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Report No: T7651-MV

TECHNICAL ANNEX  
FOR THE  
PROPOSED IDA GRANT  
IN THE AMOUNT OF SDR 3.7 MILLION  
(USD 5.6 MILLION EQUIVALENT)  
AND A  
PROPOSED IDA CREDIT  
IN THE AMOUNT OF SDR 5.6 MILLION  
(USD 8.4 MILLION EQUIVALENT)  
TO THE  
REPUBLIC OF MALDIVES  
FOR A  
POST-TSUNAMI RECOVERY AND RECONSTRUCTION PROJECT

February 14, 2005

**Energy and Infrastructure Unit  
South Asia Regional Office**

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CURRENCY EQUIVALENTS  
(Exchange Rate Effective = February 16, 2005)

Currency Unit = Rufiyaa (Rf)  
Rf.12.8 = US\$1  
US\$1.5217 = SDR 1

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ACB	-	Anti Corruption Board
ADB	-	Asian Development Bank
BoM	-	Bank of Maldives
CFAA	-	Country Financial Accountability Assessment
DCA	-	Development Credit Agreement
EMP	-	Environnemental Management Plan
ERL	-	Emergency Recovery Loan
ESSAF	-	Environmental and Social Screening and Assessment Framework
FMR	-	financial monitoring reports
FR	-	Financial Regulations
GoM	-	Government of Maldives
IDA	-	International Development Association
ILRDP	-	Island Livelihood Revitalization and Development Program
MCPW	-	Ministry of Construction and Public Works
MCST	-	Ministry of Communications, Science and Technology
MDG	-	Millennium Development Goals
M&E	-	Monitoring and Evaluation
MHAE	-	Ministry of Home Affairs and Environment
MMA	-	Maldives Monetary Authority
MoFT	-	Ministry of Finance and Treasury
MSSE	-	Micro and Small Scale Enterprises
NCB	-	National Competitive Bidding
Rf.	-	Maldivian Rufiyaa
RLP	-	Restoration of Livelihood Program
UN	-	United Nations
TRRF	-	Tsunami Relief and Reconstruction Fund

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TECHNICAL ANNEX FOR THE PROPOSED  
POST-TSUNAMI RECOVERY AND RECONSTRUCTION PROJECT  
FOR THE REPUBLIC OF MALDIVES

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MAP IBRD 33442

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## A. BACKGROUND

1. *Country Background.* The Maldives is a chain of Indian Ocean islands spread over a distance of 900 kilometers, and located between northern latitude 4 to slightly south of the equator. The land area, which covers about 26 geographic atolls, is grouped into 20 administrative atolls. The population of the Maldives is about 300,000. The country faces two main geographic challenges: (a) the absence of a significant land mass, which has resulted in a highly dispersed population, and (b) the low altitude of the existing islands. The country has 1,190 islands, of which 198 are inhabited. Of these islands, only 33 have a land area greater than one square kilometer. One third of the inhabited islands have a population of less than 500 and 70 percent of the inhabited islands have a population of less than 1,000. This extremely low population density makes the Maldives unique, even among small island archipelagic states. It also raises the cost of delivering social services and of public administration, as there is hardly any scope to generate economies of scale. The altitude of most of the islands in the Maldives is very low, just above sea level. As a result, rising sea levels cause many islands to disappear and new ones to appear. This has rendered some inhabited islands ecologically vulnerable, while other islands have become too densely populated to sustain their communities. The greater Malé area, already home to 70,000 people or almost a quarter of the population, is of specific concern, with increasing strain on social and public services caused by continuing in-migration from other parts of the archipelago.

2. *The tsunami and its effect.* The tsunami traveled at over 700 kilometers per hour and reached Maldives at 9:20 AM on 26 December 2004. Tidal waves ranging from 4 to 14 feet were reported in all parts of the country. More than 1300 people suffered injuries; 82 people are confirmed dead and another 25 are missing and feared dead. Unlike other countries affected by the tsunami, Maldives experienced a disaster of national proportion. Thirty nine islands were significantly damaged and nearly a third of the Maldives' 300,000 people were severely affected. Fourteen islands were completely destroyed and had to be evacuated. Nearly 12,000 people have been displaced from their islands, (initially 28,000 were displaced) and another 8,500 people are temporarily relocated to other places on their own island; thus 7 percent of the population of Maldives were displaced. The force of the waves caused widespread devastation of shelter and infrastructure in the atolls. Flooding caused by the tsunami wiped out electricity on many islands, destroying also their communication links. Water supply was disrupted in about 15 percent of the islands and 25 percent had major damage to the essential infrastructure such as jetties and harbors that links these islands with Malé. Electricity supply in many affected islands has yet to be restored. The impact on an economy largely based on tourism, fisheries, and agriculture will be substantive. Livelihoods of thousands have been undermined and will continue to suffer.

3. *The social fabric* of the tsunami hit islands in the Maldives has been seriously impacted by extensive physical damage, loss of life and livelihoods, and displacement of people. Most affected people lost savings kept in cash in the house. The affected communities have a heightened vulnerability to poverty. The impact of the losses has been exacerbated by the shock and fear caused by the tsunami. Although traumatized, island communities have demonstrated a strong sense of independence, resilience and cohesion in mobilizing themselves into groups to remove rubble, initiate small scale reconstruction activities on mosques and houses, distribute relief supplies, and sheltering those made homeless. In a country of many small islands, community organizations have traditionally played an important role in providing public and collective services and in many other areas of local life. The capacity of communities to mobilize themselves represents one of the most important assets for the reconstruction work ahead.

Community mobilization and self-help needs to form a cornerstone and a key organizing principle for demand-driven local recovery programs.

4. *Country Vulnerability.* The main risk factor for the country is the extremely low elevation with the average elevation being 1.5 meters above sea level. This increases the risks of a tsunami and vulnerability to the potential effects of global warming. Of the 198 inhabited islands, 88 face perennial beach erosion. Wide dispersal of population across very small islands and their remoteness and inaccessibility creates diseconomies of scale hampering both development and relief efforts. Maldives has been spared from natural disasters and is generally not affected by cyclones which affect other areas of the Indian Ocean. Consequently, Maldives has focused on what it saw as its main risk: global warming and consequent rising sea-levels. Nevertheless, the natural risks are compounded by the extremely high economic dependence on tourism and imports.

5. *Ongoing effort.* The Government responded within hours by creating a National Emergency Center which groups all government departments including decision makers under one roof and which also coordinates the relief efforts by donors and non-government organizations (NGO). The Government has been characterized by transparency and a strong desire to avoid overlap and waste of resources.

6. *Risks.* The Maldives has a good track record of governance and implementation of programs. Nevertheless, given the emergency nature of this operation, certain risks do exist: (a) the Government may be overloaded by different projects requiring different procedures from various donors. (b) income and livelihood support could be imperfectly targeted. (c) Government assistance, whether in cash or kind, could create a dependency syndrome and undermine private financial markets. (d) the urgency of providing support under the different components could undermine community consultation processes.

7. *Mitigation Measures.* (a) The creation of a one-stop Tsunami Relief and Reconstruction Fund (TRRF) will help to mitigate the first risk. (b) inter-Ministerial task forces with army and auditor involvement, transparent auditing of the TRRF, active participation of island-level Women's Development Committees, and Island Development Committees will act as strong deterrent to abuse of government support; (c) upfront announcement of transparent criteria for eligibility of government support under the livelihoods component will prevent expectations of and reliance on public support in the future, contributing to mitigating the risk of dependency syndrome; (d) the strong tradition in Maldives of grass root level community action in consort with local government will, it is hoped, continue, even in times of distress imposed by the tsunami.

## **B. IDA RESPONSE STRATEGY**

8. *Damage and needs assessment.* Immediately after the tsunami, the World Bank sent a team jointly with the Asian Development Bank (ADB) and the UN system to assess the damages. Total damages are estimated to be about US\$470 million, close to 62 percent of GDP. About \$298 million of this are direct damages to physical assets, representing about 8 percent of the replacement cost of the national capital stock. The rest are indirect damages (such as lost tourism income). The largest source of direct damages is the housing sector and the largest source of

indirect damage is the tourism sector, stemming from a sharp drop in tourist arrivals<sup>1</sup>. The cost of restoring the economy to pre-tsunami levels is estimated to be US\$406 million. Government revenues, which depend heavily on tourism, are expected to drop by US\$60 million, equivalent to about 25 percent of total revenues. The decline in revenues will impair the capacity of the government to finance the reconstruction program. Table 1 in Appendix 1 provides an overview of the damage and reconstruction costs estimates arrived at by the joint World Bank-ADB-UN mission. Table 2 of Appendix 1 matches the sector specific estimated recovery needs with the foreign financing that has been identified to date.

9. *Governments long term strategy and its linkage to the tsunami response.* The principal impact of the tsunami on the Government's development strategy will be to accelerate the process of population concentration. The tsunami lent new urgency to the policy of population concentration, which will go a long way to reduce diseconomies of scale in service provision and will provide protection against sea-level rise. Another impact of the tsunami has been a rethinking of environmental measures needed to defend focus islands—a new plan for creation of safe focus islands has been proposed. The proposed safe island design would involve elevated zones, high buildings, special drainage zones, and sloping revetments for environmental protection. The Government's population consolidation policy rules out forced resettlement. The Government has re-stated its policy against forced resettlement in a recent communication to donors.

10. *Regional development strategies.* The government has developed a two pronged strategy to distribute the benefits of economic growth to all parts of the country. The first element of the strategy is to develop two regional centers, one in Addu Atoll in the far south and the second in Haa Dhalu Atoll in the far north. These centers are designed to have airports, good ports and other social and infrastructure facilities. The regional centers are to be complemented by safe islands on different atolls to act as atoll service hubs and growth centers. The government is also seeking to distribute the benefits of tourism to all atolls by allowing new resorts to be opened in the atolls which currently lack resorts. The opening of the new international airport and international port in Addu Atoll will bring tourism and other economic opportunities within reach of the more isolated southern atolls. The government expects these developments to reduce regional differentials and promote growth and employment opportunities outside of Male.

11. *The provision of social services* in the Maldives poses special challenges given the dispersion of its population. The country's public expenditure, in line with other small island economies with dispersed populations, is high at 40 percent of Gross Domestic Product (GDP). Consequently, public expenditure management poses a major challenge to the Government. The Government's previous strategy to widen access to services across the archipelago consisted of creating facilities and providing services on all islands, including those with small populations. In the education and health sectors, this approach has led to the establishment of a primary school, a primary health post, and other social infrastructure on each inhabited island. Establishing and maintaining secondary schools and more advanced health facilities on each island would be extremely expensive. In addition, public expenditure of 40 percent of national income currently supports a basic level of local government services to atolls, with advanced services concentrated only in the central Malé region. Widening access to high quality local government services to the atolls is also likely to be extremely costly. Hence, the government needs to maximize cost effectiveness in developing strategies to improve access and develop the quality of education, health care and local government services in the outer atolls.

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<sup>1</sup> The indirect damage estimates need to be treated with caution particularly when it comes to tourism and livelihood damages.

12. *Communications.* The development of a national broad-band network to provide access to internet based public services within atolls is also an important element of the government's strategy to improve the coverage and quality of local government. Currently, the cost of intra-atoll and inter-atoll communication and information transmission is severely constrained by the high cost of telecommunications and the absence of adequate transmission capacity. The Government strategy of developing a broad-band network would enable focus island hubs to supply services to the primary islands within their atolls more cheaply and effectively. In addition, a broad-band network would facilitate inter-atoll communications by substantially reducing costs and increasing the volume of information that can be transmitted.

13. *Linkage to the World Bank's Country Assistance Strategy (CAS).* A major element in the last CAS for the Maldives has been to support the Government's population consolidation policy as a protection against rising sea-levels and to improve public services. The next CAS will most likely continue this support.

14. *Rationale for IDA financial support.* The tsunami which hit Maldives on 26 December, 2004 was a nation-wide disaster which caused severe damage to the physical infrastructure of many islands. The tsunami has set back the high levels of social progress and prosperity achieved in recent years. The physical damage has led to severe human suffering inasmuch as large segments of the population have lost their dwellings, lifetime assets, savings, and sources of livelihood. IDA support would meet an urgent need for reconstruction finance and, by providing resources in a timely and transparent manner through the Government's TRRF, IDA would help set an example in terms of harmonizing donor procedures and avoid over-burdening the limited managerial resources of the Government.

### C. PROJECT OBJECTIVES

15. The project objectives are to support the efforts of the Government of the Maldives to carry out a program of rehabilitation and reconstruction related to the damages caused by the tsunami of 26 December 2004.

### D. PROJECT DESCRIPTION

16. This operation will be implemented over a period of three years, with much of the work expected to be completed during the first year. IDA support will be routed through the Tsunami Relief and Reconstruction Fund (TRRF) established under the aegis of the Ministry of Finance and Treasury with the purpose to assure transparency in the use of funds. The operation will have the following components:

**Component 1: Restoration of livelihoods** consists of (a) safety net cash transfers to the affected population for their subsistence needs, and (b) a program to restore lost or damaged assets of affected enterprises.

- *Sub-Component a: Safety net cash grants to households affected by the tsunami* (US\$5.6 million from the IDA grant). The Government has begun providing one-time cash grants to families seriously affected by the tsunami<sup>2</sup>. Under this program, the

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<sup>2</sup> This program is ongoing and an amount of Rf. 30 million has been disbursed to the affected population with an estimate of additional Rf. 20 million to be disbursed shortly. GoM has used budgetary funds for

Government has started distributing Rf.1,500 (US\$117) per capita to families whose houses were completely destroyed; Rf.1,000 per capita to families whose houses were partially damaged; and Rf.500 per capita to families whose houses are intact but household items swept away. This amount is intended to help affected families cover immediate expenses on food and household essentials. The Government is also preparing a follow-up safety net program targeting the poorest and most vulnerable among the affected population; this new program would provide a small monthly cash payment for a limited period of 10 months to poor and heavily affected families. The purpose of limiting the period and narrowly defining the target groups is to avoid developing a dependency syndrome.

- **Sub-Component b: Restoration of Livelihoods Program (RLP)** (US\$3.0 million from the IDA credit). The government has decided on a policy of urgent support for livelihood restoration, the Restoration of Livelihoods Program. This program would provide sub-grants for restoration of assets (e.g. fishing vessels, fishing gear, fish processing equipment, agricultural tools, and other). The RLP is targeted to micro and small scale enterprises in the affected islands who lost or suffered damages to their income generating assets. The support under this program will help these enterprises restart their businesses, and thereby kick start economic recovery and employment at the local level. The eligibility criteria for assistance under this program cover enterprises whose assets were damaged or lost from the tsunami, and which were not insured.

**Component 2: Increase school capacity on islands receiving the population displaced by the tsunami** (US\$5.0 million from the IDA Credit). The tsunami has made at least seven islands uninhabitable. The population displaced from these seven islands needs to be resettled immediately. The receiving islands will need additional schools and facilities to accommodate the increasing student population. Temporary classrooms erected to accommodate the students will need to be converted into permanent classrooms. Moreover, certain islands including Lamu Gan are expected to receive a substantial population increase and at least one new school will be needed here. The proposed assistance will finance additional permanent classrooms and the new school. The component will be implemented by the line Ministry.

**Component 3: Implementation Support to the Post-tsunami Reconstruction Program.** (\$0.4 million). The post-tsunami reconstruction program currently under planning will add considerably to the normal workload of all levels of government. Since this increase in work load is temporary, it does not justify additional permanent staff. This component will temporarily increase the capacity of implementing Ministries to manage the additional workload by financing project management specialists.

17. *Justification of the project and emergency procedure.* The project will help to start the process of recovery after the tsunami. Urgent support is needed because of the scale of damages, and because the Government's ability to respond has been impaired by the adverse impact on its revenues from import and tourism related taxes. Tables 1 and 2 of Appendix 1 provide sector-by-sector details of the damages, reconstruction needs, and foreign financing already identified. Large gaps exist in all sectors; IDA support would help close those gaps, and by routing support through the TRRF in a transparent and streamlined manner, it would also have a catalytic impact on other donor support. The sectors to be supported were chosen, in part, because of previous

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these payments, which will be retroactively financed by IDA. Once complete, this program will have reached approximately 63,000 beneficiaries.

World Bank experience through investment lending or analytical work in the sectors; the urgency of support needs and the soundness of the government's reconstruction strategy; and the absence of commitments from other donors to the given sector.

18. *Lessons from Previous Emergency Operations.* The World Bank experience in emergency operation shows that the first element of response should focus on restoring livelihoods so that people can earn incomes and help themselves. This is covered by the first component of the project. Another element to consider is to avoid overburdening the Government with multiple, additional donor imposed procedures and processes. This is addressed by working through the integrated structure of the TRRF and a consolidated project Operations Manual used by all participating donors. Finally, it is very important to design the program in a flexible manner, as new or unforeseen issues may arise which will need response. This need is addressed by keeping the project objectives quite broad, which would allow the borrower flexibility to address unanticipated needs.

## **E. INSTITUTIONAL ARRANGEMENT AND PROJECT IMPLEMENTATION**

19. *Tsunami Relief and Reconstruction Fund (TRRF).* The Government of Maldives (GoM) has set up a TRRF under the aegis of the Ministry of Finance and Treasury (MoFT) by way of presidential decree (equivalent to an Act in Maldives) dated January 9, 2005. The TRRF will receive resources from local and international sources, and channel these resources to expenditures for relief, reconstruction, and management activities. In addition, it will also account for and report on in-kind grants and funds passed on directly by donors. The TRRF will operate as a separate fund under the budget of GoM and will enable GoM to transparently delineate and account for tsunami related assistance and ensure effective usage of funds.

20. *Financing Plan.* A joint team from World Bank, ADB, and UN have recently completed a needs and damage assessment, estimating the total public financing needs for reconstruction at about \$304 million. The TRRF is in the process of tying up resources and matching them with projected sector usage. A financing plan is under preparation by MoFT which will identify the sectors and activities in which reconstruction financing is needed and the probable funding sources available.<sup>3</sup> As the donor commitments and modalities are yet to be firmed up, the financing plan will need to be dynamic and subject to periodic revisions (bi-monthly). Arrangements would be put in place at the government accounting bureau at MoFT to track the actual expenditures to collate and report against the plan.

21. *Staffing and functions of the TRRF.* The TRRF will be operated by MoFT using their regular staff, with oversight provided by the TRRF monitoring Board appointed by the President. This board comprises seven members: three senior civil servants (including the Auditor General of Maldives as Chairman), three representatives from the private sector, and one representative from the international donor agencies. The Board's functionalities include ensuring effective implementation of the relief and reconstruction work; monitoring and supervising the approved activities; reviewing the operational reports including expenditures; and maintaining transparency in the operations by collating and disseminating information on the utilization of funds.

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<sup>3</sup> The donor funding is in the process of being negotiated. To avoid delays in implementing its reconstruction program, GoM is proposing to match its prioritized program for Tsunami Relief and Reconstruction in various sectors with the donors available to commit funds, through a dynamic business plan. This will mitigate any fiduciary risk of donor overlap and will enable GoM to continue with the momentum of relief and reconstruction work, without waiting for all-donor consensus.

22. *Operations Manual of the TRRF.* The management, organizational structure and implementation arrangements including procurement and financial management will be detailed in the operations manual of the Fund, currently under finalization. The operations manual of the TRRF lays out the decision making structure for the TRRF. It also details all implementation issues including procurement and financial management procedures.

23. *Implementing component 1(a), targeted cash assistance to people whose houses were damaged by the tsunami.* The GoM is in process of distributing cash grants to the affected population to meet basic subsistence and livelihood support needs. Multi-sectoral task teams (including the island committees and local groups) have been formed for distributing the cash entitlement determined as per the scheme. These task teams include a representative from the office of Auditor General (who performs a pre-audit function on the team), one from the National Security Service<sup>4</sup> (defense service of GoM) and 4-5 senior functionaries from other line ministries, who visit the affected islands, survey the affected properties and individuals, scrutinize and verify the beneficiaries with the data made available from the repository, register them, and make the payments. Receipts are obtained through signatures and finger imprints from the beneficiaries and the list is prepared at the end of every day, where it is signed by each of the task team members to establish internal control and accountability.

24. Beneficiaries are being identified and verified in a process that involves: (a) the atoll and island administration, (b) community groups which are strong in these small island communities, (c) visual damage inspection by the task teams, and (d) the Ministry of Gender, Family Development and Social Security. The latter has the experience with targeting cash assistance programs in the past. The task teams after returning from the islands hand over the duly signed and verified lists to the National Security Service (NSS) along with the balance cash. The data (from the lists given by the task teams) are currently being compiled at the disaster management centre with the help of the Auditor General's office and would ultimately be updated on a web site for the general public (social audit). This design could be improved further by ensuring better dissemination by posting the lists of payment immediately in the offices of the local island committees.

25. *Follow-up cash assistance (also component 1(a)).* Additional assistance will be required to the poorest and most vulnerable of the affected population. The disbursement and implementation arrangements of this safety net program will be similar to the assistance offered to those whose houses sustained damages, with the following exceptions: (a) the target group will be much smaller (approximately 4,000 individuals); (b) the targeting criteria will emphasize the poor and vulnerable such as the elderly, the disabled, and single parents with many children among the affected population; (c) the amounts disbursed will depend to some extent on family size, and will not depend on the extent of damage sustained to the house, and (d) this assistance will be paid out on a monthly basis for a period of up to 10 months.

26. *Implementation of Component 1(b): Restoration of Livelihoods Program (RLP).* The Livelihoods Restoration Program would be implemented by the Ministry of Finance and Treasury over a period of 10 months from the effectiveness date of the ERL. The eligibility criteria for grant support under RLP would be micro and small scale enterprises (MSEs) affected by the tsunami that have lost or suffered damages to income generating or business assets which were

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<sup>4</sup> National Security Service has a very strong reputation of assisting in such emergencies. It is also handling the warehousing, maintaining inventory and transportation for the physical aid that has been received during the Tsunami emergency.

not insured. MoFT will receive IDA funds for the RLP and would be responsible for providing the cash grants directly to the beneficiaries. The government would verify MSEs receiving the sub-grants against the eligibility criteria and would maintain a record of the name and address of the MSEs and the type of business, estimated value of the damaged business asset, and the amount of grant provided to them. At the end of the program, MoFT would also carry out an impact assessment of the grants provided and would have the accounts of the RLP audited by an independent auditor acceptable to IDA.

27. *Implementation of Component 2: Increase school capacity on islands receiving the population displaced by the tsunami.* This component will be implemented by the Ministry of Education with support from the existing Program Monitoring and Coordination (PMC) section which has extensive experience with implementing IDA projects. The needs for reconstruction assistance have already been identified in detail by school and by island.

28. *Implementation of Component 3: Implementation Support to the Post-tsunami Reconstruction Program.* The Ministry of Finance and Treasury with input from the concerned line Ministry will decide on whether there is a need for temporary additional support to the line Ministry for implementing the Post-Tsunami program and whether the work could easily be done by existing permanent staff. If the need is determined to exist, the need would be fulfilled by national or international experts working for the period of the Post-Tsunami reconstruction.

## **F. FINANCIAL MANAGEMENT AND DISBURSEMENT**

### ***Summary of Financial Management Assessment***

29. The Government of Maldives (GoM) is in the process of finalizing the implementation arrangements for the Tsunami Relief And Reconstruction Program with various donors, which will ensure transparency and efficient fiduciary arrangements. The IDA financing, along with other donor finance, will be routed through the TRRF operated by the Ministry of Finance and Treasury (MoFT), which, subject to meeting the conditions for disbursement, is in the process of establishing a financial management (FM) system that will be adequate to account and report for project resources and expenditures.

30. It has been identified that IDA credit and grant will support safety net cash transfers, sub-grants to small businesses for restoration of assets and livelihoods, education sector reconstruction, and support for program management. Total IDA assistance up to an amount of US\$14 million is envisaged. All the payments from TRRF would be made on the basis of duly certified and verified invoices and other supporting documents, per detailed operational and business procedures as described in the Operations Manual. These payments would be made on a centralized basis by the government accounting bureau at MoFT. The proposed arrangements of routing all fund flows through TRRF under MoFT will: i) significantly reduce the risk of delays in the availability of funds at the operational level, ii) increase transparency, speed, accuracy, and reporting for operations, iii) enable TRRF to disburse funds in a timely manner for smooth implementation, and iv) replenish the accounts quickly to maintain program momentum.

31. All activities, projects and other expenditures would be approved and authorized by a high powered Ministerial council. Urgent relief activities will be approved by the Chief Coordinator (currently the defense minister, as the nominee of the president) of the disaster task force, which groups all senior bureaucrats including decision makers under one roof and coordinates the relief efforts by donors and NGOs. Detailed appraisal processing and monitoring

and evaluation criteria are specified in the Operations Manual. The arrangements will be built around existing country systems to the extent possible, with upgrades designed to improve effectiveness and accountability. At the outset, the donors are expected to harmonize and coordinate: overall TRRF priorities, project evaluation criteria, sector-specific operations, payment mechanisms, initial funding amounts and replenishment schedules, and reporting requirements.

### ***Current flow of funds and other arrangements***

32. A Bank Account for the TRRF, managed by MoFT, has been set up with the Maldives Monetary Authority (MMA; the Central Bank of Maldives), to receive funds from various domestic sources for the tsunami disaster. Checks and cash received locally are deposited directly into this Bank Account. Up to now, the GoM has been meeting relief and reconstruction expenses including the operational expenditures from an initial amount made available from the budget (approximately Rf.82 million or US\$6.4 million have been spent till February 5, 2005). Another two Bank accounts have been opened with the Bank of Maldives (BoM) to receive international contributions, one account for Rufiyaa contributions and another account for foreign exchange. Total cash receipts and commitments of US\$25.45 million and of Rf.16.892 million had been received by the TRRF up until February 6, 2005, amounting to a total of US\$27 million. It is proposed to transfer all the amounts from BoM to the bank account at MMA, in line with other government departments and agencies for the purposes of spending on the program.<sup>5</sup> Separate records are being maintained for aid received in-kind. The inventory list of supplies received and supplies made is being periodically updated. Adequate physical and administrative controls are being maintained over these by the National Security Service (NSS)<sup>6</sup>, by way of maintaining intake registers, periodic inventory counts, requisition slips, release slips, segregation of duties etc. The initial accounts for the TRRF are being inspected by the Auditor General who is also helping in setting up the FM arrangements for the fund. MoFT is in the process of revising its budget for the current year (calendar year 2005) to include the TRRF related expenditures.

### ***Strengths and weaknesses of the financial management system***

- (i) A Country Financial Accountability Assessment (CFAA) carried out in late 2000 concluded that although public financial management and accountability in Maldives is at a nascent stage, there is an understanding and commitment within the Government to modernize in this area. Important steps have already begun to reform public financial management arrangements.
- (ii) The government of Maldives has prior experience in handling IDA-financed projects with satisfactory FM arrangements.
- (iii) The TRRF is in the process of establishing a sound financial management system incorporating financial arrangements, control processes, and funds flow arrangements based upon the best government practices currently in use and with the possibility of tailoring them to more closely meet the needs of tsunami recovery operations.
- (iv) Fund flows will be routed through the government budget and will facilitate integration with government finances, allow budgeting, and enable accurate tracking of expenditures.

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<sup>5</sup> As per GoM financial rules, the departments are allowed to spend only from bank accounts kept at the central bank (MMA).

<sup>6</sup> NSS has been mandated to monitor & control the movement of in-kind aid by controlling the warehousing and transportation arrangement.

- (v) Urgency is widely recognized.

<b>Weaknesses</b>	<b>Mitigating actions</b>
The managers of the recently created TRRF have no prior experience in handling financial management activities of similar operations. The operation is complicated due to involvement in multiple sectors.	Regular staff of MoFT will be responsible for managing day to day operation of the fund and in addition assistance from other public sector agencies (like MMA) will be provided as required. Adequate oversight mechanisms will be established by the TRRF monitoring Board including monthly internal audits and half yearly external audits. Overall coordination will be provided by the MoFT
The detailed arrangements of TRRF management and operations (including payments) are still being worked out and there is risk that this may delay implementation.	An Operations Manual detailing the implementation arrangements, financial plan and cross sectoral flows is currently under preparation (to be finalized before disbursement). Close monitoring and regular reporting mechanisms will be adopted by the TRRF. In the interim, regular government procedures and financial rules are being followed for the emergency work.

The overall FM risk of the project is rated at medium, after implementation of the mitigation actions as described above.

### ***Staffing***

33. The TRRF Board, led by the Auditor General, includes three private sector representatives and a joint representative of the international donor agencies. The Board will provide overall oversight and strategic direction to the fund. In addition the day to day management of the fund would be entrusted to the government accounting bureau at MoFT. This team will be headed by Financial Controller and would consist of a chief accountant (accounts payable) and other senior personnel from procurement, revenue, banking, accounting, warehousing, inventory management, IT and internal audit. Technical inputs, follow up and supervision would be provided by the designated personnel of the line ministries. The Financial Controller, who has more than two decades of experience in MoFT and the financial sector, is already in place. The other members in the Accounting and Finance team include a professional accountant with requisite experience with government systems and best practices. Recruitment for other staff has begun and is likely to be complete by third week of February. In the meanwhile support is being provided by other senior functionaries of MoFT.

### ***Fund Flows under the Bank financed project (IDA Credit and Grant)***

34. Similar to procedures followed in other World Bank financed operations, the Government of Maldives will open a bank account in the name of TRRF (designated special account, in accordance with the requirements) with the Maldives Monetary Authority (MMA). This Bank account will be administered by the TRRF. An advance aggregating US\$5 million to meet the anticipated expenditures for the initial four months will be provided by IDA through this bank account. All project related payments to suppliers and contractors will be made on a centralized basis, directly by the TRRF and later reimbursed from this special account. Replenishments would be provided to this Bank account by IDA on the basis of withdrawal applications evidencing the project related expenditures.

## ***Operations Manual***

35. Government of Maldives (GoM) is fully aware of the importance of establishing and adopting a strong financial management system to account for and monitor the utilization of funds for the emergency through the Fund, and is in this process of preparing an Operations Manual which will lay down the ground rules for activity / project evaluation, appraisal and approval, procurement, flow of funds, financial reporting, accounting including accounting for intermediaries/departments, financial reporting standards, and audit arrangements including the TOR of the auditors. This will be based upon existing government financial regulations and will attempt to amplify the internal and financial controls that should be established in such a situation. In case of any inconsistency between existing government financial rules and the Operations Manual, the latter shall prevail.<sup>7</sup> Inputs are being provided by various stakeholders including the Auditor General, Ministry of Finance and Treasury and departments coordinating the disaster mitigation activities. This manual will serve as a guide to the operating staff in the project and a suitable accounting system is being installed at MoFT to ease preparation of the financial and other reports.

## ***Accounting Policies and Procedures***

36. The TRRF will be responsible for funding all project expenditures, accounting for them, and reporting on financial and physical progress. The Fund will comply with the applicable international accounting standards and policies, which will be captured in the Operations Manual. For this purpose, assistance will be provided by the professional accountants working at the TRRF.

## ***FM and other information systems***

37. The TRRF is in the process of establishing an adequate financial management system at the government accounting bureau in MoFT. This includes documenting and establishing financial arrangements, control processes, and funds flow arrangements, based upon the best government practices currently in use, with the possibility of tailoring them to more closely to meet the needs of tsunami recovery operations while ensuring adequate and robust controls. Initially, an off-the-shelf accounting software is being used by the Fund which will be augmented, according to the program requirements during implementation. All required books of accounts will be kept by the TRRF. This accounting system will be voucher based, computerized and based on double entry accounting system. This system will be able to generate expenditure information along the lines of the expenditure classification in the government budget, while also identifying the funding source (donor).

## ***Financial Reporting***

38. The government departments involved in the supervision and monitoring of the activities to be funded through the TRRF will provide the physical reporting and other documentation, that may be required from an accounting and audit perspective, on a monthly basis to the Fund. The IDA related reporting requirements and the formats will be spelt out in the Operations Manual, and will include as a minimum the physical and financial information necessary to enable progress monitoring. The Fund will submit quarterly financial monitoring reports (FMRs) to IDA

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<sup>7</sup> For this purpose, the final Operations Manual will be approved at an appropriate level for adoption by the TRRF.

within 45 days of the end of the quarter, starting from the end of the first calendar quarter after effectiveness. The Operations Manual will provide details on the reporting mechanisms that should be adopted by the project.

### ***Internal Controls***

39. The Country Financial Accountability Assessment (CFAA) of Maldives concluded that basic controls over budgeting, disbursements, receipts, accounting, and reporting are in place. Key aspects include controls over the operation of bank accounts, a budget appropriation and release process overseen by MoFT, requirements for basic accounting records, certification and authorization controls over Government payroll and other expenditures, and preparation of monthly accounting reports for MoFT. Special attention will be paid to distribution of cash grants to the beneficiaries, which carries an inherent fiduciary risk, which will be mitigated by implementing a design that uses existing government controls & systems, is fully transparent, and ensures adequate community and local government involvement. The Government Financial Regulations Act, last consolidated in 1992, set out the requirements for the internal controls and recording of public revenue; government expenditure including payroll; government assets including cash in custody, property and equipment, consumable items and items printed for sale; procurement and contract management. These Regulations reflect the manual accounting systems of the Government and are in the process of being updated as part of the modernization and computerization of the public accounting system. Additional internal control procedures will be specified in the Operations Manual to bridge any gaps and to promote outcome/output focused accountability.

40. *Internal Audit.* In addition to the regular financial statement audit, the TRRF will be subjected to a regular internal audit by a firm of international chartered accountants, approved by the Office of Auditor General of Maldives, to assess whether the funds have been disbursed on a timely basis, reached the intended recipients, transactional controls and propriety has been maintained and used effectively and efficiently for the intended purposes. Internal audit terms of reference will be detailed in the Operations Manual. This process will result in periodic: (i) performance audit with identification of recommendations for enhanced accountability and transparency, and (ii) timely corrective actions by the Fund and its implementing agencies. Selection process for the internal auditors has begun and they are expected to be in place by end February. The audit will begin in March and first reports are expected by the middle of April. The internal audit reports will be shared with IDA periodically, at request.

41. *External Audit.* The Fund, as per the decree issued by the president, is required to be audited by an international firm of accountants, acceptable to IDA, under international standards of auditing to maintain full transparency and provide adequate assurance to all the stakeholders. The audit firm will be nominated by the TRR monitoring Board which includes various stakeholders including donors. The terms of reference for the external audit will be included in the Operations Manual, which would include an audit of the Fund's financial statements. This would also be used for receiving fiduciary assurance, as the financial statements of the overall fund would identify the activities specifically agreed to be financed by IDA. The external audits would be conducted every six months in the first year of the implementation due to the high level of expected expenditures. Thereafter the audit of the Fund would be done on an annual basis.

42. The following audit reports will be monitored in Audit Report Compliance System:

<b>Implementing Agency</b>	<b>Audit Opinion</b>	<b>Auditor</b>	<b>Timing</b>
TRRF created by GoM	On TRRF's Financial Statements including IDA financed activities and the special account	An international firm of accountants approved by the Auditor General	Every 6 months

### ***Disbursement Arrangements***

43. The proceeds of the Credit / grant would be disbursed against eligible expenditures in the following categories:

<i>Disbursement Category</i>	<i>Amount (\$million)</i>	<i>Disbursement %</i>
Safety net Cash Grants to affected beneficiaries	5.60	100%
Sub-grants for restoration of assets and livelihoods	3.00	100%
Goods Works and Services for increasing school capacity and technical assistance for management and implementation	5.40	90%
<b>Total</b>	<b>14.00</b>	

44. Project funds will be disbursed by IDA on the basis of periodic financial monitoring reports (FMR), incorporating financial & physical progress reports in agreed formats, submitted by the project on a quarterly basis. Supporting documentation, including completion reports and certificates, will be retained by the TRRF and made available to the Bank during project supervision. This will need to be coordinated by the TRRF and MoFT. The FMRs and the withdrawal application will be prepared by the TRRF and forwarded to MoFT for approval. The Fund, in turn, will receive physical progress and other technical reports submitted by the departments and other implementing agencies (including local governments) and submit withdrawal applications directly to IDA for replenishment of the SDAs. Donors will agree to standardized reporting.

45. *Retroactive Financing.* Retroactive financing will cover the payments already made. The total amount of retroactive financing allowed is 40 percent of the combined loan and grant which adds up to US\$5.6 million. This would include the expenditures made after the date of the tsunami disaster and within 4 months of the expected loan signing date. It is expected that about US\$4 million of the retroactive financing will be used to cover the safety net payments already made by the Government during January. The remaining part of the retroactive financing will be for other programs mostly in education. The expenditure must be backed by adequate documentation including evidence of payment.

46. *Special Account advance.* IDA will advance a sum required to meet anticipated expenditures for the next 2 quarters, through the special account opened by the borrower at the central bank, MMA.

### ***Impact of Procurement arrangements***

47. The procurement under the project would largely be centralized at MoFT and would require the finance officials of the fund to closely liaise with them.

### ***Supervision Plan***

48. This project will require intensive supervision in the initial year to ensure that satisfactory arrangements are being put in place for financial accountability and adequate usage of funds.

### ***Conditions for effectiveness***

49. Preparation of an Operations Manual detailing adequate financial management arrangements as described above.

## **G. PROCUREMENT ARRANGEMENTS**

50. *General.* IDA intends to support the Government of Maldives' program of tsunami related rehabilitation and reconstruction and would initially focus on (i) livelihood support, (ii) education, and (iii) implementation capacity building.

51. *TRRF.* GoM has setup a "Tsunami Relief and Reconstruction Fund" (TRRF) under the aegis of the MoFT. The fund would be operated by the MoFT using regular staff and the oversight will be provided by TRRF monitoring board appointed by the President. TRRF monitoring board is chaired by Auditor General and includes representation from both the public sector, the private sector, and the donors. Activities proposed by agencies need to obtain the approval of the Ministerial council to be eligible for financing under TRRF.

52. *Procurement Rules.* Procurement actions by all the beneficiaries of the proposed program would be carried out in accordance with the procedures in TRRF Operations Manual. The procedures will largely be based on the current Financial Regulations of the GoM and international procurement practices. The proposed manual shall include information such as detailed procurement rules, methods, use of SBDs/RFPs, appeal mechanism, blacklisting mechanism for suppliers/contractors, technical guidance notes etc. The proposed manual will be finalized and agreed by IDA prior to the disbursement of first tranche of funds.

53. *Procurement Responsibility.* MoFT shall take the overall responsibility for all Procurement actions under the TRRF. However Procurement of goods, works and services and disbursement of grants for livelihood support activities shall be implemented either by MoFT or any other agency identified by MoFT.

### **Capacity Review and Risk assessment**

#### ***Procurement Rules of the Government of Maldives***

54. *Legal and Procedural Framework:* (a) *Procurement of works, goods and consulting services:*

- (i) **Procurement of works and goods:** Government Financial Regulations (FR) - Chapter 6, details the thresholds and steps to be followed in procurement of works. The findings are as follows: All works contracts estimated to cost more than

Rf.10,000 – 500,000 (US\$800 – 40,000) could be handled by the executing agency (EA) and need to be advertised. Bids will have to be re-invited if less than three bids/quotations are received.

- (ii) Bidding and evaluation for all contracts above Rf.500,000 (US\$40,000) will be handled by the Tender Evaluation Board (TEB) constituted under the Ministry of Finance and Treasury (MoFT) and awarded by the line Ministry. This TEB was formerly constituted under the Ministry of Construction and Public Works, now re-named as Ministry of Environment and Construction. A pre-qualification procedure has to be followed for all contracts estimated to cost more than Rf.5,000,000 (US\$400,000) and for complex contracts.

55. FR lists the steps required to be taken, makes references to the bidding process, and always requests a public bid opening with representation of bidders and opening of bids immediately after submission. FR lists out key conditions to be included in the conditions of contract: duration of contract, liquidated damages and rate, retention money, dispute resolution mechanism and remedies against performance and default, and advance payment. However, FR does not guide on the time that should be allowed for preparation of bids, but it is the established practice to allow about one month for bids invited from national firms following Local Competitive Bidding (LCB) procedures and upto three months for contracts following International Competitive procedures. GoM does not restrict any foreign participation as a joint venture partner for LCB, but requests the joint venture partner to register the company in Maldives upon selection as the winning bidder for the duration of the contract.

56. GoM does not carryout price negotiations with the winning bidder.

57. According to FR, TEB is responsible for monitoring the progress of the works including certifying the progress bills. In addition, TEB is nominated to handle contractual disputes. This practice could be seen as a potential conflict of interest.

58. *Guidelines.* The then the Ministry of Construction and Public Works issued “ Tender Guidelines for Government Projects” in December 2001. This document includes a circular and six annexes as described below: Annex 1- Consultant’s Selection for Government Projects; Annex 2 – Pre qualification information sheet; Annex 3 –Pre qualification document; Annex 4 – Tender and Contract Document (Part I); Annex 5 - Tender and Contract Document (Part II); Annex 6 Tender Board procedures for Local Competitive bidding. The pre-qualification and tender documents are based on the World Bank’s standard pre qualification and bidding documents for procurement of small works. Circular on selection of consultants does not detail the steps or the method. There is guidance that proposals should be invited from firms that have at least two years experience and that have handled at least one project for GoM and have availability of qualified staff.

59. *Comments about GoM guidelines.* The pre-qualification procedures follow a point system for qualifying the bidders but does not disclose the distribution of points upfront. The documents request the bidders to propose the time for completion rather than indicating the intended completion period in advance. It was also noted that MoFT has recently prepared a document for supply and installation of goods based on Bank’s SBD Goods. In addition they have prepared documents and invited bids for award of contracts on the basis of supplier’s credit. FR has no detailed steps for the *procurement of goods* but covered little under 6.13 and 6.17. It may be because it has mandated procurement of goods from State Trading Organization (STO) (FR 6.17 (a)).

60. Upon request from government departments or ministries, the STO handles procurement of various items including medical drugs and surgical equipment and consumables. Usually STO follows shopping procedures for such procurement from their database of registered suppliers. The registration procedure is open for any organization and round the year.

61. (b) *Selection of Consultants*: There are no provisions in the FR. However circular giving a very brief note has been prepared by MCPW in December 2001 for selection of consultants for civil works.

62. (c) *Publication of awards*: MoFT has commenced publishing in the local newspapers a list of winning bidders and contracts on a monthly basis beginning from November 2004.

63. (d) *Appeals/challenges mechanism for contract award determination*: The only system available is to appeal to the Anti corruption Board.

64. (e) *Suspension/blacklisting of contractors/suppliers*: GoM has blacklisted several contractors despite a lack of formal mechanism for doing so.

65. (f) *Anti corruption measures*: The Anti Corruption Board (ACB) established under a Presidential Directive in 1991 is active. The ACB receives around 60 complaints annually, including complaints from suppliers and contractors. If needed, the Board of ACB can request the procuring entities to hold decisions until the complaint has been investigated. Most of the complaints are finalized within two months period and depending on the outcome of the findings the complaints are either referred to: (a) Attorney General for prosecution; (b) imposing fines; or (c) recommended to be dropped as found baseless.

66. (g) *Procurement Procedures for activities financed by Foreign Financing Institutions*: According to our understanding of paragraph 6.11 (f) of Government Financial Regulations, the implementing agency may carryout all the procurement actions if financed by foreign funding agencies by a coordinating committee appointed with the approval of the President's Office following procedures agreed with the Financing Institution. IDA agrees for national procedures with a list of "Improved Bidding Procedures" for NCB works contracts.

***Recommended Actions for Improving the Procurement Capacity of the Implementing Agencies***

67. Based on the review of GoM's procurement regulations and practices described above, it is recommended that the GoM review and revise the existing Procurement Guidelines in the Financial Regulations to bring them in line with good international public procurement practices. This will include provisions for dispute resolution and suspension and blacklisting procedure.

68. IDA could seek the possibility of processing a IDF grant to carryout the proposed improvement and capacity building activities to improve the current procurement environment.

**Detailed Recommendations:**

Objective	Proposed Action	By Whom
Improvement of the Procedural and Legal Framework	(a) Review and revise the current procurement guidelines in FR to bring inline with the current needs and align with best international public procurement practices. This needs to be done with the participation of stakeholders including the Auditor General and Attorney General. Introduce a transparent dispute	GoM

	<p>resolution mechanism, appeals/challenges during the procurement process and against contract award determination, suspension/blacklisting mechanism for contractors.</p> <p>(b) Prepare Sample/Standard Bidding and Sample Raps for procurement and selection of consultants. These may be based on harmonized documents agreed by donors. Quotation forms, simple contract forms etc.</p> <p>(c) Introduce e-procurement in a staged manner</p>	
Capacity Building	Develop a training plan, material and implement training programs for all procuring entities, including suppliers contractors and consultants.	GoM
Introduction of Effective Procurement Monitoring	Develop and implement an effective procurement monitoring system within MoFT which includes a performance monitoring system for contracts of all government agencies.	GoM

69. *Agreements.* (i) GoM shall prepare an Operations Manual largely based on the current Financial Regulations of the GoM and international best procurement practices prior to disbursement of the first tranche of funds from IDA. (ii) Internal audit shall include audit of compliance to agreed procurement procedures in the Operations Manual. (iii) GoM in the medium and long term shall review and revise its procurement procedures in line with international best procurement practices.

## H. SAFEGUARDS

<b>Safeguard Policies Triggered by the Project</b>	Yes	No
Environmental Assessment (OP/BP/GP 4.01)	[X]	[ ]
Natural Habitats (OP/BP 4.04)	[ ]	[X]
Pest Management (OP 4.09)	[ ]	[X]
Cultural Property (OPN 11.03, being revised as OP 4.11)	[ ]	[X]
Involuntary Resettlement (OP/BP 4.12)	[ ]	[X]
Indigenous Peoples (OD 4.20, being revised as OP 4.10)	[ ]	[X]
Forests (OP/BP 4.36)	[ ]	[X]
Safety of Dams (OP/BP 4.37)	[ ]	[X]
Projects in Disputed Areas (OP/BP/GP 7.60)*	[ ]	[X]
Projects on International Waterways (OP/BP/GP 7.50)	[ ]	[X]

70. An Environmental and Social Screening and Assessment Framework (ESSAF – the “Framework”) has been prepared to undertake environment impact assessments (EIAs) for rehabilitation and reconstruction activities with the purpose to ensure that adverse environmental and social impacts are minimized, and appropriate mitigation measures are included in subproject designs. The Framework which has been developed to ensure compliance with World Bank

\* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

safeguard policies as well as the Bank's OP 8.50 on Emergency Recovery Assistance, is applicable to all subprojects funded under the project. Neither GoM, nor its implementing agencies shall undertake any reconstruction or recovery activities that could cause any environmental or social impacts in the absence of an environmental assessment conducted in accordance with the ESSAF that is satisfactory to IDA. A detailed discussion of the Framework is presented in Appendix 2.

71. Recognizing the emergency nature of the project, and the related need for providing immediate assistance, while at the same time ensuring due diligence in managing potential environmental and social risks, the Framework is based on: (i) key policy principles for environmental and social risk management; (ii) tools to screen subprojects for environmental and social impacts and mitigate such impacts; (iii) procedures to ensure that these principles and tools are appropriately applied; and (iv) guidelines for capacity building and monitoring. The Framework assists the Government and its implementing agencies in screening subprojects for likely environmental and social impacts, identifying documentation and preparation requirements through the application of standardized guidelines and codes of practice.

## MALDIVES: Post-Tsunami Recovery and Reconstruction Project

### Appendix 1: Tsunami Damages and Reconstruction Costs and Financing

**Table 1: Estimated Losses and Financing Needs in US\$ million**

Sector	Losses			Costs of Reconstruction (2)			
	Direct Losses	Indirect Losses (1)	Total Losses	Needs for next six months	Medium Terms Needs	Total Costs (3)	Public Financing Needs (3)
Education	15.5		15.5	8.4	12.7	21.1	21.1
Health	5.6		5.6	4.9	7.3	12.2	12.2
Housing	64.8		64.8	22.2	51.8	74.0	74.0
Water and Sanitation	13.1		13.1	18.4	27.2	45.6	45.6
Tourism	100.0	130.0	230.0	10.0	90.0	100.0	
Fisheries	13.2	11.9	25.1	5.8	8.3	14.1	14.1
Agriculture	10.8	0.3	11.1	4.8	6.3	11.1	11.1
Transport	20.3		20.3	2.0	25.0	27.0	24.9
Power	4.6		4.6	1.9	2.8	4.6	4.6
Livelihoods		30.0	30.0	17.4		17.4	17.4
Environment				3.7	6.1	9.8	9.8
Disaster Risk Management				0.7	3.7	4.4	4.4
Other Costs for new Host Islands (4)				5.0	10.0	15.0	15.0
Administration etc. (4)	50.0		50.0	15.0	35.0	50.0	50.0
<b>Total</b>	<b>297.9</b>	<b>172.2</b>	<b>470.1</b>	<b>120.1</b>	<b>286.1</b>	<b>406.2</b>	<b>304.1</b>
<b>Losses and Costs as Percent of GDP</b>			<b>62%</b>			<b>54%</b>	<b>40%</b>
<i>Estimated Revenue Loss</i>							<i>60.0</i>
<i>Total Financing Gap including revenue loss</i>							<i>364.1</i>
<i>Total Financing Gap including revenue loss as percent of GDP</i>							<i>48%</i>

(1) Indirect loss estimates particularly in tourism and livelihoods are not robust.

(2) Reconstruction costs in some sectors are higher than damages because (a) some partially damaged houses will need to be fully rebuilt because the original islands are not livable anymore; and (b) new environmental standards apply to new facilities.

(3) Some of the losses in tourism and transport will be covered by insurance.

(4) These estimates are preliminary.

Source: Maldives Tsunami: Impact and Recovery. Joint Needs Assessment by World Bank, ADB and UN

**Table 2: Financing Plan in US\$ million**

Sector	Public 1/ Financing Needs	Source of Financing by Donor and Commitment											Total Commit ment	GAP	GAP as percent of need			
		Japan China	German Red Cross	French Red Cross	International Red Cross	EU	World Bank	ADB	IDB	FAO	UNDP	UNFPA				UNICEF	WHO	
Education	21.1															17.3	3.8	18%
Health	12.2		6.5													9.5	2.7	22%
Housing	74.0	10.0		20.0							0.5					31.8	42.2	57%
Water and Sanitation	45.6															4.4	41.2	90%
Tourism																0.0		
Fisheries	14.1															2.6	11.5	82%
Agriculture	11.1															2.5	8.6	77%
Transport	24.9															2.9	22.0	88%
Power	4.6															2.5	2.1	46%
Livelihoods	17.4									8.6	2.0	1.0				11.6	5.8	33%
Environment	9.8															0.0	9.8	100%
Disaster Risk Management	4.4															0.0	4.4	100%
Other Costs for new Host Islands (4)	15.0															0.0	15.0	100%
Administration etc. (4)	50.0									0.4	0.8					1.2	48.8	98%
<b>Total</b>	<b>304.2</b>	<b>10.0</b>	<b>6.5</b>	<b>20.0</b>						<b>14.0</b>	<b>20.0</b>	<b>1.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.5</b>	<b>86.3</b>	<b>217.9</b>	<b>72%</b>

1/ Public Financing Needs have been derived from Table 1.

Note: This is a estimated Financing Plan.

Source: Maldives Tsunami: Impact and Recovery. Joint Needs Assessment by World Bank, ADB and UN.

## **MALDIVES: Post-Tsunami Recovery And Reconstruction Project**

### **Appendix 2: Safeguard Policy Issues**

#### ***ENVIRONMENTAL AND SOCIAL SCREENING AND ASSESSMENT FRAMEWORK***

##### **I. Objectives**

1. The Environmental and Social Screening and Assessment Framework (ESSAF) details general policies, guidelines, and procedures to be integrated into the implementation of the IDA supported Post-Tsunami Recovery and Reconstruction Project in the Maldives. The project aims to support the efforts of the Government of Maldives to address immediate post-tsunami needs and to start the reconstruction process. This operation will be implemented over a period of three years but much of the work is expected to be completed during the first year. The project has been prepared in accordance with the World Bank's OP 8.50, Emergency Recovery Assistance, to expedite processing and provide immediate support through a proposed grant of \$5.6 million and a credit of \$8.4 million focusing on: (i) restoration of livelihoods through safety net cash transfers to the affected and a program to restore lost or damaged assets; (ii) increased school capacity, including additional schools and facilities, on islands receiving populations permanently displaced by the tsunami; and (iii) technical skills for implementing the post-tsunami reconstruction program.

2. The ESSAF has been developed to ensure compliance with the World Bank's safeguard policies and is applicable to all subprojects funded under the project. The objective of the ESSAF is to ensure that activities under the proposed reconstruction operations will address the following:

- ❖ **Enhance positive and sustainable environmental and social outcomes;**
- ❖ Support the integration of environmental and social aspects of subprojects into the decision making process;
- ❖ Ensure environmentally and sustainable development by supporting the protection, conservation, maintenance and rehabilitation of natural habitats and their functions;
- ❖ Minimize environmental degradation as a result of either individual subprojects or their cumulative effects;
- ❖ Protect human health;
- ❖ Minimize impacts on cultural property; and
- ❖ Assist displaced people in improving or at least restoring their livelihoods and standards of living to pre-displacement levels.

##### **II. General Principles**

3. Recognizing the emergency nature of the proposed relief and reconstruction operations and the related need for providing immediate assistance, while at the same time ensuring due

diligence in managing potential environmental and social risks, the ESSAF is based on the following principles:

- ❖ The proposed operations will support multiple subprojects, the detailed designs of which may not be known at appraisal. To ensure effective application of the World Bank's safeguard policies, the ESSAF provides guidance on the approach to be taken during implementation for the selection and design of subprojects and the planning of mitigation measures;
- ❖ Environmental category 'A' subprojects are not expected in the first year's subprojects. If any do occur, EAs for specific subprojects will be prepared during implementation, instead of before appraisal and are subject to approval by the World Bank. Corrective measures in the form of an Environmental Management Plan will be built into either the emergency project or a future lending operation. The above is in accordance with paragraph 13 of OP 4.01 and paragraph 5 of BP 4.01 on emergency recovery assistance;
- ❖ The overall aim of the proposed operations is to ensure the sustainable restoration of the habitats and livelihoods of populations displaced or affected by the tsunami. The overarching principles of the World Bank's social safeguard policies are instructive on the use of systematic and cost effective mechanisms to achieve this objective. These include: (i) consultations with affected people in the preparation of relocation plans and ensuring that their views and concerns are made known to decision makers and taken into account; (ii) socio-economic surveys to identify and assess social impacts, including loss of assets, income source or livelihoods; (iii) disclosure of relocation plans to the affected population and dissemination of information on their rights and measures to improve or restore their livelihoods; and (iv) strategies to ensure that benefits are also provided to host communities, where applicable. Since a major element in the recent World Bank strategy to support the Maldives has been to support the population consolidation policy as protection against rising sea-levels and to improve public services, it would be good practice for the Government to adopt these policy principles. The adoption of these principles would contribute to institutionalizing good practice and facilitate more effective and participatory implementation of the Government's own relocation policy, as well as facilitate the preparation of donor projects. It would also be good practice for the Government to undertake social assessments detailing social impacts and measures to mitigate these impacts, as well as present planning documents which include the outcomes of consultations with affected communities;
- ❖ In the unlikely event that people are physically or economically affected by Bank funded subprojects, appropriate social studies, in accordance with the requirements of OP 4.12 will be prepared. These studies can be prepared during implementation, providing a timetable for their preparation during implementation is agreed with IDA at appraisal.
- ❖ The proposed emergency reconstruction operations will finance feasibility and detailed design studies for these subsequent investments, which will include environmental assessments and social studies as required by World Bank safeguard policies;
- ❖ Employment opportunities within the projects will be available on an equal basis to all, on the basis of professional competence, irrespective of gender. In all projects which require consultations with local communities or beneficiaries, consultations will be conducted to elicit the views of the male, female and vulnerable populations; and
- ❖ Consultation and disclosure requirements will be adapted to meet the special needs of these operations. This ESSAF will be disclosed in the sector ministries and other public places in the Maldives and in the World Bank InfoShop.

### **III. Environmental and Social Screening and Assessment Framework (ESSAF)**

4. This ESSAF has been developed specifically for these proposed operations (Section 1.1, above) to ensure due diligence and to avoid causing harm to the environment or exacerbating social tensions. The purpose of this Framework is also to assist the Project Implementing Agencies in screening all the subprojects for their likely social and environmental impacts, identify documentation and prepare requirements, and prioritizing the investments.

5. **OP 4.01 Environmental Assessment.** Most of the proposed subprojects are likely to focus on the restoration of livelihoods, education services and technical skills for implementing the post-tsunami reconstruction. While work in these areas will be done under OP 4.01, OP 4.04 on natural habitats may also be triggered.

6. Considering the nature and magnitude of potential environmental impacts from relatively limited scale and magnitude of reconstruction works, the proposed operations are likely to be classified as category 'B'. The requirement to carry out an Environmental Analysis as part of project preparation can be waived, but for subprojects with possible adverse impacts, a limited Environmental Analysis will be prepared after approval and before implementation of the respective subprojects. To address specific issues, prior to appraisal the implementing agency will agree to apply the following minimum standards during implementation: inclusion of standard environmental codes of practice (ECOP) in the repair and reconstruction bid documents of all subprojects; review and oversight of any major reconstruction works by specialists; implementation of environmentally and socially sound options for disposal of debris; and provisions for adequate budget and satisfactory institutional arrangements for monitoring effective implementation.

7. **OP 4.12 Involuntary Resettlement.** The need for involuntary resettlement is highly unlikely and will only be known when site-specific plans are available. Subprojects will be screened for applicability of the resettlement policy. In the event that people are physically or economically displaced by Bank funded subprojects, IDA will, in applicable circumstances, require a draft resettlement plan prepared in accordance with the requirements of OP 4.12, before the commencement of any relocation activities. This plan is subject to the approval of IDA.

8. **OD 4.20 Indigenous Peoples.** The five defining characteristics normally used (OD 4.20, paragraph 5) to identify indigenous peoples are not applicable in the Maldivian context. The policy does not apply, nevertheless, a potential vulnerability assessment of all affected groups is planned to ensure effective consultations and definition of appropriate benefits.

9. **OPN 11.03 Cultural Property.** The emergency operation may pose limited risks of damaging cultural property, assuming that they will not include large-scale excavations, movement of earth or demolition. Nevertheless, projects and subprojects will be reviewed for their potential impact on cultural property and clear procedures will be required for identification, protection of cultural property from theft, and treatment of discovered artifacts, and will be included in standard bidding documents. While not damaging cultural property, subproject preparation may later identify and include assistance for preservation of historic or archeological sites. If these opportunities occur, cultural property management plans would be prepared for those subprojects in compliance with OPN 11.30 and local laws and regulations.

10. **OP 4.04 Natural Habitats.** The Maldives can be considered as a sensitive ecosystem, endowed with large tracts of environmentally sensitive natural habitats. Conservation of such habitats during reconstruction is essential. Although a detailed survey has not yet been undertaken, based on the experience of other tsunami affected countries, areas where natural

resources such as mangroves, sand dunes and reefs were degraded or destroyed most likely suffered more from the tsunami compared to areas where the natural barriers were intact. This underlies the importance of conserving natural habitats. Since the World Bank will not support subprojects that involve conversion of critical natural habitats an EA is required prior to initiation of any specific subproject that could possibly affect the conversion of natural habitats. Decisions on actions and requirements will be made with the concurrence of the Bank.

#### **IV. Safeguard Screening and Mitigation**

11. Subproject selection, design, contracting, monitoring and evaluation will be consistent with the following guidelines, codes of practice and requirements. The safeguard screening and mitigation process will include:

- ❖ A list of ineligible subprojects listed in Attachment 1;
- ❖ A proposed checklist of likely environment and social impacts to be filled out for each subproject or group of subprojects, Attachment 2;
- ❖ Guidelines for asset acquisition, entitlements and compensation, Attachment 3;
- ❖ Overall guidelines for environment and social aspects of the Tsunami Emergency Recovery Program as well as procedures for the protection of cultural property, including the chance discovery of archaeological artifacts, unrecorded graveyards and burial sites, Attachment 4;
- ❖ Relevant elements of the codes of practice for the prevention and mitigation of potential environmental impacts, Attachment 5;
- ❖ Recommended Environmental Codes of Practice, Attachment 6; and
- ❖ A sample Environmental Safeguards procedures for Inclusion in the Technical Specifications of Contracts, Attachment 7.

#### **V. Responsibilities for Safeguard Screening, Mitigation and Clearance**

12. All project supported activities and other expenditures would be approved and authorized by a high powered Ministerial Council. Urgent relief activities will be approved by the Chief Coordinator of the disaster task force which groups all senior bureaucrats including decision makers under one roof and coordinates the relief efforts by donors and NGOs. As a policy, the disaster task force will require the ESSAF to be adopted by all implementing agencies. This authority will ensure that all reconstruction activities that will be implemented by sub-national agencies adhere to the requirements of the ESSAF, and that designated environment and social development specialists are appointed for overseeing the implementation and monitoring of the Framework. A focal person will be appointed for oversight on required environmental clearances and approval of required environment and social studies. The World Bank will assign specialists to facilitate the implementation of the ESSAF and provide approval of environmental and social assessment/studies requiring Bank clearance.

#### **VI. Capacity-Building and Monitoring of Safeguard Framework Implementation**

13. As part of the capacity-building to be provided for implementation of the proposed operations, the designated environment and social development specialists working with the task force as well as relevant staff of the concerned Ministries and implementing agencies will receive training in ESSAF's application. During supervision of these operations, the World Bank will

assess the implementation of the ESSAF, and recommend additional strengthening, if required. A comprehensive review of ESSAF's application will be undertaken by the World Bank 18 months after project effectiveness.

## **VII. Consultation and Disclosure**

14. This ESSAF will be shared by the Government of Maldives, with concerned nongovernmental organizations and development partners of Maldives reconstruction. It will be disclosed in Dhivehi and English by the Ministry of Planning and National Development and it will also be made available at the World Bank's InfoShop. Relevant subproject specific safeguard documents/mitigation plans prepared subsequently will also be disclosed.

15. The proposed operations may support a number of feasibility and detailed design studies for future infrastructure investments for which World Bank safeguard policies relating to consultation and disclosure will apply. In particular, for environmental Category A and B investments<sup>8</sup> proposed for future operations, the implementing agency will consult project-affected groups and local nongovernmental organizations on the project's environmental and social aspects, and will take their views into account. The implementing agency will initiate these consultations as early as possible, and for meaningful consultations, will provide relevant material in a timely manner prior to consultation, in a form and language(s) that are understandable and accessible to the groups being consulted.

16. For Category A projects, the implementing agency will consult these groups at least twice: (a) shortly after the environmental screening and prior to finalization of the terms of reference for the Environmental Impact Assessment (EIA); and (b) once a draft EIA report is prepared. For the initial consultation, the implementing agency will provide a summary of the proposed project's objectives, description, and potential impacts. For both Category A and B projects, the implementing agency will provide these groups with a summary of the EIA report's conclusions. In addition, the implementing agency will make the draft reports publicly available to project-affected groups and local nongovernmental organizations.

## **VIII. Guidelines for preparation of Environmental Management Plans**

17. Having identified the potential impacts of the relevant sub-component, the next step of the EA process involves the identification and development of measures aimed at eliminating, offsetting and/or reducing impacts to levels that are environmentally acceptable during implementation and operation of the project (EMP). EMPs provide an essential link between the impacts predicted and mitigation measures specified within the EA and implementation and operation activities. World Bank guidelines state that detailed EMPs are essential elements for Category A projects, but for many Category B projects, a simple EMP alone will suffice. While there are no standard formats for EMPs, it is recognized that the format needs to fit the circumstances in which the EMP is being developed and the requirements, which it is designed to meet. EMPs should be prepared after taking into account comments from both the PAA and IDA as well as any clearance conditions. Given below are the important elements that constitute an EMP.

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<sup>8</sup> As defined in World Bank Operational Policy 4.01, Environmental Assessment.

*a. Description of mitigation measures*

18. Feasible and cost effective measures to minimize adverse impacts to acceptable levels should be specified with reference to each impact identified. Further, it should provide details on the conditions under which the mitigation measure should be implemented (e.g., routine or in the event of contingencies). The EMP also should distinguish between type of solution proposed (structural & non-structural) and the phase in which it should become operable (design, construction and/or operational). Efforts should also be made to mainstream environmental and social opportunities as reasonable.

*b. Monitoring program*

19. In order to ensure that the proposed mitigatory measures have the intended results and complies with national standards and donor requirements, an environmental performance monitoring program should be included in the EMP. The monitoring program should give details of the following:

- ❖ Monitoring indicators to be measured for evaluating the performance of each mitigatory measure (for example national standards, engineering structures, extent of area replanted, etc).
- ❖ Monitoring mechanisms and methodologies
- ❖ Monitoring frequency
- ❖ Monitoring locations

*c. Institutional arrangements*

20. Institutions/parties responsible for implementing mitigation measures and for monitoring their performance should be clearly identified. Where necessary, mechanisms for institutional co-ordination should be identified as often monitoring tends to involve more than one institution.

*d. Implementing schedules*

21. Timing, frequency and duration of mitigation measures with links to overall implementation schedule of the project should be specified.

*e. Reporting procedures*

22. Feedback mechanisms to inform the relevant parties on the progress and effectiveness of the mitigation measures and monitoring itself should be specified. Guidelines on the type of information wanted and the presentation of feedback information should also be highlighted.

*f. Cost estimates and sources of funds*

23. Implementation of mitigation measures mentioned in the EMP will involve an initial investment cost as well as recurrent costs. The EMP should include costs estimates for each measure and also identify sources of funding.

### List of Negative Subproject Attributes

Subprojects with any of the attributes listed below will be ineligible for support under the proposed emergency reconstruction operations.

<b>Attributes of Ineligible Subprojects</b>
<b>GENERAL CHARACTERISTICS</b>
<p>Concerning significant conversion or degradation of critical natural habitats. Including, but not limited to, any activity within:</p> <ul style="list-style-type: none"> <li>• Wildlife Reserves;</li> <li>• Sensitive marine ecosystems; and</li> <li>• Parks or Sanctuaries.</li> </ul>
<p>Damages cultural property, including but not limited to, any activities that affect the following sites:</p> <ul style="list-style-type: none"> <li>• Archaeological or historical sites; and</li> <li>• Religious monuments, structures or cemeteries.</li> </ul>

## MALDIVES: Post-Tsunami Recovery and Reconstruction Project

### APPENDIX 3: DOCUMENTS IN THE PROJECT FILE

A. World Bank – Asian Development Bank – UN System Joint Assessments, *Main Report*,  
*January 16, 2005*

1. Annex 1 – Macroeconomic Impact
2. Annex 2 – Social Impact Assessment
3. Annex 3– Employment and Safety Net
4. Annex 4 – Education and Training Sector
5. Annex 5 – Health
6. Annex 6 – Housing Sector
7. Annex 7 – Water Supply, Sanitation and Solid Waste Management Sector
8. Annex 8 – Tourism Sector
9. Annex 9 – Fisheries Sector
10. Annex 10 – Agriculture Sector
11. Annex 11 – Transport and Communication Sector
12. Annex 12 – Power Sector
13. Annex 13 – Environment
14. Annex 14 – Gender
15. Annex 15 – Food
16. Annex 16 – Disaster Management and Vulnerability Reduction Sector

B. World Bank – Asian Development Bank – UN System – JBIC Joint *Needs Assessments*,  
*Tsunami: Impact and Recovery Report*, *February 6, 2005*

1. Annex 1 – Macroeconomic Impact
2. Annex 2 – Social Impact Assessment
3. Annex 3– Employment and Safety Net
4. Annex 4 – Education and Training Sector
5. Annex 5 – Health
6. Annex 6 – Housing Sector
7. Annex 7 – Water Supply, Sanitation and Solid Waste Management Sector
8. Annex 8 – Tourism Sector
9. Annex 9 – Fisheries Sector
10. Annex 10 – Agriculture Sector
11. Annex 11 – Transport and Communication Sector
12. Annex 12 – Power Sector
13. Annex 13 – Environment
14. Annex 14 – Gender
15. Annex 15 – Food
16. Annex 16 – Disaster Management and Vulnerability Reduction Sector

\*Including electronic files

## MALDIVES: Post-Tsunami Recovery and Reconstruction Project

### APPENDIX 4: STATEMENT OF LOAN AND CREDITS

Project ID	FY	Purpose	Original Amount in US\$ Millions				Cancel.	Undisb.	Difference between expected and actual disbursements	
			IBRD	IDA	SF	GEF			Orig.	Frm. Rev'd
P055944	2000	III EDUC & TRAIN.	0.00	17.60	0.00	0.00	0.00	2.366746	1.5029303	0.00
P078523	2005	Integrated Human Development Project	0.00	25.60?	0.00	0.00	0.00	16.23061	1.5864367	0.00
<b>Total:</b>			<b>0.00</b>	<b>43.20</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>18.59736</b>	<b>3.0893669</b>	<b>0.00</b>

### STATEMENT OF IFC's Held and Disbursed Portfolio In Millions of US Dollars

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
2001	MFLC	3.00	1.25	0.00	0.00	2.00	1.25	0.00	0.00
2004	Taj Maldives	8.50	0.00	0.00	8.50	8.50	0.00	0.00	8.50
2002	Villa Shipping	9.50	0.00	4.50	0.00	4.50	0.00	4.50	0.00
<b>Total portfolio:</b>		<b>21.00</b>	<b>1.25</b>	<b>4.50</b>	<b>8.50</b>	<b>15.00</b>	<b>1.25</b>	<b>4.50</b>	<b>8.50</b>

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic.
<b>Total pending commitment:</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

# MALDIVES: Post-Tsunami Recovery and Reconstruction Project

## APPENDIX 5: COUNTRY AT A GLANCE

POVERTY and SOCIAL	Maldives	South Asia	Lower-middle-income
<b>2002</b>			
Population, mid-year (millions)	0.29	1,401	2,411
GNI per capita (Atlas method, US\$)	2,090	460	1,390
GNI (Atlas method, US\$ billions)	0.60	640	3,352

### Average annual growth, 1996-02

Population (%)	2.3	1.8	1.0
Labor force (%)	2.4	2.3	1.2

### Most recent estimate (latest year available, 1996-02)

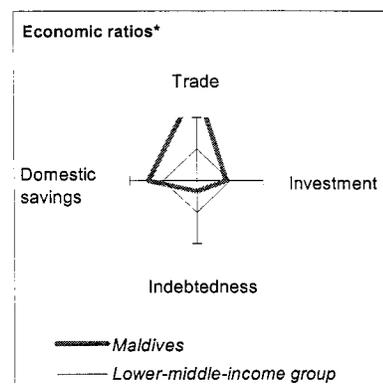
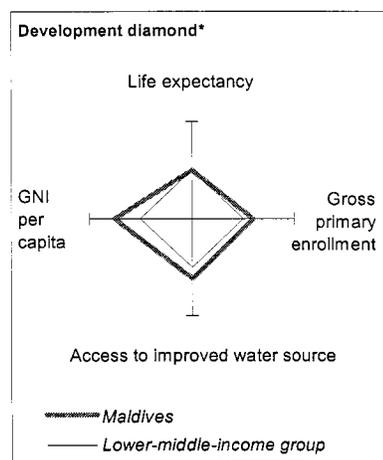
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	28	28	49
Life expectancy at birth (years)	69	63	69
Infant mortality (per 1,000 live births)	58	71	30
Child malnutrition (% of children under 5)	..	..	11
Access to an improved water source (% of population)	100	84	81
Illiteracy (% of population age 15+)	3	44	13
Gross primary enrollment (% of school-age population)	131	97	111
Male	131	108	111
Female	131	89	110

### KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1982	1992	2001	2002
GDP (US\$ billions)	0.05	0.28	0.62	0.62
Gross domestic investment/GDP	..	..	21.8	..
Exports of goods and services/GDP	20.0	..	87.2	..
Gross domestic savings/GDP	..	..	38.2	..
Gross national savings/GDP	..	..	27.3	..
Current account balance/GDP	-39.9	-6.9	-9.8	..
Interest payments/GDP	1.7	0.5	0.7	0.7
Total debt/GDP	135.9	33.3	37.6	43.8
Total debt service/exports	5.3	3.2	4.6	..
Present value of debt/GDP	..	..	28.3	..
Present value of debt/exports	..	..	37.4	..

### (average annual growth)

	1982-92	1992-02	2001	2002	2002-06
GDP	..	6.0	3.5	2.3	..
GDP per capita	..	3.5	1.1	0.0	..

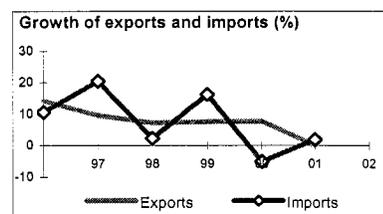
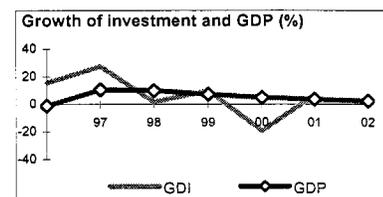


### STRUCTURE of the ECONOMY

	1982	1992	2001	2002
(% of GDP)				
Agriculture	..	..	..	..
Industry	..	..	..	..
Manufacturing	..	..	..	..
Services	..	..	..	..
Private consumption	..	..	38.1	..
General government consumption	..	..	23.7	..
Imports of goods and services	80.0	..	70.8	..

### (average annual growth)

	1982-92	1992-02	2001	2002
Agriculture	6.2	2.1	1.6	1.4
Industry	10.3	8.8	4.7	2.7
Manufacturing	10.1	5.6	3.1	1.5
Services	10.2	8.6	-3.0	..
Private consumption	..	3.0	4.9	..
General government consumption	..	13.3	7.7	..
Gross domestic investment	..	5.2	6.7	..
Imports of goods and services	..	7.6	1.9	..



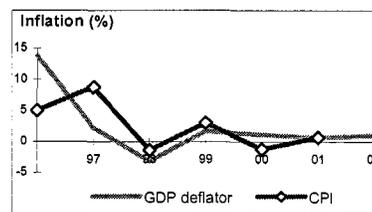
\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

**MALDIVES: Post-Tsunami Recovery and Reconstruct Project**  
**APPENDIX 5: COUNTRY AT A GLANCE (CONT.)**

*Maldives*

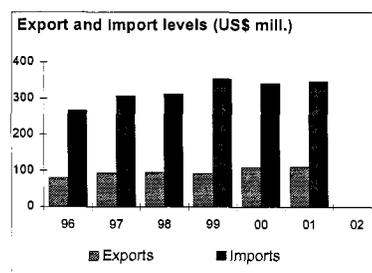
**PRICES and GOVERNMENT FINANCE**

	1982	1992	2001	2002
<b>Domestic prices</b>				
(% change)				
Consumer prices	22.0	16.8	0.7	..
Implicit GDP deflator	..	..	0.6	1.0
<b>Government finance</b>				
(% of GDP, includes current grants)				
Current revenue	..	27.7	32.8	34.7
Current budget balance	..	9.8	6.4	7.9
Overall surplus/deficit	..	-11.8	-4.9	-6.8



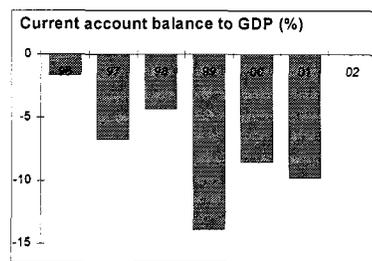
**TRADE**

	1982	1992	2001	2002
(US\$ millions)				
Total exports (fob)	..	65	110	..
Marine exports	..	32	44	..
Garments	..	8	32	..
Manufactures	..	..	..	..
Total imports (cif)	..	189	348	..
Food	..	..	85	..
Fuel and energy	..	23	48	..
Capital goods	..	..	..	..
Export price index (1995=100)	..	86	123	..
Import price index (1995=100)	..	92	79	..
Terms of trade (1995=100)	..	94	156	..



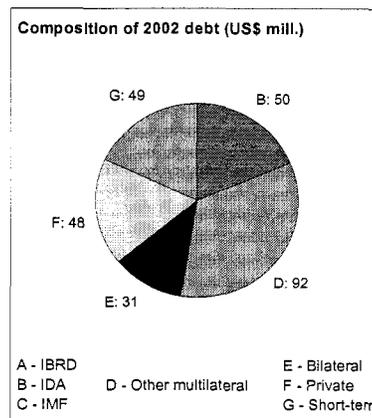
**BALANCE of PAYMENTS**

	1982	1992	2001	2002
(US\$ millions)				
Exports of goods and services	77	219	464	..
Imports of goods and services	94	217	457	..
Resource balance	-17	2	7	..
Net income	-5	-17	-35	..
Net current transfers	3	-5	-30	-42
Current account balance	-19	-20	-61	..
Financing items (net)	28	17	40	..
Changes in net reserves	-7	3	21	-5
<b>Memo:</b>				
Reserves including gold (US\$ millions)	..	18	94	..
Conversion rate (DEC, local/US\$)	7.2	10.6	12.2	12.8



**EXTERNAL DEBT and RESOURCE FLOWS**

	1982	1992	2001	2002
(US\$ millions)				
Total debt outstanding and disbursed	65	95	235	270
IBRD	0	0	0	0
IDA	2	22	44	50
Total debt service	4	7	22	22
IBRD	0	0	0	0
IDA	0	0	1	1
Composition of net resource flows				
Official grants	1	12	15	0
Official creditors	6	13	4	10
Private creditors	0	3	1	15
Foreign direct investment	0	7	12	0
Portfolio equity	0	0	0	0
World Bank program				
Commitments	0	10	0	0
Disbursements	0	8	0	3
Principal repayments	0	0	0	1
Net flows	0	8	0	3
Interest payments	0	0	0	0
Net transfers	0	8	-1	2



Note: This table was produced from the Development Economics central database.

8/29/03



MAP SECTION

