



**ASIAN DEVELOPMENT BANK &
MALDIVES**
www.adb.org/maldives

2008
A FACT SHEET

Poverty reduction in the Maldivian context primarily means decreasing regional disparities in living conditions, since poverty is related to the remoteness of the islands and the lack of services in the atolls.

The tsunami that struck in December 2004 considerably constrained government's development momentum. Although the loss of lives was comparatively small, the disaster resulted in total damages of nearly \$0.5 billion, equivalent to some 62% of the country's gross national product. The Maldives is currently facing a large fiscal deficit, with about half of it stemming from tsunami-related rehabilitation expenditure and the rest due to expansion of government policies, including subsidization of social services. Tourism and fisheries, the two main economic sectors, have now recovered from the tsunami but the fiscal situation remains difficult and limits the Government's economic options.

The final draft of the Government's Seventh National Development Plan covering 2006–2010 envisions a sustainable development path anchored on economic growth, social equity, environmental protection, and good governance.

Relationship with ADB

The Maldives has received public sector lending of \$101.31 million for 17 loans and \$19.53 million for 56 technical assistance (TA) activities since joining the Asian Development Bank (ADB) in 1978.

ADB's Board endorsed, in October 2007, the Country Partnership Strategy (CPS) for the period 2007–2011. In agreement with the Government, ADB's future engagement will be selective and focused. In addition to providing much-needed assistance for capacity development, ADB's investment operations will be limited to three sectors: energy, transport, and private sector development, with an emphasis on micro-, small-, and medium-sized enterprises.

ADB's current portfolio comprises seven ongoing loans with a net loan amount of \$47.3 million (as of 31 December 2007). The loans include Postsecondary Education Development, Domestic Maritime Transport (approved in 2007), Information Technology Development, Outer Islands Electrification, Employment Skills Training, Tsunami Emergency Assistance Project, and the Regional Development Project (Phase II): Environmental Infrastructure and Management.

**Table 1. Maldives:
Development Indicators**

Non-MDG	
Population in millions	0.30 (2007)
Annual population growth rate (%)	1.9 (2005–2007)
Adult literacy rate (%)	96.3 (2000)
Percent of population in urban areas	30.0 (2006)
MDG	
Percent of population living on less than \$1 a day	1.0 (2004)
Percent of population living below the national poverty line	21 (2004)
Under-5 mortality rate per 1,000 live births	30 (2006)
Percent of population using an improved drinking water source	83 (2004)

MDG = Millennium Development Goal.
Sources: ADB. 2007. *Key Indicators 2007*. Manila.
ADB. 2008. *Basic Statistics 2008*. Manila.
UNESCO. 2008. Institute for Statistics Data Centre.
UNSD. 2008. Millennium Development Indicators Database Online.

Table 2. **Maldives: Economic Indicators, 2003–2007**

Economic Indicator	2003	2004	2005	2006	2007
Per capita GNI (\$)	2,160	2,440	2,320	2,680	...
GDP growth (% change per year)	8.5	9.5	-4.6	19.1	6.6
CPI (% change per year)	-2.9	6.4	3.3	3.5	7.4
Unemployment rate (%)	14.4	...
Fiscal balance (% of GDP)	-3.4	-1.6	-10.9	-6.7	-7.9
Export growth (% change per year)	14.9	19.1	-10.7	39.4	2.8
Import growth (% change per year)	20.2	36.3	16.1	24.4	14.8
Current account (% of GDP)	-4.5	-15.7	-36.0	-39.8	-45.0
External debt (% of GNI)	43.5	47.7	50.7	52.3	...

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2007. *Key Indicators 2007*. Manila.

ADB. 2008. *Asian Development Outlook 2008*. Manila.

World Bank. 2008. Global Development Finance Online.

World Bank. 2008. World Development Indicators Online.

Table 3. **Maldives: 2007 Loan, TA, and Grant Approvals (\$ million)**

Loans		TA	Grants	Total
Sovereign	Nonsovereign			
5.33	4.50	–	–	9.83

– = nil.

Cumulative Lending (as of 31 Dec 2007) : \$101.31 million

Cumulative Disbursements (as of 31 Dec 2007) : \$68.76 million

Table 4. **Maldives: Cumulative ADB Lending as of 31 December 2007**

Sector	Loans (no.)	Amount (\$ million)	% ^a
Education	2	12.30	12.14
Energy	4	30.30	29.91
Finance	1	4.50	4.44
Law, Economic Management, and Public Policy	1	5.00	4.94
Multisector	3	12.18	12.02
Transport and Communications	5	31.03	30.63
Water Supply, Sanitation, and Waste Management	1	6.00	5.92
Total	17	101.31	100.00

^a Total may not add up because of rounding.

Impact of Assistance

Since 1998, nearly all ADB-assisted projects in the Maldives have focused on improving physical and social infrastructure in the atolls. The Regional Development Project (Phase I), approved in 1999, focuses on atolls in the North and South Development Regions, and acts as a catalyst for economic growth. The project seeks to improve the living environment of the inhabitants of the islands and includes the construction of permanent regional development and management offices.

The Postsecondary Education Development Project, approved in 1998, aims to improve the quality of, and upgrade access to, postsecondary education. It is strengthening the institutional quality and capacity of the seven existing postsecondary educational institutions by expanding in-country curricula choices and raising the level of courses, leading to internationally recognized advanced diplomas. It is also establishing and strengthening the Maldives

College of Higher Education to consolidate and coordinate postsecondary administration and academic programs for these institutions and their atoll extensions.

The Employment Skills Training Project, approved in 2003, is a follow-up to the above project and is designed to increase the number of Maldivians actively participating in the labor force. The project aims to provide about 6,000 youths—at least 40% of whom will be female—with employment-oriented skills training.

The Outer Islands Electrification Project, approved in 2001, is improving electricity supply in 20 outer islands, where the majority of the country's poor reside. The project has three components: (i) to expand and augment the power supply systems; (ii) to strengthen the capacity of the sector regulator and (iii) to strengthen the legal framework for the outer islands' power supply utilities to increase their accountability and ownership of the supply systems. The second phase of the project is scheduled to be processed in 2008 and will include a component for renewable energy possibilities.

ADB assistance in 2005 included the Tsunami Emergency Assistance Project (TEAP) financed by an Asian Tsunami Fund grant of \$20 million and \$1.8 million loan saving. The TEAP aims to contribute to the sustainability of economic growth by minimizing the devastating impact of the tsunami in the transport/harbors, power, sanitation, and agriculture/fisheries sectors. In 2005, ADB also approved the second phase of the Regional Development Project, designed to increase the standard of living in central regions. A TA was provided in the same year to help with the preparation of small- and medium-sized enterprises (SMEs), and commercial agriculture development projects and to improve the capacity of several line ministries in project management, evaluation, and monitoring.

Future Directions

The Government's Seventh National Development Plan (NDP) aims to (i) build back better (tsunami recovery); (ii) eliminate extreme poverty, increase equity, and promote gender equality; (iii) diversify the economy; (iv) improve physical infrastructure (energy, transport, communication) in the atolls; (v) improve social infrastructure (education and health) in the atolls; (vi) provide better employment skills training; (vii) protect the environment; and (viii) provide equal justice, human rights, and good governance.

ADB's CPS (2007–2011) is fully aligned with the goals and objectives of the Seventh NDP and has been closely aligned with those of its development partners. In Phase I of the CPS, TA loans will be provided to strengthen economic and financial management in areas, such as internal audit capacity, tax administration, developing a multiyear fiscal framework, debt management, and strengthening project management capacities. Capacity development support will also be provided for structuring public–private partnerships (PPP) in transport, power, and other areas, including improving the enabling environment for SMEs in the private sector. A series of readiness filters will be applied to assess the feasibility of resuming support for new investment projects. Once readiness is secured, the second phase of assistance will include strategic support for investments and sector reform in transport, power, and SME development.

Operational Challenges

In the wake of the tsunami, development partners are providing emergency assistance and the Government will have to implement a significant increase in external assistance, estimated at a total of \$200 million in the next 2 years—or nearly 20 times the regular annual implementation before the disaster. The Ministry of Finance and Treasury, and other line ministries' staff have faced major challenges in effectively coordinating, managing, implementing, and monitoring emergency and development project activities.

Partnership

The tsunami triggered close coordination and cooperation between the Government and its development partners, including ADB, the United Nations Development Programme (UNDP), the World Bank, the International Monetary Fund, and the International Federation of the Red Cross and Red Crescent Societies. ADB was officially included in the Maldives UN Country Team led by UNDP. The Government's new strategy envisages development partners specializing in providing assistance to certain sectors or thematic areas to reduce duplication and overlap, and to minimize aid transaction costs. ADB will focus on capacity building in public sector financial management, and support for transport, power, and SMEs. In this context, the CPS has been prepared in close consultation with the UN, World Bank, and other development partners.

ADB recognizes the important role that nongovernment organizations (NGOs) play in meeting the needs of the poor and the disadvantaged. The ADB publication, *Women in the Republic of Maldives*, includes a chapter on NGO operations in the country.

Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions,

Table 5. Maldives: Project Success Rates

By Sector	Percentage	No. of Rated Projects/Programs
Energy	100.0	3
Multisector	50.0	2
Transport and Communications	66.7	3
Total	75.0	8
By Year of Approval		
1980s	75.0	4
1990s	75.0	4

Table 6. Maldives: Portfolio Performance Quality Indicators for Sovereign Lending, 2006–2007

	2006 (\$ million)	2007 (\$ million)
Number of Ongoing Loans (as of Dec 2007)	7	
Contract Awards/Commitments	7.65	4.13
Disbursements	4.93	5.08
Loans at Risk (%)	14.3	28.6

and commercial organizations—to participate in financing of ADB projects. The additional funds are provided in the form of grants, official loans, or credit enhancement products.

As of year-end 2007, cumulative direct value-added cofinancing for Maldives amounted to \$2.9 million for two investment projects and \$0.78 million for two TA projects. A summary of investment projects with cofinancing is available at www.adb.org/Documents/Fact_Sheets/Maldives/cofinancing.asp.

A summary of procurement contracts awarded to companies and consultants from the Maldives for goods and works, and consulting services can be found at www.adb.org/documents/Fact_Sheets/Maldives/procurement.asp.

About Maldives and ADB

Maldives is the 37th largest shareholder among regional members and the 45th largest overall. It shares both positions with Kiribati, the Federated States of Micronesia, Nauru, and Tonga.

ADB Membership

Joined	1978
Shares held	142 (0.004%)
Votes	13,374 (0.30%)

Marita Magpili-Jimenez is the Executive Director and **Sibtain Fazal Halim** is the Alternate Executive Director representing Maldives on the ADB Board of Directors.

ADB's operations in Maldives are managed through ADB's Manila Headquarters. ADB's South Asia Department provides the primary operational link to the government, private-sector, and civil-society stakeholders in its activities. The South Asia Department engages in policy dialogue and acts as a knowledge base on development issues in Maldives.

The Maldives government agency handling ADB affairs is the Ministry of Finance and Treasury.

About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). Over the last 4 years (2004–2007), ADB's annual lending volume averaged \$7 billion, with TA averaging \$218 million and grant-financed projects \$616 million. In 2007, lending volume was \$10 billion, with TA at \$243 million and grant-financed projects at \$673 million.

Contacts

ADB Headquarters

6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
Tel +63 2 632 4444
Fax +63 2 636 2444
information@adb.org

Ministry of Finance and Treasury

Ameer Ahmed Magu, Male, Maldives
Tel +960 332 2343
Fax +960 332 4432

Useful ADB websites

Asian Development Bank
www.adb.org

Country website
www.adb.org/maldives

Asian Development Outlook
www.adb.org/Documents/Books/ADO/2008/MLD.pdf

Annual Report
www.adb.org/Documents/reports/annual_report/2007/