. I can also use electric mosquito repellent against annoying mosquitoes and keep them from disrupting my work.

Mohamad Anwar, tailor
Male’s demand for power is rising; ADB’s support in the energy sector is helping meet this demand.
The potential for solar power development in the Maldives is huge. Studies show that energy generation from hybrid (solar photovoltaic and diesel generation) systems would be significantly less costly than the existing inefficient diesel-based generation. The transition to renewable energy has a sound economic rationale. The government’s efforts to increase electricity production from indigenous sources (including solar and wind) to strengthen energy security will reduce pressure on the country’s balance of payments and improve its fiscal position.

The Preparing Outer Islands for Sustainable Energy Development (POISED) Project (Grants 0409 ($38 million) and 0410 ($12 million), which was approved by ADB Board in late 2014, is expected to provide solar–diesel hybrid systems to more than 160 of the 188 inhabited islands, with immense positive impact on the country’s power sector. The increase in indigenous primary energy sources will drastically reduce the vulnerability of the sector to oil price fluctuations.

Environmental emissions from power generation will also go down significantly, and the reliability of electricity supply, which is now heavily dependent on the timeliness and adequacy of fuel supplies from outside sources, will improve.

The POISED project will transform the existing grids through physical investments in renewable energy, energy management and control systems, energy storage, and distribution network improvements, and significantly reduce the need for diesel to generate electricity. The project has an innovative approach to project financing, technology adoption and technical design, and policy and regulation. It is also the first energy project in the Maldives that has strong gender features built into the project design.

**Project Financing**

External financing for the project amounts to $110 million (about $300 per capita). This significantly large investment in the country’s power sector is coming from several sources: (i) the Asian Development Fund (ADF) of ADB; (ii) ADB’s Strategic Climate Fund, which is part of the global Clean Investment Funds; (iii) the European Investment Bank; and (iv) the Islamic Development Bank.

This means that, unlike most other ADB energy sector projects, this project will rely on cofinancing for more than 65% of its external financing. In addition, cofinancing of $5 million from the Japan Fund for the Joint Crediting Mechanism (to be administered by ADB) will support advanced energy storage and energy management.

A significant portion of the investments in the upgrading of the electricity grids on the islands will make those grids renewable energy ready and catalyze private sector investment in solar power.
Technology Adoption

The project involves the use of established technologies such as diesel generation and solar photovoltaic systems, and new technologies such as advanced storage and energy management systems. The subproject design is based on a hybrid solution to optimize the use of these different technologies and minimize the cost of electricity supply.

Policy and Regulation

TA is being implemented in parallel to strengthen policies and regulations in the energy sector. This assistance will greatly support the operations of the energy regulator, the Maldives Energy Authority, mainly in renewable energy and energy efficiency. It includes developing and implementing tariff methodologies for cost recovery and renewable energy development, and developing a renewable-energy road map for the entire country.

The knowledge gained and the innovations made in this project will assist in the improved and more effective adoption of advanced technologies in the renewable-energy sector, particularly in island countries.
A Healthy and Thriving Environment: Multisector Services

Providing the right infrastructure has led to reliable and safe means of communication and transport across atolls. Providing reliable electricity supply has increased opportunities for employment, economic ventures, and human development.

The island capital, Malé, is home to more than one-third of the population of the Maldives. With just under 2 square kilometers of land, and 360 persons per hectare, Malé is one of the most densely populated places in the world. The entire population of the Northern Development Region (NDR), in comparison, is about 45,000, and that of the Southern Development Region (SDR), about 56,000.

As Maldivians from every part of the country search for employment and better education, they are drawn inward from the atolls, to Malé. Per capita income of residents of the outer islands has traditionally been lower than that of the capital’s residents. Around 30% of the outer-island population has inadequate or no access to medicine, about 25% experiences periodic shortages of drinking water, and about 50% goes through life without access to physical health infrastructure. More than half of the population lives on islands with no facilities for solid waste disposal.
Far-flung islands across the country pose challenges to greater connectivity.
The Challenges of Regional Development

When considering its Fifth National Development Plan (1997–2000), the Maldives government gave high priority, understandably, to regional development. Specifically, the focus was on providing equitable access to health and education, infrastructure, and a welfare safety net for vulnerable populations; controlling population growth; and achieving regional development to create local employment.

In 1994, ADB agreed to provide an advisory TA (in regional development planning) to identify potential regional growth centers for promoting environmentally sustainable growth in the atolls outside the Malé and Ari atolls, investigate and determine the constraints on development, and then prepare long-term development strategies and medium-term integrated development plans for the identified regions.

Regional Development Project, Phase 1

The Regional Development Project (1999–2005) directly supported two of the three objectives defined in ADB’s Country Operation Strategy.
1995–2002, namely, regional development, and support for population planning and environmental protection. The initial targets for regional growth under the TA project were the NDR (particularly Kulhudhuffushi) and the SDR (particularly the Ganto-Hithadhoo island chain). In addition, the project, in keeping with ADB’s Medium-Term Strategic Framework (1997–2000), also emphasized economic growth, poverty reduction, and the improvement of the status of women.

**Regional Development Management Offices**

This subcomponent involved institutional strengthening through the creation of permanent regional development management offices (RDMOs) in Kulhudhuffushi (in the NDR) and Hithadhoo (in the SDR), complete with furniture, equipment, and, importantly, staff training. The successful and efficient construction and procurement of office space and staff, combined with staff training (short term on-the-job training, locally and overseas, for 27 staff members) in RDMOs and the project management unit has led to institutional strengthening and improved skills among the region’s residents.

**Physical Infrastructure**

The project’s largest subcomponents—a 13.5-kilometer link road from Gan to Hithadhoo
A tourist staying at Equator Village crosses the Feydhoo–Gan causeway.
(with cofinancing from the Islamic Development Bank), a 70 meter bridge from Gaukendi to Hithadhoo, a new bridge between Gan and Feydho, and a causeway with culverts—were significant in improving access and the quality of roads for both vehicles and pedestrians, and providing a reliable and safe means of communication and transport across atolls. The vehicle count, at 25 over 3 hours at peak time before the project, grew to 191 per hour at peak time after the project. Mechanical breakdowns decreased.

The coastline was assessed for erosion and sedimentation with the help of aerial photographs and satellite imagery. After monitoring the marine ecology in the waters surrounding the central islands in coordination with the Marine Research Center, fish associations in Feydho and Maradhoo reported coral growth and improved bait supplies.

### Social Infrastructure

This subcomponent, which involved developing social infrastructure (rainwater and septic tanks), a pilot sewerage scheme, and a social development fund to help recover costs in the water sector, has led to a significant increase in the drinking-water storage capacity of households in both the NDR and the SDR.

The project provided 5,000 water tanks and was instrumental in helping households with rainwater collection for water supply—essential drinking water—and better sanitation in NDR and SDR (see Table 6.1). After the project, the total additional estimated rainwater capacity was 40.36 megaliters (ML). 60 households also had septic tanks installed.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Northern Development Region (NDR)</th>
<th>Southern Development Region (SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of structures</td>
<td>Before project 8,694 7,512</td>
<td>Before project 9,482 8,044</td>
</tr>
<tr>
<td>Of which, with water tanks</td>
<td>40.39% 79.20%</td>
<td>39.89% 81.42%</td>
</tr>
</tbody>
</table>


### Environmental Improvements

Water on the outer islands was almost entirely supplied through groundwater extraction (mainly through domestic wells accessed with electric water pumps) and rainwater storage. Increasing groundwater extraction, due to population and development pressures, was depleting the freshwater lens (the body of fresh groundwater below these tropical land masses). Along with that, saltwater intrusion into the groundwater aquifer was severely degrading this previously healthy source of drinking water. As a result, individual household and communal rainwater tanks became increasingly necessary as the principal means of access to drinking water. These problems were particularly serious on densely populated islands such as Naifaru and Mahibadhoo.

With the exception of two landfill sites constructed under the Regional Development Project, Phase I, on Kulfudhuffushi and Hithadhoo and the central landfill facility on Thilafushi, the outer islands had no formal waste management systems. Much of the waste material was not separated, and hazardous and toxic materials were deposited in garbage dumps.
The project’s successful pilot solid waste management centers on Rujjehira in Hithadhoo (SDR) and the southeast corner of Kulhudhuffushi (NDR) helped achieve significantly improved solid waste management. The solid waste management center in the SDR provided collection and waste disposal facilities for 1,200 households, or 50% of the total population. The provision of these resources increased from 0% to 60% of the atoll’s population in just 3.5 years—a significant achievement. The solid waste management center in the NDR, however, was only “partly successful” because of the poor implementation of the subcomponent. Providing basic services such as solid waste collection also proved to be an incentive for business in the region.

In the SDR, the Southern Maldives Contracting and Trading Company was responsible for the collection and disposal of waste from several small hotels and restaurants and from construction works on the neighboring Villingili Island, where a new five-star resort was under construction.

During the project, communities in both the SDR and the NDR gained significantly greater access to basic infrastructure and services. In 1997, 7% of the atoll population had no access to electricity. By 2004, all households on the atolls had access to electricity. Noteworthy improvements in access to communications and media were also achieved. In 1997, 53% of the atoll population had no access to radio, and 75%, no access to television. By 2004, only 19% still had no access to radio and only 13% had no access to television. In addition, the improvements in water and sanitation and access to hospital facilities had indirect health benefits on the islands. The percentage of the atoll population with no access to doctors dropped from 43% in 1997 to 26% by 2004.

New Roads to Education and other Opportunities

Improved access via the new paved road in Addu Atoll gave students on the five connected islands better, easier access to schooling facilities (up to Grade 12), a service otherwise available only on single islands in four of the country’s atolls (including Malé). As a consequence, retention rates for secondary students in the region improved and, with a better-educated population and workforce, more businesses were confident investing in the area. Local and overseas investment was also prompted by greater regional integration and improved communication with central agencies, as well as the development of the RDMOs.

The Maldives Industrial Fisheries Company (MIFCO) reported significant investments, especially in the SDR. According to 2005 statistics, 75% of the dhonis working for MIFCO were based in the SDR and produced 84% of the catch.

The opening of MIFCO’s two fish-processing complexes (in Gaafu Alifu and Addu) coincided with the building of the regional harbor in Hithadhoo, the upgrading of the airport to international standards, and the development of the road linking these facilities with the processing sites.

Regional Development Project, Phase 2

ADB’s multisector assistance totaled almost $17 million, the main interventions coming through the Regional Development Project ($14 million in ADF loans). Phase 2 of the Regional Development Project continued the objective of equitable access for the regions, but this time the project focused on new components: safeguarding public health and the environment, supporting community and private sector participation.
in waste management and sanitation, and increasing the public’s awareness of responsible environmental management.

While the first phase of the project covered 13 islands in the NDR and the SDR, phase 2 (begun in 2005 and completed in 2012), covered three islands in the Central Region (Naifaru–Lhaviyani, Mahibadhoo–Alif Dhaal, and Fonadhoo–Laamu atolls). The Islamic Development Bank cofinanced the project with a loan of almost $5.9 million. The project was aimed at promoting long-term development objectives, including institutional strengthening, policy dialogue, and environmental management.

The project incorporated a gender action plan, and women took part in planning activities, as well as in implementing them. Separate meetings were held for women to ensure that their voices were heard. Women’s participation, both in training programs and in managerial positions in the project management and project implementation units, was emphasized.

**Improving Environmental Infrastructure**

This component of the project covered improving sanitation and sewerage facilities and installing an integrated solid waste management system.

**Sanitation and Sewage Treatment and Disposal**

This subcomponent provided the detailed design for a sewerage system in Naifaru and established sewerage systems in Mahibadhoo and Fonadhoo—priorities for the government and central to the objectives of the project. A detailed design for a sewerage system was prepared in time for funding by another agency on the island of Naifaru, and simplified conventional aerobic treatment sewerage systems, including a sewage treatment plant, sewage pumping stations, and a sewerage network, were constructed on Mahibadhoo and Fonadhoo. As the sewerage systems began operating, all households on both islands were connected. The old septic tanks were decommissioned. Health outcomes on the two islands greatly improved: no cases of typhoid were registered after the systems began full operation. Community members were also trained to operate and maintain the systems.

**Integrated Solid Waste Management**

The principal aim of this subcomponent was to halt and reverse environmental degradation caused by inadequate solid waste management practices on the outer islands. The project supported the policy development initiatives of the Ministry of Environment and Construction (later the Ministry of Environment and Energy) by conducting a waste management study and formulating solid waste collection and disposal strategies at the atoll level. Specifically, the subcomponent prepared a solid waste management gap analysis with revised cost estimates, which became the basis for finalizing equipment requirements for the solid waste management centers (later built by other donor partners on the islands of Mahibadhoo, Fonadhoo, and Naifaru).

Most waste generated on the islands and atolls would either be reprocessed or stored for local use, or stored for transshipment in the solid waste management centers. Under the subcomponent, the necessary equipment for each center, as well as the vehicles needed to transport waste, was procured. The centers optimized the potential for community involvement in their operation and management. Efficient solid waste management, including sorting waste for reuse and recycling, is now practiced by all households on all three islands.

**Strengthening Planning and Environmental Management**

**Land-Use Planning and Management**

This subcomponent involved building the capacity of the Maldives Housing and Urban
Environmental Awareness

In addition, the project developed and implemented programs for (i) environmental management, (ii) hygiene education, (iii) community water conservation and monitoring, (iv) utility and solid waste management, and (v) improved awareness of and sensitization to the land-use planning process. A locally based nongovernment organization, Live and Learn Environmental Education, was hired to undertake the environmental awareness subcomponent.

Under the subcomponent, a training program in planning, monitoring, and evaluating sanitation and hygiene was prepared for the island development committees and the women’s development committees, initially those in the Lhaviyani, Alif Dhaal, and Laamu atolls, and later those in the remaining atolls of the Central Region. The training programs used gender-sensitive, age-appropriate, and user-friendly approaches to the training of women, men, and children.

The goal of the services was to develop and implement an environmental awareness and community mobilization program for the Central Region of the Maldives. The program built on the experience and tools developed under ADB’s TA project Promoting Sound Environmental Management in the Aftermath of the Tsunami Disaster (TA 4614-MLD) of 2005–2006.

To maximize opportunities to build local capacity, an adapted “train-the-trainer” approach, which promoted increased sustainability and community empowerment for the project, was used. A community mobilization and environmental awareness strategy, highlighting the importance of effective design for community mobilization and action learning for empowerment and sustainable development, was prepared. This strategy was based on the six-step community mobilization approach: plan, listen and learn, discuss and develop, adapt and act, support, and evaluate.

Environmental Monitoring

The project included an environmental monitoring program to establish patterns and trends in groundwater quality and salinity levels. An environmental monitoring framework report was prepared for the operational phase of the infrastructure projects and served as a guide for future monitoring and reporting on the operation of the sewerage scheme.

Economic Development Framework Study

Under the project, a case study addressed the constraints on regional growth and economic development, as well as the opportunities. The main component of the study was an economic development framework. The first phase, for Fonadhoo-Gan on Laamu Atoll, presented a comprehensive range of proposals for development and job creation, together with supporting implementation arrangements and an investment program. The study (i) identified economic development growth sectors and livelihood improvement projects, (ii) assessed skills development and training needs, (iii) evaluated and guided investment opportunities for microfinance and household development initiatives, and (iv) helped vulnerable groups.

Building Management and Implementation Capacity

Institutional Strengthening

The implementation of the project required the involvement of dedicated staff from the Ministry
of Finance and Treasury (MOFT), the Ministry of Atolls Development, and the primary participating agencies (the Maldives Water and Sanitation Authority, the Housing and Urban Development Board, and the Ministry of Environment and Construction). At the completion of any project, those staying with the project must have been trained and must have acquired new skills and capabilities. Capacity building developed the skills needed for coordination, project monitoring and evaluation, technical and quality control, financial management and reporting, management information systems, accounting, procurement, community mobilization, and social and environmental monitoring and planning.

Project Benefits

The project officially closed on 31 March 2011. The clearest achievement of the second phase of the Regional Development Project was its staunch protection of the marine environment under threat, as protecting fisheries is central to any poverty reduction strategy. Households and communities on focus islands were the direct beneficiaries of environmental infrastructure, and the strengthening of institutions in this field benefited communities, islands, atolls, and regions, and improved planning and management capacity at all levels.

Focus on Sanitation

Improvements in coastal and lagoon waters, protecting fish and other marine resources on which households depend for daily subsistence and nutrition, were especially beneficial to the poor, women, and children. Environmental infrastructure on the central islands benefited over 9,000 residents, particularly the poor, who compose over 60% of the population. The improvements in water supply, sanitation and sewerage, and solid waste management in this region can be replicated on other islands. Environmental infrastructure resulted in resource savings, and even resource generation, improving in turn the quality of life and strengthening opportunities for a better livelihood.

I think the greatest impact of the project will be from the implementation of a proper sewerage system on the outer islands, where the septic tank system has contaminated the groundwater and is worsening the effects of the tsunami. Rainwater is the only available drinking water on those islands.

Afsal Hussain, Project Officer
Regional Development Project, Phase 2
By providing assistance and ensuring the construction of sewage treatment on remote islands, ADB has contributed to the health of the population and to the environment.
Our community needed a sewerage system. Now people no longer have to clean out their septic tanks themselves. More importantly, direct disposal to the sea could cause serious health problems because island residents also swim in the nearby waters.

Ibrahim Ali, island resident

**Protection of Scarce Natural Resources Under Threat**

Protecting the marine environment in the atolls, where the fisheries sector is the main employer, is important and is central to any poverty reduction strategy. Eighteen percent of the total labor force of the Maldives is engaged in primary fishing activities, and 98% of the country’s fisheries workers are in the atolls. The project was a step toward meeting the needs of current and future communities. The provision of rainwater tanks increased the availability of clean drinking water. Support for sanitation and sewerage and integrated solid waste management prevented the degradation of groundwater resources and the marine environment.

Moosa Mansoor is an island resident whose household is directly connected to the sewerage system.

The sewerage system provided by ADB is a good system and better than the old septic tank system. Through the program, islanders have become better at waste management. On Mahibadhoo, the islanders no longer throw rubbish outside the rubbish site. Also they have people managing and looking after the site.

Moosa Mansoor, island resident

Our Stories

Mahibadhoo Island, capital of Alif Dhaal Atoll in the Central Region of the country, is densely populated, with 2,235 residents and only 0.2 square kilometers of land.

The living conditions of Mahibadhoo residents have improved since the installation of the sewage treatment facilities. A total of 395 households were provided with sewage catchments or household connections to the sewerage system.

Moosa Mansoor, island resident
Managing for the Common Good: Public sector

*Economic rebalancing is always welcome in a country that is trying to grow rapidly. ADB’s economic recovery programs have contributed to this effort in the Maldives through programs leading to decreases in the fiscal deficit—to 26.2% in 2009, and to 7.8% in 2013.*

Because the country depends heavily on tourism, imports, and capital inflows, the global economic crisis that began in September 2008 had adverse effects on its economy. By the time the international liquidity crunch of 2008 set in, the Maldives was unable to roll over its short-term external debt (already at 40% of GDP by the end of 2008). Gross international reserves were also declining steadily and were estimated at $53 million at the end of August 2009.

ADB’s assistance in public sector management has amounted to almost $52.5 million. In response to these challenges in the global economy and the flow-on to the Maldives, ADB earmarked the bulk of the funds for measures that would increase revenue, correct deep-rooted economic imbalances, and restore sustainable economic growth over the medium term.
The Economic Recovery Program (ERP) (2010–2012) ($35 million) enabled the Maldives government to counteract sharp increases in its fiscal deficit that had resulted from an increase in imports to pay for tsunami reconstruction, a mix of rising recurrent expenditures (a large increase in the public service and related wages, and power and water subsidies), and the global economic crisis, among other factors.

The ERP, consistent with ADB’s country partnership strategy, also reflected the close coordination with development partners, with commitments of almost $87 million from the International Monetary Fund and $13.7 million from the World Bank. Such responsiveness to an economic emergency enabled the country to stabilize its economy and to put in place recovery programs, specifically in-depth policy and institutional reforms and improved fiscal management.

The ERP had a high degree of political ownership from the government and the legislative assembly (the People’s Majlis). The scale of major reform measures approved by the People’s Majlis in 2009 suggested that the ERP enjoyed bipartisan political support. The government was transparent about the objectives of the ERP and provided a clear menu of the reform measures to be pursued. Budget management was crucial.

**Reform Measures**

Measures for budget management included reducing wage bills for the public sector, synchronizing utility tariffs with the true input costs, strengthening internal audit operations for public sector departments, privatizing state-owned enterprises, and, importantly, generating revenue.

**Revenue Enhancement**

The government strategy for diversifying the tax base and increasing revenues through higher tax collection resulted in the Tax Authority Act, which enforced the collection of three critical taxes—a business profit tax (BPT), a goods and services tax (GST) for nontourism sectors, and a GST for tourism sectors.

The ERP TA grant supported the intensive preparation that went into the implementation of the three taxes. ADB also backed the transformation of the Department of Inland Revenue into the Maldives Inland Revenue Authority (MIRA). Established in August 2010, MIRA was able to build and strengthen its tax administration capacity and became instrumental in mobilizing revenue from the three new taxes introduced by the Parliament.

ADB also provided TA for the installation and operation of a revenue administration management information system in 2012.

**Fiscal Policy and Budgets**

By improving the fiscal policy framework and budget preparation process, the government demonstrated its commitment to fiscal discipline and the consequent macroeconomic stability. The Fiscal Responsibility Act ratified by the country’s President on 6 May 2013 stipulated budget deficit targets and the legal requirement for future budgets to be linked to a medium-term fiscal framework. The framework was strengthened under the ERP and continued to build a realistic path to fiscal consolidation.

**Expenditure Control**

As a significant contribution to fiscal health, downsizing the civil service became a government commitment and a framework was set up for a redundancy program. The
Managing for the Common Good: public sector

program was carried out mainly with $50 million assistance pledged by the World Bank. By May 2013, 3,284 civil service staff members had been declared redundant.

Debt Management

An effective and comprehensive debt monitoring and management system was needed to sustain the budget reforms. As part of an earlier TA project that strengthened debt management, the MOFT developed a debt strategy under the ERP that allowed better planning of its borrowings and introduced regular analysis of debt sustainability to monitor debt and manage the associated risks.

Budget Financing

This component improved and strengthened liquidity forecasting at MOFT, leading to efficient financing of the fiscal deficit. The government amended the Maldives Monetary Authority (MMA) Act to give the MMA greater autonomy in its operations. A framework was also developed to help the MMA analyze the monthly cash flow of the Treasury and to support its liquidity forecasting.

Internal Audit

By the time the ERP was completed (2012), the MOFT had established an internal audit unit and had prepared a comprehensive manual on risk-based internal auditing consistent with the public accounting system. The Public Finance Act, aligned with international public sector accounting standards, was passed in 2006 with amendments in 2010, 2012, and 2013.
Our Stories: MIRA

The successful creation of MIRA in August 2010 came soon after the Tax Administration Act was ratified. MIRA was established as a separate and independent legal entity reporting directly to Parliament and providing the country with a professional and effective tax regime, and a diversified tax base.

Almost 1 year after the passing of the Tax Administration Act, the business profit tax (BPT) was introduced. It was imposed on the profits of all businesses in the Maldives, including all resident and nonresident companies, partnerships, cooperatives, and individuals, at the rate of 15% on profits exceeding Rf500,000 in a tax year.

Starting on 1 January 2011, the Tourism Goods and Services Tax (TGST) Act imposed a tax of 3.5% on the value of goods and services supplied by tourist resorts, tourist hotels, guesthouses, picnic islands, and tourist vessels, and on certain other services to tourists in the Maldives. The TGST regime was replaced by the Goods and Services (GST) Tax Act on 2 October 2011.

The GST Act expanded the GST to all sectors of the economy. Revenue from the tax has consistently increased since its introduction, and the GST is now the biggest contributor to government revenue, accounting for over 40.8% in 2013.
With the added revenue from the new taxes, total government revenue collection increased by 89% between 2010 and 2013, from Rf2.4 billion to Rf8.9 billion. The share of revenue from the new taxes shows a rising trend—21% in 2011, 55.6% in 2012, and 61.8% in 2013 (see chart).

Aiman Ibrahim, recalls the crucial role of consultants during that time.

I worked in the audit department and was closely involved in the project. We had to learn everything from scratch since we didn’t draft the law. The Tax Administration Act was passed in 2010 and we had to draft regulations right away.

We had only 3 months to implement the TGST. If the consultants hadn’t been around, we would have had a hard time since nobody had any experience in tax laws and regulations.

The consultants guided us in identifying the challenges and the issues that needed to be tackled. All these were achieved with the help of the consultants hired under the TA.

The Parliament passed the BPT, the TGST, and the GST without much detail. I assisted in drafting the regulations and putting the administrative system in place. Once these regulations became operative, issues would surely arise. Difficulties in the legislation itself meant interpretation issues.

The introduction of the BPT presented the greatest challenge. It was a race against time. The Parliament passed the law and ordered MIRA to come up with the regulations within 6 months.

MIRA staff, most of whom had just graduated from university and had no experience in writing tax regulations, came under considerable pressure.

Kevin Holmes
Tax policy and administration consultant
(provided policy advice when these taxes were introduced)
Technology Triumphs

In addition to the ICT technical assistance provided under the ERP, ADB funded the automation of MIRA’s tax database, enabling the agency to manage several tax types under one integrated system.

The efficient, internationally accepted accounting software SAP was adopted for the tax and revenue management (TRM) system that was introduced in December 2012. It required simple taxpayer registration, and allowed the processing of TGST and BPT returns and the collection of payments for both taxes under a single automated system. MIRA now efficiently administers the taxes, keeps proper taxpayer records, and has been freed from the burden of managing the taxes via different applications.

Before SAP was installed, we were managing tax data and other information in different applications. For instance, we had separate programs for GST, TGST, and BPT, and more individual programs for administration and other things. We didn’t have a centralized system where everything was recorded.

The process of getting everything into a centralized system started in 2011. MIRA is transitioning into a centralized system in phases, and information technology (IT) management is now in phase 2. Phase 1, under the TA grant for the ERP, saw the initial shift to a new SAP tax and revenue management platform, starting with the BPT and the TGST. In phase 2, we are integrating the general GST and four other types of fees that MIRA is now enforcing.

There were challenges during the implementation of the system. The IT staff had a lot of difficulty in getting data from the old system into the new system. The old system did not allow room for expansion. SAP, on the other hand, is modular. This means modules can be added one at a time, as they are needed.

SAP has had a huge impact on revenue reporting and all other kinds of data reporting. Without it, we would have to manage small individual programs for each new tax and create another program for other new taxes. That would be time consuming and inefficient.

Mohamad Faisal, Director General
Management Staff and Information System
The use of SAP has also increased compliance in tax payments. Before SAP was used, many taxpayers were unregistered. Now it has become easy to identify registered taxpayers in one category and cross-reference this information against any need for compliance in the other category.
Shout It Out: MIRA Tax Awareness Campaign

MIRA has conducted a range of taxpayer education programs to inform the public about tax laws and regulations, tax rulings, and policies.

MIRA disseminates the information through a door-to-door registration campaign, local TV,

“This is why our major concern was public awareness. We visited all the resorts and checked their systems. I made sure that the message we sent out was that we were here not to penalize them but to help them—to help them comply with the tax laws and regulations.

Yazeed Mohamed—Commissioner General, MIRA
radio channels, and newspapers. Presentations to stakeholders—tour operators, businesspeople, and private individuals, among others—are held in an interactive setting so that comments and views on draft regulations can be gathered.

The MiRa team has taken the awareness-raising programs to outlying atolls to educate taxpayers and stakeholders. Activities include door-to-door visits and personal discussions on tax-related issues and the difficulties faced by taxpayers doing business in the atolls. The MiRa team has made presentations on the details of the GST, and distributed record-keeping booklets, information flyers, and posters.

You have to give young people a chance. Even I was too young to be tax commissioner. I had limited experience. Yet all of us were determined to achieve our goal and to adapt to IT innovation. More importantly, we had the support of the government, ADB, and even the private sector. Everyone devoted time to improving tax compliance.

My vision is to engage young people and train them. In 5–6 years, MiRa will be a very able organization and their careers will grow as well. These young professionals will then have had several years of experience, which will help in the continuous development of the organization.

Yazeed Mohamed—Commissioner General, MiRa

Within 3 years we were able to increase our revenue, not through new taxes but through enforcement and compliance. We are now also able to get information or bank details of any taxpayer. We can take action by freezing bank accounts and stopping any provision of government services. Through these, our enforcement collection has increased.

Yazeed Mohamed—Commissioner General, MiRa

MIRA Commissioner General Yazeed Mohamed recalls the time when the agency had just started implementing the TGST. At the start, stakeholders such as tour operators were opposed to the TGST, which they considered double taxation. Because MiRa had a very lean staff then, he did the explaining and calculated the amounts people had to pay.
Taxpaying a fun activity? MIRA staff pull out all the stops to make the public aware of tax compliance. The atmosphere is festive, and the system has gained wide approval and acceptance.
On a scale of 1–10, I’d rate MiRa between 8–10 in terms of progress, interaction with taxpayers, and willingness to help. These are important because at the end of the day, cooperation between the taxpayer and the business enterprise spells the difference.

Venkateswaran Ramesh, Financial Controller
Sunland Hotels

Youth and Energy: Building a Sustainable Institution

Perhaps the greatest asset of MiRa is the tenacity of its young staff. The authority is proud of its staff and their passion and determination to bring about change.

MiRa is an outstanding success mostly because of government and ADB support, as well as cooperation from the private and public sector. The enthusiasm, skill, and dedication of the MiRa staff are also important factors.

MIRA’s main office is in Malé and there is one branch on Kulhudhuffushi in the north. The branch office is a service hub for the upper-northern region of the country, providing help and training to the public in using the computer equipment to get information or to file tax returns.

MIRA responsiveness to changing trends and opportunities is shown in its use of social media in its marketing campaigns. In 2013, MiRAConnect, an online taxpayer system, was launched. Taxpayers can now register and file their tax returns through the system.

MIRA’s success is due mainly to the commitment of the management and staff to bring about reforms and address the country’s public finance issues. Given the new democratic governance, everyone, under the leadership of the Commissioner General and his management team, is fired up for change.

Kevin Holmes, consultant, MiRa
Positive Outcomes

As a result of the success of the project, the government has been able to strengthen its fiscal policy. It has implemented revenue, expenditure, and debt management measures, and bolstered budget formulation and implementation, to enable the adoption of the medium-term fiscal framework for the national budget. The project also supported various actions of the MOFT related to the medium-term fiscal framework.

The government has introduced high-priority taxes, and strengthened its internal audit systems, which have led to an analysis of the outstanding liabilities of state-owned enterprises (SOEs), including STELCO and the State Trading Organization.

As a major part of the economic reform agenda and in consultation with the Public Enterprise Monitoring and Evaluation Board, the government’s Privatization Committee (whose secretariat is run by the Ministry of Economic Development through Invest Maldives) sought expressions of interest for the privatization of at least nine SOEs. The initial public offering, in December 2011, for the privatization of Dhiraagu Telecom was the biggest in the country’s history in terms of total number of shares subscribed (4,711,810) and the value of the proceeds (Rf376.9 million). There was a hiatus in SOE privatization following political changes in 2012, but in March 2013 the Parliament approved the Privatization and Corporatization Act and thus provided the relevant legislative framework for continued privatization.

The overall intent of the ERP was to enlarge the fiscal space in the government budget and improve financial flexibility by introducing a modern tax system, rationalizing expenditures, improving debt management, privatizing SOEs, and deepening the finance market. Significant capacity was also built in relevant agencies, under the ERP.

The Way Forward

The ERP effectively supported the government in its bid to introduce and implement structural reforms in fiscal management. Its overall objective of creating greater fiscal space in the government budget and improving financial flexibility was relevant at program appraisal and, as a resounding confirmation of the success of the program, remained so at completion.

The greatest achievement under the ERP was the transformation of revenue administration into a more professional, effective tax regime with a diversified tax base. Revenue collected from these new tax schemes composed 21% of total tax revenue in 2011, 55.6% in 2012, and 61.8% in 2013. The total tax revenue increased from $202 million in 2008 to $580 million in 2013.

At the same time, the government remained committed to restructuring institutions and improving service delivery. Policy actions taken under the ERP to introduce performance-based budgeting were another important area of reform, and one in which the government showed skill in coordinating between line ministries. The ERP also helped the government successfully launch risk-based internal auditing—a prerequisite for improved financial management.

As a taxpayer, I have witnessed the effort MIRA places on enforcement. Its educational service has helped us a lot. MIRA is always there to assist taxpayers. Despite limited resources, the staff still provide these basic and necessary services. The agency would stay open until 1:00 in the morning at the tax-filing deadline.

Shimad Ibrahim, Executive Director
Villa Group
Automation has helped improve service delivery in government offices.
Ensuring a Good Future: Education

The inescapable and reassuring truth is that improving education options and standards will always have a positive impact on economic and social development.

For the government and ADB, this understanding of, and commitment to, accelerated educational development underpins their response to the country’s growing need for a skilled and productive labor force. With the right approach and elements—information, motivation, opportunity, and sustained high-quality contribution to education—the Maldives will continue to develop further.

The Master Plan

Close collaboration between ADB, the Ministry of Education, and the educational authorities in the various atolls was the starting point for ADB’s TA for the development of an education master plan for 1996–2005.

The plan was in line with ADB’s overall development strategy of strengthening the national human resource base, reducing poverty in remote areas, and helping women in development through better educational opportunities for girls. Its main recommendations were incorporated into the country’s Fifth National Development Plan (1997–2000). The TA project was completed in 1996.
Early Steps

Early studies and analyses of the most appropriate strategies and areas of focus for economic progress suggested the urgency of creating a pool of skilled labor in the country. Figures for 1996 showed that the active labor force in the Maldives of 45,000 included 20,000 expatriate workers. This dependence on imported labor posed a challenge for the local economy and the country's growth, and also had a hand in widening the current account deficit. Expatriate workers' remittances accounted for almost 11% of GDP.

Demand for Skilled Labor

Within 5 years, the demand for skilled labor had reached 5,000 jobs in key fields—education, health, technology, and hotels and tourism. The government acted promptly to reduce the dependence on imported labor by giving emphasis to local education and human resource development. Expanding education opportunities and standards was the best possible investment in the future. Boosting the appeal and scope of secondary and postsecondary education was a powerful way of assembling a pool of educated potential workers.

Postsecondary education in the Maldives, however, faced several difficulties. Many teachers and staff were not qualified to teach advanced courses. There was also a shortage of postsecondary candidates and a duplication of functions in educational institutions, with the resultant inefficiencies.

Education and Skills for Life

The Postsecondary Education Development Project (Loan 1637-MLD), from 1999 to 2004, concerned itself with improving the quality of postsecondary education in the Maldives, upgrading training, strengthening institutions, and establishing new facilities.

The project yielded significant achievements. The upgrading of program quality (which took up almost half of the total $6.3 million loan amount) was directed at the programs, staff, and facilities of postsecondary education institutions that offered training in education, health, public administration, tourism and maritime studies, technology, and distance education. Staff of these institutions were given opportunities to expand their qualifications and core specializations through overseas or in-country study. This investment in the teachers and the quality of their education created a foundation for success.

As a result, school faculties were established or redeveloped, and certificate courses were strengthened in key areas.

Faculty of Education

Academic staff members of the institution were offered short- and long-term fellowships, and consulting opportunities, and two postgraduate and four undergraduate degree programs were designed. Education graduates of the institution in all areas of coverage numbered 2,411 (635 males and 1,776 females) during the project. And, through outreach certificate courses, the Faculty of Education reached campuses on Kulhudhuffushi, Thinadoo, and Hithadhoo.

Faculty of Engineering and Technology

Staff members were involved in developing academic programs and new courses and curricula, and in upgrading vital teaching equipment and materials. The outreach to students in the atolls involved 18-month advanced certificate courses in power systems and maintenance, operation and maintenance of desalination systems, and furniture carpentry and joinery, among other courses.

Faculty of Health Sciences

The staff of the institution obtained access to further training and curriculum development, and the faculty received upgraded equipment and
materials. Four staff members were conferred postgraduate degrees. Health science courses were offered at the outreach campuses of the Maldives College of Higher Education (MCHE), forerunner of the Maldives National University (MNU). The project more than doubled its goal, training 780 nurses and 803 other health personnel.

Faculty of Hospitality and Tourism Studies

This institution contributed significantly to the tourism sector, the country’s largest sector (accounting for almost 38% of government revenues in 2007), by enlarging the pool of skilled workers. Through the project, it offered opportunities for staff development and curriculum development, and redesigned all short- and long-term courses in cookery, pastry making, and others.

Faculty of Management and Computing

The faculty operates a number of businesses, commerce, and corporate development–related programs, and Cisco networking for home and small businesses. Many students are sponsored by their employers. Among the various institutions, the Faculty of Management and Computing has the highest cost recovery through user fees (around 50%). During the project, the staff received training for two postgraduate qualifications and one higher diploma.

Center for Maritime Studies

The center offers programs that meet national standards approved by the government. It also runs a 1-year officer training program for an advanced certificate in marine operations or in marine engineering—in demand worldwide, but previously unaffordable for most Maldivians. During the project, 1,883 students were trained and 85% were employed right after successfully completing their training.

Center for Open Learning

Though not part of the project, the center benefited indirectly under overall MCHE administration. It received a coordination consultancy for about 1 person-month, which it swiftly put to good use by extending its campus-based outreach activities.

Building Capacity: Maldives National University

Higher and Higher

A critical part of the project was the development of the capacity of the MCHE, which was established to improve governance and public accountability. The step was a momentous one. Besides upgrading the skills of MCHE (now MNU) teaching staff, it offered a fresh view of the education opportunities that existed in the Maldives. Most importantly, it served as a signal to the country and its development partners that the institution could become a center of education capable of bringing together the postsecondary administration and academic programs—consulting services, local and international fellowships, civil works, furniture, equipment, books, and materials—of the seven existing postsecondary institutions in the country.

The MNU is now the only public institution in the Maldives granting degrees in engineering, health science, education, tourism, and management. In the past few years, around 4,000 students
Before the project, postsecondary education in the Maldives was not uniform. Institutions had different entry criteria, credits, and required courses. There were overlaps and unnecessary repetitions. The training itself did not receive full priority among the line ministries, for which education was only one of many functions.

That is, none of the institutions had a clear-cut mandate and education was not given importance.

Staff Development

MNU management decided to send faculty members abroad for higher education and also to conduct classroom training for staff in the country. Lecturers were brought in from abroad to conduct the classroom training for 1–2 years. This was a cost-effective strategy: more staff members and lecturers were trained and completed higher-degree programs at less cost.

Student Services

The upgraded administrative systems and the campus management information system allow the student service office to process applications for all faculties and centers and handle student inquiries and records centrally. The new student dormitory provides housing for students from the outer islands—a previously unknown freedom for students from the burden of expensive accommodation on top of the study load.

Under the project, I obtained my Higher National Diploma in Hospitality Management in 2000 at Kolej Damansara Utama University College in Malaysia. After completing the course, I worked in MNU’s Faculty of Hospitality and Tourism Studies. Then in 2002, I had another opportunity to study abroad, this time for a bachelor of business degree in hospitality management at Victoria University in Melbourne, Australia.

The faculty training balances the academic experience with both local and international exposure. It allows students to pursue higher studies with much-needed financial assistance—in my case, provided by the Postsecondary Education Development Project.

Zeenaz Hussain, Dean of the Faculty of Hospitality and Tourism Studies, MNU (was a trainee instructor in the Food Production Department of its predecessor institution, the Institute of Hotel and Catering Services)
Before the Postsecondary Education Development Project, the highest qualification awarded in the Maldives was a diploma. In those days, diplomas were very rare and only two programs were awarding them. Students who wanted to complete a higher degree had to get scholarships and go to more developed countries with better education systems.

The implementation of this project led to the creation of the Maldives Qualifications Authority. With the formation of this body, the government now recognizes the qualifications conferred by private parties.

The project extended distance education to the outer islands since the project plan had several components for outreach programs.

Aspiring to International Standards

Local education standards and offerings improved dramatically. At the same time, students and teaching staff had opportunities to develop their skills overseas, thanks to stronger and deeper links with international universities, which also helped ensure that courses offered in the Maldives met international accreditation standards.

In August 2000, a national quality assurance framework, the Maldives Accreditation Board (now the Maldives Qualifications Authority), was set up to develop curricula and courses conforming to international standards. A total of 46 full-time teaching staff received overseas fellowships or regional study assistance, and an internationally recognized student information management system was put in place.

With MNU setting the trend in high-quality postsecondary education, several private colleges also opened.

Mariyam Rifaa Nasir, a student at MNU, uses subsidized accommodation at the adjoining residential block.

Opportunities for students at vocational and university levels will produce a skilled and satisfied workforce in years to come.
The MCHE brought the whole institution together and set common policies, regulations, and standards. The management and staff were intent on turning the institution into a university. Policies and regulations were therefore benchmarked against a high-quality university standard. People now have confidence in our ability to run courses of international standard. Before the MCHE was established in 1998, there were no degree programs. Now every faculty runs them, and we offer master’s and even PhD programs.

Hussain Haleem, Deputy Vice Chancellor
Administration and Finance
Maldives National University

Going Farther than Expected
Outcomes greatly exceeded project targets. From 2006 to 2008, MCHE had an average of 1,200 graduates each year. Females composed nearly 60% (versus the original sector goal of 45%), and students from the atolls made up 85% of the total (versus 50%). MCHE produced 2,708 diploma graduates, 5,370 certificate graduates, and 438 degree-qualification holders.

A Solid Foundation
The creation of the Maldives National University is proof of the skill and dedication of the project participants and provides a solid ground for tertiary education in the country now and in the future.

The Strategic Plan 2013–2017, released in the first quarter of 2014, featured MNU’s priorities for excellence—ways to greater and more sustainable success and to continuous evolution.
MNU students acquire knowledge in modern classrooms with up-to-date equipment, and they benefit from well-stocked libraries, reasonable class sizes, and space for recreation after the long hours of study.
First-Rate Tools for National Prosperity

Overall, thanks in large part to the Postsecondary Education Development Project, the Maldives has succeeded in restructuring postsecondary education and moving it out of its fragmented state. With streamlined procedures and more efficient administration, it is now able to provide relevant, worldclass education. The government has also established a national quality assurance agency and a national quality framework rationalized seven institutes and centers of postsecondary education, and created the Maldives Accreditation Board.

I studied at MNU for my basic courses (A-levels) for 2 years, then worked for the Housing Development Corporation. I worked to save money to study abroad because architecture was not yet offered in the country at that time. But when MNU opened the degree program in 2011, I decided to study architecture here instead.

Hassan Azan, student

I finished my construction diploma course at MCHE (now MNU) and worked in the private sector. Then I got interested in architecture. So after working for 2 years, I pursued an architecture major. Being able to study in the country was a great opportunity. We even had exhibits at the National Art Gallery.

Ali Wajeeh, architecture student from Laamu Gan Atoll (received Best Thesis award for his proposal for a decentralized university)

A focused vocational and humanities education, provided through the combined efforts of the Maldives and ADB, will create a strong and far better skilled workforce, with manifold benefits to the country and its people.

Reaching Out: Establishing Outer-Island Campuses

The Postsecondary Education Development Project extended distance education to the outer islands. The project plan had several components for outreach programs.
The campuses on Kulhudhuffushi and Addu were established so that students did not have to go to Malé to study. They can now study in the same programs in the outer atolls, where university fees are very low.

Hussain Haleem, Deputy Vice Chancellor
Administration and Finance
Maldives National University

While education is a distinct priority for the Maldives, so, too, is employment. The government, keenly aware that an efficient workforce is a cornerstone of economic development, has sought to increase the number of Maldivians actively participating in the labor force and thus reduce the reliance on expatriate laborers.

The Kulhudhuffushi campus started as a rural youth vocational training center offering training in engine repair. Now, it offers 26 courses, nine of them at the bachelor’s level. Some students prefer to study at the campus because of the high cost of living in Malé. Plans are under way to expand the library and build an auditorium.

Ibrahim Mohamed, Manager
Maldives National University–Kulhudhuffushi

The MNU campus on Kulhudhuffushi Island was built in 1997 and had a student population of about 100 then. Today, the campus has over 400 students and all MNU colleges are represented. There is distance learning for students on the outer islands, which requires students to report to the school only twice or thrice each semester.

ADB has provided substantial external assistance for postsecondary education in the Maldives, with over $14 million in loans, grants, and TA to the sector since 1978.
Classroom block at MNU, which has a campus in Kulhudhuffushi.
Opportunities Await

Since 2000, the largest employer of Maldivians has been government and government companies, mainly in community, social, and personal services; manufacturing; and fishing. In 2000, there were nearly twice as many men in the labor force as women (66% versus 34%). From 2000 to 2012, the proportion of women in the labor force significantly increased. Women now compose 42% of the labor force.

Women—excluded from a wider range of employment because of limited access and inadequate skills training—work mostly in community, social, and personal services, and manufacturing.

Community leaders were concerned. Atoll chiefs appealed for skills training, particularly for women and out-of-school-youth. With the right skills, the population would be far better placed to find suitable jobs in the growing economy.

In response, the government made targeted vocational training a major part of the medium-term objectives and priorities defined in its Sixth National Development Plan (2001–2005) and Vision 2020.

ADB’s Country Strategy Plan for 2002–2004 also featured the education sector and ADB’s support for the government’s commitment to extend schooling and training opportunities to all Maldivians, particularly to residents of the atolls and to women.

This undertaking would be a significant one, with consequences that were likely to be far reaching—a larger pool of talented productive workers, able to contribute to the growth of the country’s economy.

Training for Life

The Employment Skills Training Project (ESTP) with an ADB loan of $6 million responded to the challenge posed to the economic and social health of the country by the high unemployment rates, especially among younger people (both men and women).

From 2004 to 2012, the ESTP provided competency-based skills training for entry-level employment through public and private organizations, including nongovernment organizations with their wide grassroots networks. Using the fresh power of social marketing, the project made the public, and particularly out-of-school youth, aware of the merits of training, and broadcast its availability in selected districts—Malé and adjacent atolls, as well as the NDR and the SDR. Information about the technical and vocational education training (TVET) program Yes Careers was disseminated through multimedia and press conferences, and a dedicated website. The program reached over 10,000 youths and parents in the three regions. Trainee numbers increased over time—from 1,069 trainees by 2008 to 5,829 by 2012.

Strengthening the Capacity for Competency-Based Skills Training

The ESTP had the primary aim of increasing access to high-quality employment-oriented skills training and delivered a TVET system that continues to guide skills development in the country. Equally important is the increased acceptance of technical and vocational education training among youths, parents, employers, and teachers as an essential ingredient of greater youth participation in the country’s labor force and, consequently, reduced dependence on expatriate workers.

The wider opportunities for staff training and development prompted the Maldives Accreditation Board (later the Maldives Qualifications Authority) to draw up and implement a national vocational qualifications policy. The Maldives National Qualifications Framework placed all technical and vocational education and skills development in the country under a single coordinated accreditation mechanism recognized within the country and abroad.

The Ministry of Human Resources, Employment and Labor, for its part, boosted its capacity for labor protection and equity and for national development. The establishment of the Minimum Wage Rate Board also helped in this regard.
Finding Work; Finding a Career

A key element of the ESTP was the creation of employment sector councils—partnerships between employers and training providers that gave career guidance to trainees at the end of their course of study. To determine skills training needs, private sector employers were consulted about industry demand and prioritized occupations. At first, opportunities were thought to be mainly in the tourism, fisheries and agriculture, transport, and social sectors. Yet, so rapid was the project’s response to the changing circumstances that a fifth employment sector council was created after the December 2004 tsunami, for workers in the construction sector.

By 2012, the councils had identified 40 occupations for training programs (compared with the 24 originally envisaged), and approved competency standards for 15, all of which were endorsed by the Maldives Qualifications Authority, thus paving the way for entry into higher levels of academic qualification.

The Career Guidance Working Group (now the National Career Guidance Center under the Ministry of Human Resources, Youth and Sports) had an important role in the project’s social marketing and career guidance activities. It now provides career guidance to youth finishing secondary school.

New Challenges

High youth unemployment persists primarily because of a mismatch between workers’ skills and aspirations, and labor market demand. Focus group discussions with youth in some atolls bring out a cultural preference among young people for white-collar jobs despite lack of education or necessary skills for such positions.

Demand is substantially lower for vocational than for academic courses. Women, in particular, enroll in very low numbers in TVET courses—they compose only 30% of total TVET enrollment. A major reason is the exertions of travel to the capital city, Malé, where most of the postsecondary institutions are located, particularly for women living in the atolls. Another key reason is the disproportionate number of TVET programs that are skewed in favor of men because of their perceived employment opportunities.

Meanwhile, postsecondary skills training programs are plagued with problems of poor quality and insufficient capacity to meet the needs of the growing economy. Access to postsecondary training outside Malé is rare. The National Career Guidance Center and the TVET apex body, the TVET Authority, are inadequately funded and staffed, and therefore have limited capacity. For that reason, the center is hard put to hire specialized staff and gather systemic data on job vacancies to enable better matching of jobs with the skills of unemployed youth. The TVET Authority’s mandate to develop and implement standards, register skills training providers, and conduct capacity-building workshops is likewise proving difficult to fulfill.

A positive initiative has been the incorporation of English instruction in the early stages of the education system. Not least among the many benefits is the opportunity to improve the capability of Maldivians to engage in international commerce and trade. Schools now have the option of using English as the medium of instruction from Grade 1 onward. In secondary education, English is the principal medium of instruction.

The Maldives National Qualifications Framework, which is the basis of all training and qualifications, also includes in its scope all postsecondary-school qualifications, from the initial certificate to advanced academic, technological, and professional qualifications. It thus promotes lifelong learning, pathways for learners, recognition of prior learning, credit accumulation and transfer, and national and international recognition of the skills and knowledge of students and workers.

The framework allows for a future interface with secondary education and provides a seamless progression for technical and vocational education graduates to advanced technological, professional, and postgraduate learning. It has an internationally benchmarked suite of higher-education qualifications from associate and
foundation degrees to bachelor’s and master’s degrees and to higher technological and professional diplomas and doctorates.

The Way Forward

The successes of the ESTP included training for 5,829 youths against a target of 6,000. About 38.5% of those trained were women. There were four models of training: (i) community-applied training; (ii) employer- and institution-based training; (iii) fendaa (introductory) training; and (iv) training in youth centers.

The government’s current Hunaru (or skills) program, set to train about 8,500 youths (at a cost of about Rf360 million), indicates the increased demand for training. The Maldives Qualifications Authority, through the improved Maldives National Qualifications Framework, now grants accreditation for both formal and nonformal learning, provides access to more job opportunities, and serves as a springboard to further training.

A major achievement has been an increase in the uptake of educational opportunities, especially among Maldivians from the outer atolls, and in the number of men and women actively participating in the labor force.

In 2009, figures showed a significant improvement in the country’s labor participation rate as a result of the project—to 65.3%, or about 6.2 percentage points higher than the rate in 2003. In April 2010, the government established the Maldives Polytechnic to offer competency-based skills training programs to about 30,000 out-of-school youth.

Sustaining the success of the project will mean continuing the commitment, addressing the shortage of technical staff at the TVET Authority, stemming the migration of trained staff members, and providing adequate funding for career guidance activities.

The government is now confident about creating and implementing further skills training. As a complement to ESTP, ADB’s Private Sector Development Project focused on increasing skills for women entrepreneurs and consolidated the gains achieved through the ESTP.
After winning a majority in the parliamentary elections of March 2014, the Progressive Party–led coalition formed the current government. A national development strategy is being finalized and the government has reaffirmed its commitment to sustain the emerging political stability, focus on inclusive economic growth, and expand the country’s growth prospects.

Reflecting on ADB’s ongoing supportive relationship with the Republic of the Maldives offers a valuable opportunity to assess a wide range of achievements and positive decisions in the nine sectors in which ADB and the Republic have collaborated.

ADB was the lead multilateral development partner in the Maldives before 2004, providing over 12% of total development assistance from 1994 to 2004. Since then, ADB has been a major provider of external assistance for the postsecondary education sector; has been a large external contributor to the power sector, with assistance of more than $80 million; and has also played the leading development agency role in maritime transport improvements.

Over the past 35 years, the Maldives has emerged as a premier tourism destination. In 2014, the country’s tourism industry was particularly robust, owing to the surge in tourist arrivals from Asia.

Working alongside the advances in standards of living and opportunities that a vigorous tourism sector brings, ADB’s assistance has targeted other development challenges facing the Maldives. With improvements in the power sector, for example, comes the spread of improvements to other regions. Greater access to power sets a clearer path for the development of tourism, among other industries that, in turn, raise the income and standards of living of a wider population.

Real GDP per capita (in constant 2005 US dollars) reached $4,926 in 2013—the highest in South Asia. The Maldives is well ahead of most other South Asian countries in achieving the MDGs, having achieved five of the eight MDGs ahead of the 2015 deadline. But despite these outcomes, the country still faces development challenges. With ADB’s active support, the government can overcome these challenges.
The Way Toward Inclusive Prosperity

As ADB continues its collaboration with the Maldives, its efforts must stay focused. Also, to extend its leverage to more areas than those covered by its directly funded program, ADB must actively coordinate with other development partners on complementary support.

Under the Country Operations Business Plan (2015–2017), ADB has allocated assistance of almost $20 million for areas including renewable energy, MSMEs, and transport development projects. The energy and transport sectors are also priority sectors under the proposed Interim Country Partnership Strategy (2014–2015).

ADB thus intends to ensure that its efforts achieve more sustained results and are reflected in the planned portfolio of projects for the coming years.

This spirit, permeating the programs and projects, demonstrates the true nature of the mature, abiding, and mutually generous partnership between ADB and the Republic of the Maldives.
From Challenges to Opportunities
John Doe

Appendix

Table 1: ADF Loans and Grants by Year (Approved Amount) (1981–2014)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Loan/Grant No.</th>
<th>Project Name</th>
<th>Amount* ($ million)</th>
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<tr>
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<td>0410</td>
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<td>2012</td>
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<td></td>
<td>0290</td>
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<td>2598</td>
<td>Capacity Building for Economic Recovery Program (TA Loan)</td>
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<td>2327</td>
<td>Domestic Maritime Transport Project</td>
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<td>2170</td>
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<td>Restoration of Livelihoods of the Tsunami-Affected Farmers in the Maldives (JFPR Grant)</td>
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<td>1637</td>
<td>Postsecondary Education Development Project</td>
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<td>1532</td>
<td>Third Power System Development Project</td>
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<td>1993</td>
<td>1226</td>
<td>Second Malé Port</td>
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<td>1991</td>
<td>1121</td>
<td>Second Power System Development Project</td>
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<td>1988</td>
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<td>1987</td>
<td>848</td>
<td>Power System Development Project</td>
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<td>1984</td>
<td>681</td>
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<td>1981</td>
<td>513</td>
<td>Interisland Transport Project</td>
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<td></td>
<td></td>
<td>TOTAL</td>
<td>217.64</td>
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</table>

ADF: Asian Development Fund; JFPR: Japan Fund for Poverty Reduction; SREP: Scaling Up Renewable Energy Program; TA: technical assistance

*Note: Amount in millions is based on the original allocation approved for each project.

Source: Asian Development Bank database
### Table 2: Technical Assistance Projects by Year (Approved Amount) (1979–2014)

<table>
<thead>
<tr>
<th>Year</th>
<th>TA No.</th>
<th>TA Name</th>
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<td>8829</td>
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<tr>
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<td>Further Development of the System of National Accounts</td>
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<td>Development of a System of National Accounts</td>
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<td>1994</td>
<td>2265</td>
<td>Development of a Strategic Framework for Financial Sector Restructuring</td>
<td>AD</td>
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<td>Regional Development Planning*</td>
<td>AD</td>
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<td>1993</td>
<td>1944</td>
<td>Third Power System Development</td>
<td>PP</td>
<td>100,000</td>
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<td></td>
<td>4841</td>
<td>Second Maldives Port Authority</td>
<td>AD</td>
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<td>1865</td>
<td>Institutional Strengthening of the Ministry of Public Works and Labor</td>
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<td>1992</td>
<td>1673</td>
<td>Study the Feasibility of Establishing a Long Term Credit Bank in Maldives</td>
<td>AD</td>
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<td></td>
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<td>Perspective Plan 2000</td>
<td>AD</td>
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<td>1656</td>
<td>Second Male Port</td>
<td>PP</td>
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<td>1991</td>
<td>1601</td>
<td>Preparation of an Environmental Management Strategy*</td>
<td>AD</td>
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<td></td>
<td>1605</td>
<td>Institutional Improvements in the Maldives Electricity Board</td>
<td>AD</td>
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<td>1990</td>
<td>1369</td>
<td>Fisheries Sector Strategy Study</td>
<td>AD</td>
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<td></td>
<td>1338</td>
<td>Second Power System Development</td>
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<td>1328</td>
<td>Project Identification and Planning</td>
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<td>1044</td>
<td>Institutional Strengthening of the Maldives Port Authority</td>
<td>AD</td>
<td>100,000</td>
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<td>1371</td>
<td>Maldives Port Authority</td>
<td>AD</td>
<td>100,000</td>
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<tr>
<td>1988</td>
<td>1044</td>
<td>Institutional Strengthening of the Maldives Port Authority*</td>
<td>AD</td>
<td>480,000</td>
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*continued on next page*
Table 2. continued

<table>
<thead>
<tr>
<th>Year</th>
<th>TA No.</th>
<th>TA Name</th>
<th>TA Type</th>
<th>Amount ($)</th>
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<tr>
<td>1987</td>
<td>911</td>
<td>Institutional Improvement of MEB</td>
<td>AD</td>
<td>350,000</td>
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<td></td>
<td>855</td>
<td>Male Port Development</td>
<td>AD</td>
<td>260,000</td>
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<td>1986</td>
<td>771</td>
<td>Power System Development</td>
<td>PP</td>
<td>60,000</td>
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<tr>
<td>1985</td>
<td>679</td>
<td>Inter-Island Transport Operations Review</td>
<td>AD</td>
<td>200,000</td>
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<tr>
<td>1984</td>
<td>589</td>
<td>Appraisal of Subprojects under Multiproject</td>
<td>AD</td>
<td>215,000</td>
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<td>1979</td>
<td>309</td>
<td>Project Identification, Programming and Planning</td>
<td>AD</td>
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<td></td>
<td>291</td>
<td>Inter-Island Transport and Related Telecommunications</td>
<td>PP</td>
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<td></td>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>25,323,000</strong></td>
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* All TA projects tagged with an asterisk are those that received funding from the Japan Special Fund

AD: advisory, CD: capacity development, PP: project preparatory
Table 3. Country Poverty and Social Indicators

<table>
<thead>
<tr>
<th>Item</th>
<th>1990</th>
<th>2000</th>
<th>2010</th>
<th>Latest Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Population Indicators</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Population (million)</td>
<td>0.22</td>
<td>0.27</td>
<td>0.32</td>
<td>0.34 (2014)</td>
</tr>
<tr>
<td>2. Population (annual % change)</td>
<td>2.97</td>
<td>1.96</td>
<td>1.65</td>
<td>1.50 (2014)</td>
</tr>
<tr>
<td><strong>B. Social Indicators</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Total fertility rate (births/woman)</td>
<td>6.10</td>
<td>3.27</td>
<td>2.34</td>
<td>2.29 (2012)</td>
</tr>
<tr>
<td>2. Maternal mortality ratio (per 100,000 live birth)</td>
<td>430</td>
<td>110</td>
<td>38</td>
<td>31 (2013)</td>
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<tr>
<td>3. Infant mortality rate (below 1 year, per 1,000 live births)</td>
<td>68.2</td>
<td>36.0</td>
<td>11.20</td>
<td>8.4 (2013)</td>
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<tr>
<td>4. Life expectancy at birth (years)</td>
<td>60.60</td>
<td>70.30</td>
<td>77.87</td>
<td>78.65 (2012)</td>
</tr>
<tr>
<td>a. Female</td>
<td>60.09</td>
<td>69.46</td>
<td>76.79</td>
<td>77.57 (2012)</td>
</tr>
<tr>
<td>b. Male</td>
<td>61.10</td>
<td>68.67</td>
<td>75.76</td>
<td>76.55 (2012)</td>
</tr>
<tr>
<td>5. Adult literacy (%)</td>
<td>96.02</td>
<td>96.33</td>
<td>98.40</td>
<td>98.40 (2010)</td>
</tr>
<tr>
<td>a. Female</td>
<td>96.15</td>
<td>96.44</td>
<td>...</td>
<td>98.43 (2006)</td>
</tr>
<tr>
<td>b. Male</td>
<td>95.90</td>
<td>96.21</td>
<td>...</td>
<td>98.37 (2006)</td>
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<tr>
<td>6. Primary school gross enrollment (%)</td>
<td>125.62</td>
<td>133.52</td>
<td>105.85</td>
<td>101.70 (2012)</td>
</tr>
<tr>
<td>a. Female</td>
<td>125.65</td>
<td>133.82</td>
<td>104.20</td>
<td>100.40 (2012)</td>
</tr>
<tr>
<td>b. Male</td>
<td>125.60</td>
<td>133.24</td>
<td>107.40</td>
<td>102.90 (2012)</td>
</tr>
<tr>
<td>7. Secondary school gross enrollment (%)</td>
<td>53.72</td>
<td>53.74</td>
<td>72.30</td>
<td>72.30 (2004)</td>
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<tr>
<td>a. Female</td>
<td>54.66</td>
<td>55.85</td>
<td>76.73</td>
<td>76.73 (2004)</td>
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<tr>
<td>b. Male</td>
<td>52.80</td>
<td>51.69</td>
<td>68.06</td>
<td>68.06 (2004)</td>
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<tr>
<td>8. Child malnutrition (% below 5 years old)</td>
<td>32.50</td>
<td>25.70</td>
<td>...</td>
<td>17.80 (2009)</td>
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<tr>
<td>9. Population below poverty line at $1.25 a day (PPP)</td>
<td>...</td>
<td>25.59</td>
<td>...</td>
<td>1.48 (2004)</td>
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<tr>
<td>10. Population with access to improved water source (%)</td>
<td>93.21</td>
<td>95.16</td>
<td>98.32</td>
<td>98.60 (2012)</td>
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<tr>
<td>11. Population with access to improved sanitation facilities (%)</td>
<td>67.98</td>
<td>79.44</td>
<td>97.30</td>
<td>98.73 (2012)</td>
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<tr>
<td>12. Public education expenditure (% of GDP)</td>
<td>...</td>
<td>6.27</td>
<td>7.65</td>
<td>5.89 (2012)</td>
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<tr>
<td>13. Human development index rank</td>
<td>...</td>
<td>60</td>
<td>84</td>
<td>103 (2013)</td>
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<tr>
<td>14. Gender Inequality index rank</td>
<td>...</td>
<td>...</td>
<td>57</td>
<td>49 (2013)</td>
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</table>
Table 3. continued

<table>
<thead>
<tr>
<th>Item</th>
<th>1990</th>
<th>2000</th>
<th>2010</th>
<th>Latest Year</th>
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<tr>
<td>C. Poverty Indicators</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>1 Poverty incidence (% living in multidimensional poverty)(^b)</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>5.20 (2009)</td>
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<tr>
<td>2 Percentage of poor to total population(^i)</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>21.00 (2004)</td>
</tr>
<tr>
<td>a. Malé</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>3.00 (2004)</td>
</tr>
<tr>
<td>b. Atolls</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>28.00 (2004)</td>
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<tr>
<td>3 Composite Human Vulnerability Index(^d)</td>
<td>...</td>
<td>4.10 (1997)</td>
<td>...</td>
<td>2.90 (2004)</td>
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<tr>
<td>a. Malé</td>
<td>...</td>
<td>2.00 (1997)</td>
<td>...</td>
<td>2.10 (2004)</td>
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<td>4 Poverty gap at $1.25 a day (PPP) (%)</td>
<td>...</td>
<td>13.09 (1998)</td>
<td>...</td>
<td>0.14 (2004)</td>
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<td>5 Poverty Severity Index(^b)</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>0.3 (2009)</td>
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<td>6 Inequality (Theil L index)</td>
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<tr>
<td>7 Multidimensional Poverty Index(^b)</td>
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<td>...</td>
<td>...</td>
<td>0.02 (2009)</td>
</tr>
<tr>
<td>a. Intensity of deprivation</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>35.60 (2009)</td>
</tr>
<tr>
<td>b. Vulnerable to poverty</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>4.80 (2009)</td>
</tr>
<tr>
<td>8 Human Poverty Index</td>
<td>...</td>
<td>25.4 (1998)</td>
<td>...</td>
<td>16.5 (2009)</td>
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<tr>
<td>Rank</td>
<td>...</td>
<td>43 (1998)</td>
<td>...</td>
<td>66 (2009)</td>
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</tbody>
</table>

... = not available, GDP = gross domestic product

\(^a\) Data taken from the Statistical Yearbook of the Maldives, 2013, Malé.

\(^b\) Based on the Multidimensional Poverty Index (MPI), which identifies multiple deprivations in the same households in education, health, and standard of living. Poverty incidence refers to the percentage of the population living in multidimensional poverty (the MPI “head count”). The computation is such that a cutoff of 33.3% is used to distinguish between the poor and the nonpoor. If the household deprivation score is 33.3% or greater, the household is multidimensionally poor. Households with a deprivation score greater than or equal to 20% but less than 33.3% are vulnerable to, or at risk of, becoming multidimensionally poor. Intensity of deprivation is the average percentage of deprivation experienced by people living in multidimensional poverty. Poverty Severity Index refers to the percentage of population that lives in severe poverty. (Taken from Human Development Report 2013, Maldives)

\(^c\) Refers to headcount ratio computed as a percentage of the population earning less than Rf15 per person per day. Taken from Vulnerability and Poverty Assessment Report of the Maldives Department of National Planning.

\(^d\) The composite index is based on 12 living standards indices—poverty gap, electricity access, transport services, communications, educational services and infrastructure, health services and infrastructure, drinking water, recreation and sports activities, durable consumer goods, housing, natural environment quality, and food insecurity and malnutrition. (Taken from the Vulnerability and Poverty Assessment Report of the Maldives Department of National Planning, 2004)

An Enduring Partnership
The Maldives and the Asian Development Bank

The Asian Development Bank has partnered with the Government of the Maldives since 1978 to help in the country’s development. The partnership has yielded substantial improvements in various sectors of the economy, with particular emphasis on tax administration; energy development; maritime transport; regional development; micro, small, and medium-sized enterprise development; and economic policy and public financial management, among others. As the country continues to make impressive gains in attaining its economic and social goals, the Asian Development Bank stands ready to work together with the Maldives to help fulfill its development objectives.

About the Asian Development Bank
ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to the majority of the world’s poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including all from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.