



Country Operations Business Plan

December 2013

Maldives
2014–2016

Asian Development Bank

CURRENCY EQUIVALENTS

(as of October 2013)

Currency unit	–	rufiyaa (Rf)
Rf1.00	=	\$0.064977
\$1.00	=	Rf15.3900

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
COBP	–	country operations business plan
CPS	–	country partnership strategy

NOTE

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

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I. CONSISTENCY OF THE BUSINESS PLAN WITH THE COUNTRY PARTNERSHIP STRATEGY

1. The Maldives is a small and open island economy, with a reputation as a high-quality tourist destination. The tourism sector directly accounts for about 30% of total gross domestic product. In recent years the economy has grown significantly as a result of a vibrant tourism industry and related sectors such as construction, transport, and communications. Prospects of growth for the tourism sector remain strong, although it has been affected by political unrest in early 2012 and the weakening of the European economies. Moreover, political economy challenges to fiscal consolidation and slow progress on economic diversification and employment generation have restrained rapid and inclusive growth in the medium term.

2. Since the country partnership strategy (CPS) period of 2007–2011, the Asian Development Bank (ADB) had taken a sequential approach to providing support to the Maldives¹. In the first phase, ADB provided capacity development assistance. Subject to fulfilling readiness criteria, ADB was to resume investment lending in the second phase. Although the current interim CPS for 2012–2013 does not cover the whole period of this country operations business plan (COBP), it does provide directions of sector focus for ADB's operations in the Maldives.

3. The government is in the process of formulating national development strategy after the new president is elected on November 2013. Therefore, the interim CPS for 2014 will extend the validity of the current interim CPS for 2012–2013 to fill the gap until the next full CPS for 2015–2019. This bridging arrangement will allow the new full CPS and ADB's business planning to be aligned with the government's national development strategy for 2014–2018, which is expected to be in place during 2014. The Interim CPS for 2014 is being prepared and expected to be approved by January 2014.

II. INDICATIVE RESOURCE PARAMETERS

4. The biennial country allocation of the Asian Development Fund (ADF) for the Maldives for 2013–2014 was \$8.08 million. For the purpose of planning, the indicative biennial resource envelope for 2015–2016 for Maldives is assumed to be \$8 million. The final allocation for 2015–2016 will depend on the available commitment authority and the outcome of the country performance assessments. Currently, the Maldives is eligible for 100% grant allocation, and the actual share of loan and grant will be determined by the future debt stress classification for each year.

5. ADB highlights its long-term objective² of having total annual direct cofinancing exceed the value of ADB's stand-alone project financing. The project cofinancing for 2014–2016 in this COBP reflects a progressive scaling-up of cofinancing.

6. The planned TA fund allocation for Maldives is indicatively \$1 million per year.

¹ Asian Development Bank. 2006. *Maldives: the country partnership strategy (CPS), 2007–2011*. Manila.

² Asian Development Bank. 2008. *STRATEGY2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila.

III. SUMMARY OF CHANGES TO LENDING AND NONLENDING PROGRAMS

7. **Lending program.** Given the limited ADF country allocation for the Maldives, this COBP only carries forward the energy and transport projects from the COBP, 2013–2015. This approach is consistent with the recommendations made by ADB's Independent Evaluation Department that ADB should limit its operations in the Maldives to fewer sectors with better focus. The proposed Strengthening Education for Youth Development Project, initially in the last COBP for 2014, was cancelled. Instead, this COBP will use the full ADF biennial country allocation of \$8.08 million for 2013–2014 to support the proposed Outer Island Sustainable Energy Development Project, which has been deferred from the original 2013 pipeline. An additional indicative \$30 million from ADF loan savings outside country allocation has been approved to scale up the project. Substantial cofinancing for this project of \$52 million has been identified to date, with about \$30 million from the European Investment Bank, \$12 million from the Scaling Up Renewable Energy Program in Low-Income Countries, and \$10 million from the Islamic Development Bank. The South Asia Subregional Economic Cooperation Transport Project (\$18 million) remains in the 2015 pipeline, and it will use the full ADF biennial country allocation of \$8 million for 2015–2016. The proposed additional \$10 million outside the country allocation will be sought through the ADF Subregional Pool Allocation.³ ADB and the Government of the Maldives will also work toward including provisions for public–private partnerships in this project. There is no lending project for 2016.

8. **Nonlending program.** There will be one technical assistance project each year of the COBP period. Capacity development technical assistance is planned to support the energy lending project in 2014, and similar technical assistance is planned to support the transport lending project in 2015. In the 2016 pipeline, project preparatory technical assistance is listed for the preparation of the 2017 lending project.

9. **Nonsovereign operations.** ADB is looking at the possibility of increasing the volume of its nonsovereign operations in the COBP period. The interventions will focus on priority areas, particularly clean energy, energy efficiency, and small and medium-sized enterprise finance. It must be noted, however, that the lack of effective convertibility of the rufiyaa and the country's weak sovereign rating remain deterrents to private investments and ADB's nonsovereign operations.

³ The ADF Subregional Pool Allocation represents the 10% of the ADF allocation earmarked for subregional projects.

UPDATED COUNTRY PARTNERSHIP STRATEGY RESULTS FRAMEWORK

(President's approval of the interim CPS: December 2011; COBP September 2013)

Country Development Goals				Changes from CPS or Last COBP
1. Good governance 2. Social justice 3. Economic development 4. Other areas				No changes
Sectors Selected for ADB Support				
Government's Sector Objectives	Sector Outcomes that ADB Contributes to and Indicators	ADB Areas of Intervention	ADB Indicative Resource Allocation in the Next Pipeline and Thematic Priorities	Changes from CPS or Last COBP
1. Energy (Strategy 2020 Core Area 1: Infrastructure; Core Area 2: Environment)				
1. Reliable, affordable, and sustainable energy supply to all citizens as a basic right 2. Promotion of renewable energy technology applications, energy efficiency, and energy conservation and greater energy security of the country 3. Protection of the environment and people's health from hazardous effects of energy production 4. Reduction of greenhouse gas emissions	<p>Reduced emissions from the energy sector in the Maldives</p> <p>Indicators: Up to 70% of the population have at least 20% of power supply from renewable energy on or before 2017</p> <p>Baseline: 0% (2010) Target: 70% (2017) Current value: 0% (2012)</p> <p>Up to 80% reduction in energy sector emissions by 2020 through renewable energy and energy efficiency</p> <p>Baseline: 0.9 kilograms of CO₂/kWh on average (2010) Target: 0.2 kilograms of CO₂/kWh after up to 80% reduction on average (2020) Current value: 0.9 kilograms of CO₂/kWh on average (2012)</p>	Renewable energy Energy efficiency and conservation Energy sector development Private sector development	\$38.08 million in 2014–2016 COBP, and additional cofinancing under discussion with European Investment Bank, Islamic Development Bank, Scaling Up Renewable Energy Program in Low-Income Countries, and other cofinanciers (to be determined), of which: ENV = 100% GEN = 100% PSD = 100%	<p>The indicative resource allocation has been enhanced for a larger program to cover the Outer Islands more extensively than the 40 islands that were initially planned for.</p> <p>Updated thematic priorities as: ENV = 100% GEN = 100% PSD = 100%</p>

Sectors Selected for ADB Support				
Government's Sector Objectives	Sector Outcomes that ADB Contributes to and Indicators	ADB Areas of Intervention	ADB Indicative Resource Allocation in the Next Pipeline and Thematic Priorities	Changes from CPS or Last COBP
2. Transport (Strategy 2020 Core Area 1: Infrastructure)				
<p>1. Connection of services, markets, people, and harbors through an integrated transport system with greater accessibility and affordability for all citizens</p> <p>2. Public–private partnerships in the development and operation of airports and regional ports</p> <p>3. Greater safety and security of the transport sector</p> <p>4. Development of the transport sector to support and promote national and regional economic growth</p>	<p>Increased and more efficient movement of goods and public transport system</p> <p>Increased international trade</p> <p>Baseline: total imports and exports = \$1.87 billion (2012)</p> <p>Target: total imports and exports = \$2.82 billion (2022)</p> <p>Current value: total imports and exports = \$1.87 billion (2012)</p>	<p>Port development plan, capacity development, and private sector participation in maritime infrastructure development</p>	<p>\$18 million lending in 2014–2016 COBP, about 70% of total COBP envelope, of which:</p> <p>PSD = 90%</p> <p>RCI = 100%</p>	<p>During CPM in July 2013, the government requested ADB's assistance in developing a new port at Thilafushi and to explore a redevelopment opportunity at the existing Male commercial harbor site</p> <p>Updated sector outcomes and indicators to better reflect port intervention</p> <p>Updated ADB areas of intervention to include a port development plan, capacity development, and private sector participation in maritime infrastructure development</p> <p>Updated thematic priorities as: PSD = 90% RCI = 100%</p>

ADB = Asian Development Bank, CO₂/kWh = carbon dioxide per kilowatt-hour, COBP = country operations business plan, CPM = country programming mission, CPS = country partnership strategy, ENV = environmental sustainability, GEN = gender equity, PSD = private sector development, RCI = regional cooperation and integration.
Source: Asian Development Bank.

INDICATIVE ASSISTANCE PIPELINE

Table A2.1: Lending Products, 2014–2016

Project / Program Name	Sector	Targeting Classification	Primary Theme	Division	Year of PPTA / PDA	Cost (\$ million)						
						Total	OCR	ADB		Total	Gov't	Co-finance
								Loans	Grants			
2014 Firm												
Outer Island Sustainable Energy Development Project ^a (Formerly Renewable Energy Project linked to SREP)	Energy	GI	ENV	SAEN	2012	90.08	0.00	0.00	38.08 ^b	38.08	TBD	52 ^c
Total						90.08	0.00	0.00	38.08	38.08	TBD	52
2015 Firm												
SASEC Transport Project	Transport	TI-G	RCI	SATC	2013	TBD	0.00	0.00	18.00 ^d	18.00	TBD	TBD
2016												
None												

ADB = Asian Development Bank; ADF = Asian Development Fund; ENV = environmental sustainability; GI = general intervention; Gov't = government; OCR = ordinary capital resources; PDA = project design advance; PPTA = project preparatory technical assistance; RCI = regional cooperation and integration; SAEN = Energy Division, South Asia Department; SASEC = South Asia Subregional Economic Cooperation; SATC = Transport and Communications Division, South Asia Department; SREP = Scaling Up Renewable Energy Program in Low Income Countries; TBD = to be determined; TI-G = targeted intervention – geographic dimensions of inclusive growth.

^a Deferred from 2013.

^b The actual share of loan and grant will be subject to future debt distress classification.

^c This includes \$30 million from the European Investment Bank, \$12 million from SREP, and \$10 from the Islamic Development Bank.

^d The proposed additional \$10 million outside the \$8 million from the indicative biennial country allocation for 2015–2016 is subject to financing from the ADF Subregional Pool Allocation.

Source: Asian Development Bank.

Table A2.2: Nonlending Products and Services, 2014–2016

Assistance Name	Sector	Division	Assistance Type	Sources of Funding				
				Source	ADB	Source	Others	Total
					Amount (\$'000)		Amount (\$'000)	
2014								
Capacity Development for Energy Project Implementation	ENE	SAEN	CDTA	TASF	1,000.00	TBD	0.00	1,000.00
Total					1,000.00			1,000.00
2015								
Capacity Development for Transport Project Implementation	TCT	SATC	CDTA	TASF	1,000.00	TBD	0.00	1,000.00
Total					1,000.00			1,000.00
2016								
PPTA for Transport Project 2017 ^a	TCT	SATC	PPTA	TASF	1,000.00	TBD	0.00	1,000.00
Total					1,000.00			1,000.00

ADB = Asian Development Bank; CDTA = capacity development technical assistance; ENE = energy; PPTA = project preparatory technical assistance; SAEN = Energy Division, South Asia Department; SATC = Transport and Communications Division, South Asia Department; TASF = Technical Assistance Special Fund; TBD = to be determined; TCT = transport and information and communication technology.

^a Sector indicative only for preparation of 2017 lending project.

Source: Asian Development Bank.

ASSISTANCE PROGRAM FOR THE CURRENT YEAR

Table A3.1: Lending Products, 2013

Project/Program Name	Sector	Targeting Classification	Primary Theme	Division	Year of PPTA / PDA	Cost (\$ million)					Co-finance
						Total	OCR	ADB		Total	
								Loans	Grants		
NONE						0.00				0.00	

ADB = Asian Development Bank, ADF = Asian Development Fund, Gov't = government, OCR = ordinary capital resources, PDA = project design advance, PPTA = project preparatory technical assistance.
Source: Asian Development Bank.

Table A3.2: Nonlending Products and Services, 2013

Assistance Name	Sector	Division	Assistance Type	Source	Sources of Funding			Total (\$'000)
					ADB		Others	
					Amount (\$'000)	Source	Amount (\$'000)	
2013								
Preparing Transport Project	TCT	SATC	PPTA/CDTA	TASF	750.00	TBD	0.00	750.00
Enhancing Tax Administration Capacity	FIN	SAPF	CDTA	JFPR	850.00	TBD	0.00	850.00
Total					1,600.00			1,600.00

ADB = Asian Development Bank; CDTA = capacity development technical assistance; FIN = finance; JFPR = Japan Fund for Poverty Reduction; PPTA = project preparatory technical assistance; SAPF = Public Management, Financial Sector and Trade Division, South Asia Department; SATC Transport and Communications Division, South Asia Department; TASF = Technical Assistance Special Fund; TBD = to be determined; TCT = transport and information and communication technology.

Source: Asian Development Bank.