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INTERNATIONAL DEVELOPMENT ASSOCIATION

AND

INTERNATIONAL FINANCE CORPORATION

PROGRESS REPORT ON THE COUNTRY ASSISTANCE STRATEGY

FOR

THE REPUBLIC OF MALDIVES

May 4, 2010

**Maldives and Sri Lanka Country Management Unit
South Asia Region**

**The International Finance Corporation
South Asia Department**

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The Country Assistance Strategy for Maldives [Report No: 41400-MV] was discussed by the Board on January 8, 2008.

Currency & Equivalents

Currency Unit = Maldives rufiyaa (Rf)

US\$ 1= Rf.12.80 (as of Feb 22, 2010)

Fiscal Year

January 1 – December 31

Abbreviations & Acronyms

AAA	Analytical and Advisory Activities	IMF	International Monetary Fund
7NDP	Seventh National Development Plan	MDG(s)	Millennium Development Goal(s)
AG	Auditor General	MDS	Maldives Securities Depository
AGO	Auditor General's Office	MEMP	Maldives Environmental Management Project
BPT	Business Profits Tax	MFLC	Maldives Finance & Leasing Company
CAS	Country Assistance Strategy	MMA	Maldives Monetary Authority
CAS PR	Country Assistance Strategy Progress Report	MPAO	Maldives Pension Administration Office
CGAP	Consultative Group to Assist the Poorest	MSA	Maldives Securities Act
CMDA	Capital Market Development Authority	MSE	Maldives Stock Exchange
CP	Clean Production	NLTA	Non Lending Technical Assistance
DPC	Development Policy Credit	PAS	Public Accounting System
EU	European Union	PEFA	Public Expenditure Financial Accountability
FIRST	The Financial Sector Reform and Strengthening Initiative	PFM	Public Financial Management
GCE A/L	General Certificate of Education Advanced Level	PPP	Public Private Partnerships
GDP	Gross Domestic Product	PSAP	Pension and Social Protection Administration
GEF	Global Environment Facility	SAP	Strategic Action Plan
GHG	Greenhouse Gas	SDR	Special Drawing Rights
GoM	Government of Maldives	SME	Small and Medium Enterprise
HDFC	Housing Development Finance Corporation Project	SOE	State-owned Enterprise
IDA	International Development Association	STELCO	State Owned Electricity Company
IDF	Institutional Development Fund	TRRF	Tsunami Reconstruction and Recovery Fund
IFC	International Finance Corporation	UNDP	United Nations Development Programme
IFI	International Financial Institution	UNDAF	United Nation Development Assistance Framework
IHDP	Integrated Human Development Project	WMC	Waste Management Corporation

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Map (IBRD 33442)

I. INTRODUCTION

1. **This Country Assistance Strategy Progress Report (CAS PR) reviews the progress of the Bank Group's program under the current CAS of FY08-12.** The report was prepared by a joint World Bank/International Finance Corporation (IFC) country team and reflects discussions held with the Government concerning the principles and key instruments of the program going forward.

2. **Consultations with stakeholders and within the World Bank Group indicate that the CAS framework and pillars remain valid.** The Bank Group program will continue to support economic governance and investment, human development and social protection, and environmental management. Planned activities and instruments, such as International Development Association (IDA)¹ Development Policy Credit (DPC) lending and a strong IFC program of investments and advisory support, do not deviate significantly from what was anticipated in the CAS. However, they do reflect a realignment of Bank Group activities to better support the Government's Strategic Action Plan (2009). Consistent with this approach, the CAS results matrix has been revised.

II. COUNTRY DEVELOPMENTS SINCE CAS PREPARATION

A. *Political Developments*

3. **Since the CAS was prepared two years ago, the Maldives has undergone a major democratic transformation.** Mohamed Nasheed was elected president in October 2008 in the country's first democratic presidential election after 30 years of one-party rule under President Maumoon Abdul Gayoom. The Government has presented bold ideas to create a more effective democracy and move towards a more private sector-led economy. It is also seeking to inspire both local and global action on climate change, a major threat to the country. The Government's efforts to advance economic, political and other reforms are constrained by global factors (especially the global economic downturn) as well as endogenous factors such as the country's difficult fiscal situation. Additionally, the policy making environment is constrained by the fact that the President's party holds just 30 of the 77 seats in the country's unicameral legislature known as "the Majlis."

B. *Recent Economic Developments: Crisis Response*

4. **The Maldives has achieved notable development progress in recent decades through a combination of private sector-led tourism development and improving public service provision.** Annual real GDP growth has averaged over seven percent in the last 25 years, contributing to a sharp reduction in poverty. Poverty rates, as measured by the headcount ratio at 15 rufiyaa per person per day, have fallen steeply, from 40 percent in 1997, to 28 percent in 2004. Other human development indicators - infant mortality, maternal mortality, or educational attainment - have registered similar improvements. The country had achieved 5 of 8 Millennium Development Goals (MDGs) by 2007, but progress has been relatively slower toward achieving gender equality and women's empowerment (MDG3),² ensuring environmental sustainability (MDG7) and developing a global

¹ "World Bank" and "IDA" are used interchangeably in this report.

² See ADB's *Maldives: Gender and Development Assessment*, September 2007, and the UN's *Situation Report (UNDAF)* published in 2010. Maldives has achieved gender parity in primary and secondary education, and is ranked second-highest in South Asia on the UN's Gender-related Development Index. However, the country has low female labor force participation and proportion of seats held by women in the national parliament, although the latter has increased from 6% to 12% in recent years.

partnership for development (MDG8). While poverty has declined sharply overall in recent years, vulnerability and inequality are a concern, as a significant number of people fell back into poverty during the recent crisis, and the disparities between remote islands with small populations and the capital Male region remain substantial.³

5. **Real GDP growth contracted by an estimated 3.0 percent in 2009, but is expected to rebound to about 3.4 percent growth in 2010.**⁴ The tourism sector in Maldives is the lifeblood of the economy accounting for 30 percent of GDP.⁵ While the global crisis resulted in a contraction in tourist arrivals in the early part of 2009, arrival numbers rebounded in the 3rd and 4th quarters of the year. As a result, total tourist arrivals in 2009 were just 4 percent lower than in 2008. Arrival numbers for February 2010 show arrivals up over 30 percent, but duration of stay and tourism expenditure per arrival has been slower to rebound.

6. **The global economic crisis exposed the Maldives' weak underlying fiscal situation.** Due especially to large increases in the public sector wage bill in recent years, as well as falling revenues, an unsustainable fiscal deficit has emerged. The fiscal deficit (excluding grants) is estimated to have reached nearly 26.3 percent of Gross Domestic Product (GDP) by the end of 2009. Both tax and non-tax revenues are driven mainly by the fortunes of the tourism sector. The downturn in tourism with the onset of the global economic crisis led to a decline in tourist related revenues bringing the unsustainable level of government expenditures into sharp focus.

7. **The Government has been active in the last few months implementing a coherent stabilization program supported by IMF financing.** The main element of the Government's program is expenditure reduction. It has implemented wage cuts for the public service in October 2009 and cut domestically financed capital expenditures. The Government has also cut subsidies by increasing the electricity tariff charged by the state-owned electricity company (STELCO) by an average of 35 percent (for residents of Male', with increases for the rest of the country planned for later this year). Revenue measures also figure prominently in the government's program. A goods and services tax on the tourism sector has been proposed - which would be additional to the existing flat-rate bed tax - as well as a business profits tax.⁶ The austerity measures are being complemented with social support measures; social sector spending is being protected and for the poor and vulnerable who will be most affected by the increase in electricity tariffs, the Government will introduce targeted consumer subsidies.

8. **Supporting policy and institutional changes have also been implemented to ensure that the austerity measures are sustainable.** The Bank has in particular focused on support to three areas: (a) public financial management, specifically budget preparation, implementation and monitoring; (b) public enterprise reform, specifically measures to help ensure that the Government's planned Public-Private Partnerships (PPPs) appropriately minimize future fiscal risks to the Government; and (c) social protection, especially efforts to lay the foundations for a harmonized national social protection system. These actions and the austerity measures have taken place in an extremely challenging environment, particularly considering the lack of a parliamentary majority for the Government.

³ A detailed analysis can be found in the draft "Situation Analysis" of the United Nations, published on March 14, 2010.

⁴ See Annex B6 for Key Economic Indicators and Table 1.

⁵ Including the indirect value added from the tourism sector would bring its contribution to GDP closer to 70 percent.

⁶ Both tax changes are pending legislative approval.

9. **Key IFIs have supported the Government's actions by providing external financing.** The IMF approved a blended Stand-By Arrangement along with funding under the Exogenous Shocks Facility for a combined amount of about US\$ 92.5 million (or 700 percent of quota) on December 4, 2009. The first review of the program was successfully completed on March 26th, 2010. The Bank has approved a US\$ 13.7 million budget support operation that was processed under IDA's Fast Track Facility and is proposing a second operation of similar value for FY 2011. The ADB has approved a US\$ 35 million budget support operation with half being disbursed in 2010 and the other half planned for mid-2011.

10. **Implementing the planned medium-term fiscal consolidation will remain a challenge.** The public service wage cuts that have been in place since October 2009 may be reversed earlier than anticipated if a Supreme Court ruling judges the cuts to be unlawful under the Civil Service Act. This possibility would represent an estimated additional 3.5 percent of GDP to the 17.7 percent fiscal targeted for 2010. Delays in implementing revenue measures are also a source of risk. Both the GST on the tourism sector⁷ and the Business Profits Tax (BPT) have been delayed and with a lack of majority in the Parliament their passage in a timely manner is a question mark. Other revenue developments have been positive, with import tariff and tourism revenues higher than expected in late 2009 and early 2010. Planned capital expenditures are also coming in lower than anticipated. Nevertheless, the authorities are in active discussions with the IMF to implement compensatory measures that will help reduce the fiscal deficit below the program target.

Table 1: Maldives Key Macroeconomic Indicators

Key Indicators	2006	2007	2008	2009	2010	2011
Real GDP (% change y-y)	18.0	7.2	6.3	(3.0)	3.4	3.7
Consumer price index (% change y-y)	3.1	10.3	9.1	4.0	4.5	6.0
Government balance (% of GDP)	(7.2)	(4.9)	(17.1)	(26.3)	(17.4)	(4.2)
Domestic public sector debt (% of GDP)	23.4	26.4	31.2	48.1	55.0	47.7
Current Account balance (billions of US\$)	(0.3)	(0.4)	(0.6)	(0.4)	(0.4)	(0.3)
(% of GDP)	(33.0)	(41.5)	(51.4)	(31.0)	(24.9)	(15.8)
External debt (billions US\$)	0.6	0.8	1.0	1.1	1.2	1.2
(% of GDP)	62.8	79.7	76.9	77.8	81.4	75.4
Foreign Exchange reserves (billions US\$)	0.2	0.3	0.2	0.3	0.3	0.3
(months of imports of g&s)	3.0	3.4	2.1	3.2	3.1	3.3
Memo: Nominal GDP (billions US\$)	0.9	1.1	1.3	1.4	1.5	1.6

Source: World Development Indicators, Maldives Monetary Authority and staff estimates. Notes: External debt is the sum of public external debt and commercial banks' external liabilities. Consumer price index is national, end-year measure.

C. Government's Medium-Term Development Program

11. **The Government's development strategy is explained in its recently completed Strategic Action Plan (SAP)⁸.** The SAP aims to redefine the role of the state in the economy to achieve upper-

⁷ This bill would introduce an ad valorem rate of 4 percent, and coexist with the specific tax of \$8 per person per night until end-2010.

⁸ "Aneh Dhivehi Raajje" in the Maldivian language.

middle income status, ensure more equitable access to services and opportunities, improve service delivery, facilitate economic diversification, and support better environmental practices to sustain growth and adapt to global climate change. The development framework also seeks to make progress on key cross cutting themes that are considered central to the Government's reform agenda: sustainability of the environment and climate change, gender rights, social protection, decentralization and regional development, PPPs, human rights and transport.

12. **The Government has further identified five priority areas in the SAP.** These priority areas are closely linked to the SAP's key themes of good governance, social justice and economic development. The Government hosted the donor conference in March 2010 around these themes, to mobilize resources. The five priorities are:

- i) *Macroeconomic Reform* to support private sector-led economic growth: Reducing the role of the state in the economy is a core component of the SAP as is facilitating conditions for growth in the tourism and fisheries sectors.
- ii) *Public sector reform*: A major plank of the structural adjustment program is public sector reform. The public sector is being streamlined in order to deliver more efficient and effective government services.
- iii) *Good governance initiatives*: Strengthening democratic institutions and processes is a priority to ensure that the new democracy is entrenched.
- iv) *Social development*: Investment in human resources development of the country is an immediate step required to deliver on all social development pledges.
- v) *Climate change and adaptation*: Climate change poses an existential threat to the Maldives. The Government is proposing a series of mitigation and adaptation measures.

III. PROGRESS IN CAS IMPLEMENTATION

A. CAS Framework

13. **The Maldives Country Assistance Strategy (CAS) was jointly prepared by the Bank and the IFC and discussed by the Board on January 8, 2008.** The three pillars were selected to align the Bank's assistance with the previous Government's Seventh National Development Plan (7NDP) which envisaged a sustainable development path built on economic growth, social equity, environmental protection and good governance.

14. **The current Government's Strategic Action Plan (SAP) emphasizes themes similar to those of the 7NDP, but it places relatively more emphasis on the institutions of democratic governance.** Another important difference is that the current Government is moving ahead more aggressively with key reforms than was the previous administration. For example, while both plans emphasize private sector-led growth, in practice the current Government has been more aggressive in its promotion. The Government's policy towards increasing investment through the private sector includes privatization of State-owned Enterprises (SOEs), setting up joint ventures with domestic and international investors, and a program of PPPs that is fundamental to implementation of the SAP.

15. **The results framework in Appendix 1 summarizes recent progress and updates the original CAS goals to reflect the current Government's SAP.** To do so, some outcomes have been reformulated, new ones have been introduced and others were dropped because of lack of

current relevance. Other aspects of the results framework (e.g. milestones) have been modified to be better aligned with the revised outcomes. The new results framework thus seeks to more precisely and clearly reflect the results that the Bank Group is working to influence through its financial and technical assistance. Progress towards these results is discussed in the following section.

B. Progress towards CAS Outcomes

16. **The Maldives CAS is built on three pillars: (i) economic governance and investment; (ii) human development and social protection; and (iii) environmental management.** The economic pillar aims to support the Government's efforts to manage its economy and finances better, while strengthening the investment climate. Pillar II seeks to strengthen the quality of public services for human development and social protection. Pillar III supports efforts to strengthen environmental management capacity and skills, build a sound knowledge base to better address environmental risks, mitigate threats to nature based tourism by improving environmental infrastructure, and implement a strategy to build climate resilience and adapt to the impending risks of climate change.

17. **Overall progress towards CAS outcomes has been mixed, with substantial progress in human development and environmental management, and only very recent progress in macroeconomic management.** Until late 2009, the country's fiscal situation had worsened to the point of being a cloud over all economic activity in the country. But recent actions have put fiscal reforms back on track, and these have been supported by key reforms to public financial management (PFM). Human development and social protection has continued to advance, with potential for stepped up action in some areas such as pensions. With regard to the environment, the Government has made a strong case to the international community to support environmental protection in the Maldives, which has already shown some results in terms of funding. Now the challenge is to build on more narrow results (e.g. in solid waste management) to achieve systemic impacts.

Pillar 1: Economic Governance and Investment

18. **The Government's fiscal situation has only recently begun to improve.** The current fiscal imbalances in Maldives are due in part to expenditure policies that were not based on realistic forecasts of Government revenues. The Bank through an Institutional Development Fund (IDF) grant and the FY10 DPC⁹ has been working with the Government to help implement a Medium Term Expenditure Framework (MTEF) and address key institutional shortcomings in budget preparation and implementation. An important achievement was that the 2010 budget was presented in a MTEF and in a format consistent with Government Finance Statistics (GFS 1986). Other actions taken by the Government (e.g. implementation of a government revenue forecasting methodology) are aimed at enabling the Ministry of Finance and Treasury to recognize budget overruns so that they can be addressed within the year.

19. **Implementation of a Public Accounting System (PAS), which will automate many aspects of accounting and budget management is also helping fiscal management** The PAS has now been fully implemented in Phase I agencies (Ministry of Finance and Treasury, Customs and Department of Inland Revenue), with the final phase of the system to be rolled out to the rest of the agencies including atolls and islands. The PAS will help the Government to comply with Law on Public Finance 2006 (effective in 2009) which requires the Government to prepare consolidated

⁹ Economic Stabilization and Recovery Credit.

financial statements. A joint Bank-Fund Public Expenditure Financial Accountability (PEFA) assessment was completed recently and a comprehensive action plan for improvement of PFM has been agreed with the Government which will be monitored during the implementation of the Economic Stabilization and Recovery Credit.

20. Economic governance is being strengthened by the launch of the first independent Auditor General's Office (AGO) in 2008. With the help of an IDF grant the AGO carried out risk-based strategic audits in 2008 across central government audit entities, some of which had never been audited before. The audit reports are posted on the AGO's website as soon as they are tabled in the People's Majlis. The Bank is considering the Government's request for further technical assistance to the AGO in the area of strengthening financial attest audit, legislative oversight and the audit follow up process. An IDF grant¹⁰ has also supported procurement reform, helping the Government with the preparation of new procurement regulations and a set of standard bidding documents which is a major improvement over the prevailing systems.

Box 1: Corporate Governance in the Maldives

The Bank at the request of the Maldives Capital Market Development Authority (CMDA) prepared a report on corporate governance.¹¹ The main findings from the report are that in the last five years the CMDA, the Maldives Stock Exchange (MSE) and the Maldives Securities Depository (MDS) have become independent, a new code of corporate governance was launched and the 2006 Maldives Securities Act (MSA) and 2008 Listing Rules introduced. These reforms reflect the government's long term goal of attracting foreign listings and foreign capital to Maldivian companies both through Maldives Stock Exchange (MSE) and by listing abroad. They also underpin other key reform efforts, including SOE performance management and privatization and the introduction of a new pension system. However, corporate governance in Maldives is still not as developed as in comparable countries (e.g. Mauritius), and gaps in the legal framework for investor protection and foreign portfolio investment remain a challenge. The next steps will be to close the gaps in the law and further develop the capital markets.

21. Progress has been made in increasing access to finance. A general legal and regulatory framework has been developed in close collaboration with the legal authorities in Maldives, and a Credit Bureau is being created with the help of IFC Advisory Services. In collaboration with the Consultative Group to Assist the Poorest (CGAP), the IDA-funded Mobile Phone Banking Project is working to increase and improve banking system transactions through mobile phones. The establishment of mobile phone banking will help improve access to finance and it is also expected to create a platform for the financial institutions to introduce new products. The IFC has provided financing and advisory and technical assistance programs to the Housing Development Finance Corporation Project (HDFC) and Maldives Finance and Leasing Company (MFLC) helping to increase financing to Small and Medium Enterprise (SMEs) and reduce urban congestion by supporting house construction in Hulumale.

22. IFC's focus on the tourism sector expanded during the CAS period, through advisory services and US\$ 50 million in new investments. Besides supporting the tourism industry's efforts to save on water and energy consumption, IFC conducted a scoping study of local tourism industry linkages with the poultry sector. The proposed project, along with ongoing advisory services, aim to build better linkages between the tourism sector and the local economy. IFC is also the lead

¹⁰ The grant was implemented from late 2006-2009.

¹¹ Maldives: Corporate Governance Report on Observance of Standards & Codes (ROSC) Assessment (October, 2009).

transaction advisor to the Government in its efforts to attract international private developers to modernize and expand Male International Airport; this is expected to address a key bottleneck to increased tourist flow.

Pillar 2: Human Development and Social Protection

23. **Significant progress has been made in improving access, quality and gender parity in education.**¹² The Maldivian education system includes about 229 networks of schools across the atolls and islands that enroll 91,130 students. These school networks have achieved universal primary enrollment, with gender parity both in primary and secondary education. The Bank-supported Integrated Human Development Project (IHDP) and Post Tsunami Reconstruction projects have contributed to the upgrading of secondary and higher secondary schools in four atolls to meet the rising demand. The Bank also assisted the Government to conduct national learning outcomes assessments in 2007 and 2009 to monitor progress. Enrollment for higher secondary or General Certificate of Education Advanced Level (GCE A/L) has increased sharply from 833 in 2007 to 1,461 in 2009. Even though the quality of primary and secondary education improved moderately, learning levels need to be strengthened. While progress has been made in training teachers, the quality and education level of the teachers still remains a challenge.¹³

24. **Important steps have been taken to establish a new pension system in the Maldives.** The Bank-financed Pension and Social Protection Administration Project (PSAP) is supporting the establishment of a new pension authority in order to implement the system effectively and provide a platform for a broader social protection scheme. Significant progress has been made towards implementing a new, defined contribution pension scheme for civil servants. A new basic pension system has been introduced which provides a cash transfer of 2,000 rufiyaa to all Maldivian citizens aged 65 and above, subject to a partial offset if the individual has significant pension income based on employment. These programs are codified under the Pension Law which was passed in mid-2009 and led to the creation of the Maldives Pension Administration Office (MPAO). The MPAO is on track to meet the legal mandates to start contribution collection for civil servants in May 2010 and has already started making the basic pension payments to roughly about 14,000 elderly Maldivians.

Box 2: Maldives Post Tsunami Emergency Project

The project focused on providing support to households affected by the Tsunami, rebuilding schools and supporting the Tsunami Recovery and Reconstruction Fund (TRRF) to help manage resources through provision of technical assistance and training. All of the IDA resources have been used satisfactorily and the objectives of the project were broadly fulfilled. The safety net cash grants to households affected by the Tsunami were successfully completed and some of the key achievements were:

- 58,370 beneficiaries received cash grants. (exceeded target of 50,000)
- 5,868 farmers received compensation. (exceeded target of 2,000)
- 40 schools have been rehabilitated.
- 940 loans have been distributed to small businesses. (exceeded target of 800)

¹² See Appendix 1 for progress.

¹³ The number of trained Maldivian teachers declined slightly from 3,538 in 2005 to 3,358 in 2009. Teacher education has not been able to keep up with the rapid expansion of the education sector. Due to the unavailability of trained teachers, schools often employ teachers with only lower or higher secondary level education.

Pillar 3: Environmental Management

25. **Concrete progress has been made towards improving human and institutional capacity for environmental management and developing solid waste management systems.** In recent years growing environmental pressures have emerged as a consequence of rising population densities, increased tourism and changing consumption patterns. A key constraint to addressing these issues has been the lack of technical and managerial capacity to implement environmental policies. The Bank has responded through the Maldives Environmental Management Project (MEMP), which has laid a foundation for improving capacity in the Ministry of Environment and associated agencies like the Environmental Protection Agency and the Marine Research Center. A university-level environmental management program has been initiated to ensure basic academic training in the sector. The project has improved capacities of the Marine Research Centre in developing a knowledge base and monitoring systems for the critical natural resources and involving communities in monitoring and awareness creation.

26. **Steps have been taken to initiate better management of solid waste.** The Government recently established the Waste Management Corporation (WMC) to manage solid waste in the entire country. Islands waste management has been established in inhabited islands in the South Ari Atoll, but these centers are not yet operating. Studies have commenced under MEMP to identify a sustainable solid waste management system for the North Province of the Maldives and to explore the potential of PPPs in solid waste management. Lessons on strong consultation and community buying solid waste management are built into the project for sustainability of operations. IFC is providing transaction advisory services to the Government to help design solid waste management plans for provision of equitable services and to mobilize private sector capital and efficiency in the development and delivery of these services.

27. **The Bank and IFC are working together to advise the Government in preparing a comprehensive climate change program which will include energy efficiency initiatives.** The Bank established a multi-donor Trust Fund Program on Climate Change in collaboration with European Union (EU). The program is in the early phase of implementation and intends to strengthen capacities of the Government to develop a strategic plan for low carbon development and promote a range of energy sector solutions¹⁴. IFC has completed a Clean Production (CP) audit pilot program in the tourism sector with 4 resort islands, identifying potential for energy and water savings, resulting in 25 percent decrease in Greenhouse Gas (GHG) emissions. A wholesale CP program for Maldives' resort sector is under preparation with a target to include at least 30 percent of the resorts.

C. Portfolio Performance and Results

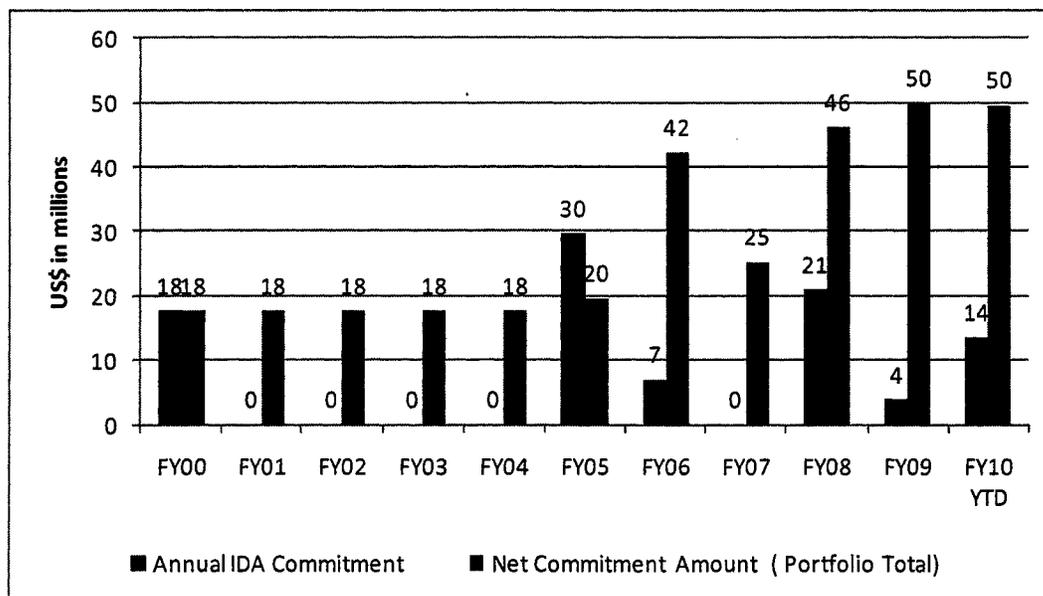
IDA Lending:

28. **The Maldives has received a somewhat larger IDA allocation than had been projected in the CAS.** The overall size of the IDA envelope during the five year CAS period (which extends from the last year of IDA14 through the first year of IDA16) was assumed to be about SDR 30 million (about US\$ 45 million). Actual allocations will be slightly higher, thanks to a regional re-allocation (which increased the IDA15 allocation from SDR 10.9 million to SDR 17.9 million) and

¹⁴ Energy sector solutions including demand side management for energy, energy efficiency, renewable energy technologies by identifying the enabling policy and regulatory environment and leveraging private-public partnerships.

an additional SDR 1 million provided under Stage 1 of the Crisis Response Window, both of which were approved during FY10 and allowed for a stronger Bank response to the global financial crisis.

Figure 1: IDA Committed Portfolio



29. **Overall performance of the portfolio is satisfactory with no problem projects or projects at risk.** The IDA portfolio in the Maldives consists of five credits with a total commitment of US\$ 50 million of which US\$ 35 million are undisbursed. Three projects are rated Satisfactory, one Moderately Satisfactory and one has yet to be rated (the new DPC). The three investment operations that were proposed in the CAS for FY08 and FY09 - mobile phone banking, environmental management and pension administration – were all approved by the Board during those years. In addition, and also consistent with the CAS,¹⁵ the DPC of US\$ 13.7 million was approved in FY10.

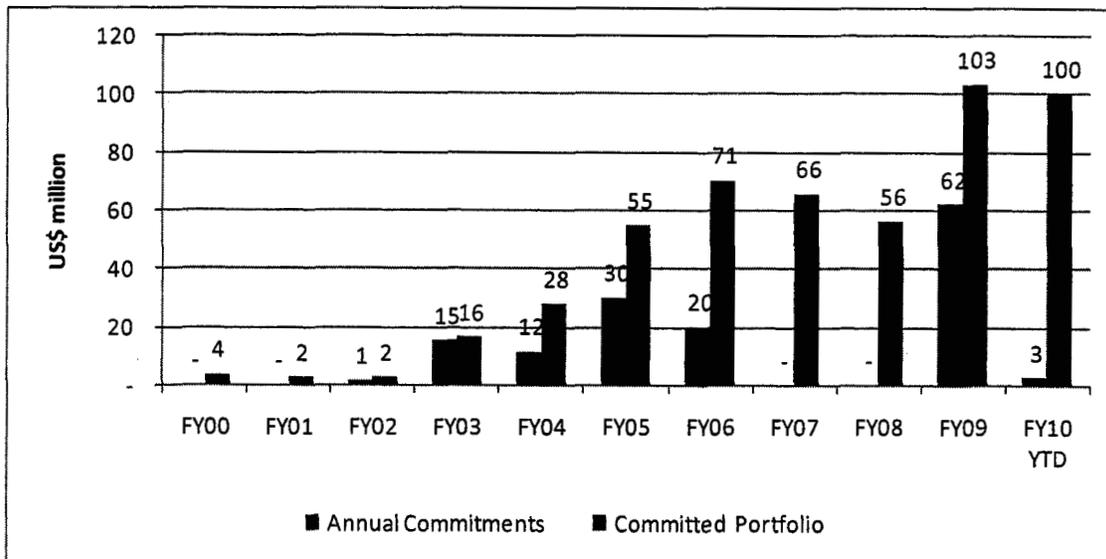
30. **IDA has made significant use of trust fund resources during the CAS period.** These trust funds mostly focus on capacity building in the audit office, improving the procurement regulatory framework, and recovery and reconstruction of post Tsunami affected areas. A European Union-financed and the Bank established multi-donor Climate Change Trust Fund (CCTF) (US\$ 8.8 million) will soon be under implementation.

The IFC Program:

31. **IFC has focused on four key areas during the CAS period: tourism, financial markets, infrastructure (all under pillar 1), and renewable energy/climate change (pillar 3).** During the previous CAS period the IFC committed a total of US\$ 47.8 million in both debt and equity, consisting of four projects in the financial, tourism, logistics and telecommunications sectors. As shown in the graph below, this ramping up continued in the first part of the current CAS period (2008 to January 2010), during which IFC has more than doubled its commitments to US\$ 103 million.

¹⁵ The CAS proposed a “possible DPL” for FY 2010.

Figure 2: IFC Committed Portfolio



32. As of January 31, 2010 IFC investments spanned three sectors - tourism (72%), telecom (13%) & financial services (15%), and IFC has an active program of Advisory Services. During the CAS period to date, IFC increased its investment in both the tourism and the financial sectors through investments in Hotel Shangri La (US \$50 million) and HDFC (US \$12 million) respectively. In the financial sector, IFC's advisory services program assisted the Maldives Monetary Authority (MMA) in establishing and strengthening prudential guidelines and also provided technical assistance to help set up a Credit Bureau. IFC support has helped MMA to train judges (Lower courts to Supreme court) and lawyers (private bar and the State) on financial regulations relating to finance leasing. IFC played a critical role in building capacity of both MFLC and HDFC through both direct investment and technical assistance. In addition to capacity building of staff, IFC assisted MFLC to strengthen their processes and draft key policy documents. IFC Advisory services helped HDFC prepare business plans for privatization, develop its policies, guidelines, and systems/processes, prepare a marketing strategy, establish its treasury department and train its staff.

IDA/IFC Coordination:

33. During the CAS period IDA and IFC teams have worked together on many sectoral and thematic issues. These include PPPs, financial sector strengthening and climate change. IFC is currently supporting the Government as a Transactions Adviser to structure and create two PPPs in solid waste management and the privatization of the country's international airport. The Bank meanwhile is leading the overall dialogue on solid waste policy through the existing IDA funded MEMP and has provided technical advice on the airport transaction.

Donor Coordination:

34. The Maldives recently concluded a Donor conference on March 29, 2010 and secured

total pledges of about US\$ 320 million¹⁶. The conference was attended by 102 international participants from 24 countries and 20 agencies. The Government committed to making its donor coordination mechanisms more effective, in particular with the regard to cross-sectoral areas such as governance. Donors welcomed the Government's presentation of five priority areas within the SAP, costed out so that development partners can align their programs accordingly in the future.

35. The Bank Group and United Nations were co-sponsors of the donor forum, and have been in close communication during the preparation of this CAS PR. The UN is the only multilateral with a substantial presence on the ground in the Maldives. The UN's Development Assistance Framework (UNDAF) is being prepared in parallel to the CAS PR, which has allowed for timely collaboration. Generally stated, in the Maldives the UN places relatively more emphasis on social and democratic governance issues, with the Bank Group focusing relatively more on fiscal, economic, and private sector areas. In some areas, such as education and environment, both the Bank Group and UN are actively engaged.

36. Appendix II provides information on donor activities in the Maldives. The thematic breakdown of the matrix reflects current activities as well as statements made at the donor forum, which in some cases have not yet been fully specified. FY10-11 IDA lending is most directly linked to programs of the ADB and IMF, each of which is supporting fiscal reforms. Specifically, the ADB and IMF have taken the lead on various areas of tax reform, while the Bank is taking the lead on aspects of medium-term expenditure reform, budget implementation and public service reform.

IV. CAS APPROACH AND PROGRAM GOING FORWARD

37. During the remainder of the CAS period the Bank and IFC will support the Government's SAP primarily through policy lending, advisory services, and IFC investments. This approach supports the reform-minded Government as it seeks to make major policy improvements. IDA investment lending will be considered only if it can leverage additional resources. The Bank Group will also work to catalyze financial support from donor partners and private investors.

38. IDA and IFC will use selective interventions to maximize development impact. Development Policy Credits (DPCs) will support critical policy reforms, and by preparing fewer projects, resources will be freed up for additional analytical and advisory activities (AAA). Policy reform is needed in many areas and the Government is advancing a number of proposals, some of which are already pending in the legislature. For this reason, second phase DPC lending is proposed for FY11, with flexibility in FY12 for an additional DPC should there be promising possibilities for policy reform under one of three CSA pillars. IFC investments are expected to continue to be focused on tourism, the financial sector and infrastructure. IDA and IFC will continue to collaborate in many areas such as PPPs, the financial sector and climate change. In most cases, the Bank will support policy and regulatory reform as well as broader program implementation, with IFC providing financial and advisory support for strategic initiatives and key transactions.

39. Under the *Economic Governance* pillar, IDA will provide financial assistance through the DPC-financed operations. The first phase operation (Economic Stabilization and Recovery Credit – FY10) focuses on three key areas: public financial management, public enterprise reform

¹⁶ See donorconference2010egov.mv

and social protection. It supports the institutional arrangements that will promote macroeconomic stability and help the Government achieve the development objectives set out in the SAP. This operation complements the IMF and ADB programs that are also helping the country to rebound. The remaining IDA15 resources (SDR 6.8 million) will be available to fund a second phase of the DPC, along with perhaps one small investment loan, in FY11.

40. **The Bank and IFC will engage in a number of advisory activities related to economic governance and investment.** The Bank's technical support will be in corporate and public sector governance, capacity building for PPPs, financial sector, public financial management and economic management. In public sector governance, the Bank will work with the GoM as it continues to establish a framework for the participation of interested donors can participate. IFC will provide advisory services for the private sector financial institutions and advise on key PPP transactions. In some of these areas the Bank will also be involved, with a particular focus on the overall regulatory environment. IFC is also exploring the possibility of extending the Global Trade Finance Program through the Bank of Maldives.

41. **In the financial sector, IDA will continue to help improve financial sector strategy, laws and regulations, especially through technical assistance to the MMA.** The Bank has completed a financial sector review funded from the Financial Sector Reform and Strengthening Initiative (FIRST) and builds on previous work carried out by the IMF. The first part of the technical assistance to MMA has been submitted to the Maldives Monetary Authority (MMA) and the Government in January 2010. IDA will continue its support to the MMA in establishing and strengthening prudential guidelines and IFC will provide technical assistance for setting up a Credit Bureau. IFC will also work to respond to the Government's request for help to further expand financing to SMEs through financial intermediaries.

42. **During the CAS PR consultation process, the Government expressed interest in Bank Group analytical and advisory support in the tourism sector.** Tourism - which is already the leading area of IFC support - has driven the impressive growth rates and poverty reduction in the Maldives during the past three decades, but the Government would like advice as to how the industry could have a stronger and broader development impact. Key pieces of proposed AAA are expected to focus on the linkages between the tourism sector and the broader economy. One is a programmatic Non Lending Technical Assistance (NLTA) that will focus on education and skills mix and training in the labor market (see para 44). Another is the proposed Country Economic Memorandum that would discuss the outlook for the sector, include an economy wide growth diagnostic study and investigate the Government's management of tourism wealth for better growth and poverty reduction outcomes. This work could complement more specific support such as IFC's investments and clean energy initiatives with the industry, as well as its response to the Government's request for advice on strengthening linkages between the tourism sector and the rest of the economy.

43. **The consultation process also indicated a demand for support in the fisheries sector.** In fisheries, technical advice can build on prior extensive analytical work carried out in the sector, which could be quickly updated and provide valuable information for policymakers. This groundwork could support a grant proposal (e.g. Global Environment Facility (GEF)) to support investments in the sector. Further discussion with country counterparts is required to determine the nature of possible Bank Group support.

44. **IDA will also focus on social safety net programs and education under the *Human Development* pillar.** The first phase of the DPC operation aims to support the development of a well-

designed mechanism for targeting poor households that is fiscally sustainable and consistent with a permanent targeting system. The second phase of the DPC will support the Government’s eventual transition to an integrated social protection system. On the analytical side, IDA plans to prepare two policy notes focusing on (i) education skills and labor market and (ii) general and higher education and training systems in the context of global developments relevant to small island economies. This work will contribute to the development of a strategic framework for the education sector that can help to improve linkages between the education system and local labor markets.

45. **Environmental management will continue to be a key aspect of the Bank Group strategy.** In addition to improving environmental management capacity the Bank Group will also support the Government in building greater climate resilience. Work carried out under the Bank-funded MEMP will be complemented by the EU-financed (IDA administered) CCTF, which will support the development and implementation of climate change strategy and help design and implement pilot activities in areas such as coastal protection and biodiversity conservation, water and livelihood options and disaster management, sewerage and solid waste management and technical assistance to mainstream climate change into development planning and policy dialogue. Meanwhile IFC will further focus on stepping up its climate change-related work through clean energy audits with clients, assessing investments in sustainable energy projects directly or via financial intermediaries, and by collaborating with the Bank on other areas of the climate change agenda with a focus on the private sector role and the enabling environment for investments.

46. **In addition, the Bank also intends to provide technical assistance in the energy sector focusing on:** (i) assisting the Government to create a regulatory framework and build capacity of the regulatory agency. This will be instrumental for attracting private sector investments, promoting energy efficiency and renewable efficiency, setting tariffs and ensuring compliance with service quality standards and (ii) supporting in reducing dependence of the power sector on fossil fuel¹⁷.

47. **Table 2 provides a concise list of the planned Bank Group activities, divided according to the CAS pillars.** These activities are in addition to the supervision of existing IDA projects and IFC investments.

Table 2: Expected World Bank Group CAS Program

FY	Pillars		
	Economic Governance	Human Development	Environment
	IDA/IFC : Investment/ Lending & Trust Funds		
FY10	<p>IDA:</p> <ul style="list-style-type: none"> • Economic Stabilization & Recovery Credit (Development Policy Credit). Primary focus on: public financial management, public service reform and public enterprise reform. <p>IFC:</p> <ul style="list-style-type: none"> • Financing to selected tourism resorts. • PPIAF grant to support PPP. • IDA/IFC FIRST Initiatives 	<p>IDA:</p> <ul style="list-style-type: none"> • Economic Stabilization & Recovery Credit. Focus on social protection. 	<p>IDA:</p> <ul style="list-style-type: none"> • Climate Change Trust Fund (EU) <p>IFC :</p> <ul style="list-style-type: none"> • Environmental & social due diligence on any future investments.

¹⁷ A full TA program will depend on whether ESMAP and carbon financing trust fund grant can be obtained

FY11	IDA : • Follow on DPC II operation.	IDA: • Follow on DPC II- social protection components.	
FY12	IDA: Possible new DPC (Sector TBD)	IDA: Possible new DPC (Sector TBD)	IDA: • Possible new DPC (Sector TBD) • ESMAP and carbon financing for energy sector initiatives.
IDA/IFC: Analytical and Advisory Services			
FY10	IDA TA/AAA: • ROSC (Corporate Governance) • Support to Donor pledging forum. • Support to Tourism (TBD) IFC Advisory Service: • MMA on financial sector strategy; laws and regulations relating to financial sector. • Leasing sector • Setting up a credit bureau. • TA to HDFC and MFLC. • Access to finance and SME linkages. • Bar and judiciary. • Scoping study of local tourism industry linkages with the poultry sector.	IDA TA/AAA: • Review Costing of HIV/AIDs Strategic Action Plan.	IFC TA/AAA: • In collaboration with IDA and EC. • Tourism industry's efforts to put in clean energy measures.
FY11	IDA TA/AAA: • ROSC (Accounting & Auditing) • Governance Diagnostic	IDA TA/AAA: • Education and Skills Training Policy Notes.	
FY12	IDA TA/AAA: • Country Economic Memorandum • IDA/IFC Tourism Policy Notes (TBD)	IDA TA/AAA: • Quality of General Education Policy Notes.	

V. RISKS

48. **Three sets of risks were identified in the FY08-12 CAS: political instability, fiscal uncertainty and capacity limitations.** These risks remain relevant, but in a somewhat different form. The CAS will face the following risks during the remainder of the implementation period:

49. **Economic Risks:** The country's fiscal situation is the most important risk to the implementation of its development program. Fiscal reform and stepped up donor support (which appears likely based on the results of the recent donor forum) would serve to reduce this risk.

50. *PPP related:* The Government is committing future cash flows through several PPPs - e.g. direct cash commitment for the next 20 years in the case of the solid waste management project and provision of land (resort islands) for projects such as the northern airport and ferry transportation networks. The capacity of the Government to keep committing these future resources needs to be assessed; else there is a danger of these projects not being sustainable. PPP related risks are being mitigated through advisory support from the Bank and IFC on the PPP framework and certain key transactions. IFC and the Bank have emphasized that a framework needs to be created first and a prioritized action plan should be developed and agreed upon. A donor coordination framework would also contribute to the success of this effort.

51. Risks also come from exogenous sources – the most prominent in the short run being the

global economic recession and its impact on tourism, credit availability, and financial flows. In addition, as a small, open and undiversified economy the country is vulnerable to external shocks (e.g. oil price shocks).

52. **Political Risks:** Maldives is in a very early stage of democracy. The new Government lacks a parliamentary majority, which could significantly constrain the Government's plans going forward. Political risks threaten to undermine the Government's fiscal consolidation effort, as well as other proposed reforms. They are difficult to mitigate, but by providing technical assistance to key institutions and timely financial support and advice to deal with critical economic issues, the Bank Group can help to create a more stable operating environment.

53. **Environmental Risks:** Climate change presents a long term risk for the Maldives that cannot be well quantified. Over 80 percent of the country is less than 1 meter above sea level. This poses risks of intensifying weather events including damage caused by inundation, high winds, flooding, erosion and damage to infrastructure from storm surges. Sea level rise poses an existential threat in the worst case scenarios. In addition, the country's exposure to natural disasters continues to be a threat to the economy and social development. Bank Group assistance can help the Government to manage its environment but cannot completely shield the country from environmental hazards.

54. **Capacity Risks:** Limited institutional and human capacity is one of the key development constraints in the Maldives. Capacity constraints significantly impact government functions and CAS implementation. This risk is being mitigated through a number of TA efforts.

55. **Legal and Regulatory Risks:** The weak regulatory environment and lack of sufficient procedural laws, rule of law and judiciary capacity to ensure enforceability of contracts is a significant risk for various WBG investments and agreements in the future. The Bank and IFC are providing assistance in a few areas (e.g. financial sector and PPPs), but fundamental issues are likely to challenge the implementation of Government programs and private investments for years to come.

56. **Fiduciary Risks:** The CAS concluded that there were no significant concerns about managing fiduciary risks in the Maldives portfolio, and that investment projects are already largely using country PFM systems. With the turn to DPC lending, IDA will have to pay more attention to country-level fiduciary risk. This will be done through follow up on the PEFA and other interventions that support the strengthening of PFM.

Appendix I: CAS FY08-12 Revised Results Matrix and Progress to Date

The results framework within this Appendix summarizes recent progress and updates the original CAS goals to reflect the current Government's SAP. To do so, some outcomes have been reformulated, new ones have been introduced and others were dropped because of lack of current relevance. Other aspects of the results framework (e.g. milestones) have been modified to be better aligned with the revised outcomes. The new results framework thus seeks to more precisely and clearly reflect the results that the Bank Group is working to influence through its financial and technical assistance.

To facilitate matching of the new results framework to the original framework a table has been provided which shows the original CAS outcomes and any changes (eg. revised, dropped or new) that have been made. Any completely new outcomes are highlighted in bold and italic.

Maldives: Mapping of CAS Matrix - Original and Revised Outcomes

Original CAS Outcome	Status at CAS PR	Revised or New Outcome
Pillar 1: Economic Governance and Investment		
Improved budgeting & planning capacity in the Ministry of Finance	Revised	Improve and strengthen budget formulation and execution
Fiscal consolidation	Revised	Maintain fiscal deficit at a sustainable level and on a declining trajectory
Improve transparency of all public expenditures	Revised	Strengthen the effectiveness and transparency of public spending
Increased investment & savings and reduced levels of cash in the economy	Dropped	
Greater access to formal financial services especially in the outer atolls	Revised	Increase access to formal financial services in particular through mobile phone banking in outer atolls
Strengthened system capacity to assess client credit worthiness	Original.	
Improved governance framework for the private sector	Original	
	New	<i>Establish public private partnership (PPP) framework to allow effective transactions between government and private sector (New)</i>
Sustained investment in core economic sectors & increased linkages with local industries	Dropped	

Original CAS Outcome	Status at CAS PR	Revised or New Outcome
	New	<i>Improve supply chain linkages for tourism with local industries.</i>
Pillar 2: Human Development and Social Protection		
Secondary school curriculum more relevant and improved quality	Dropped	
Increased access to basic education	New	<i>Improve access and quality of secondary education in the selected islands (New)</i>
Improved quality of the education labor force	Dropped	
Implementation of pension reform	Original	
	New	<i>Improve social assistance program and increase coverage of the poorest 25% of the population (New)</i>
Pillar 3: Environmental Management		
Strengthen capacity of the Ministry of Environment to better protect the natural environment of the Maldives	Revised.	Strengthen institutional capacity of the Ministry of Environment to better protect the natural environment of, and improve people's resilience to climate change in, the Maldives
Increase access to solid waste management services in selected atolls	Original	

Pillar 1: Economic Governance and Investment			
Fiscal Management			
Country Development Goals:			
<ul style="list-style-type: none"> Reform the budget preparation process to improve fiscal management. Integrate investment plans and medium term expenditure framework to the budgeting process in line with National Development Plan Goals and targets. 			
Strategic Action Plan (Affordable Living Costs, Policy 2)			
<ul style="list-style-type: none"> Streamline government expenditure in line with expected revenues and orient expenditure towards sustainable, constructive areas. 			
Outcomes the Bank Group expects to influence	Milestones	Progress to Date	Bank Group and Partner Intervention
1.1 Improve and strengthen budget formulation and execution	<ul style="list-style-type: none"> Commitment to multiyear budgetary planning entrenched on a three year rolling framework. (baseline: annual budget continue to be prepared, but since the tsunami there has not been a clear commitment to implement and MTEF) Revise Public Finance Act to allow presentation of budget in GFS format 	<p>On Track. The Public Finance Act was passed in 2006 and made effective in 2009. The 2010 budget was presented to the Parliament in a medium-term framework and it is consistent with Government Finance Statistics (GFS 1986). The process can be improved by involving line ministries more.</p>	<p>Ongoing/Planned Lending/TA: NLTA : METF & Macro Support</p> <p>Economic Stabilization and Recovery Credit. (FY10 &11)</p> <p>Ongoing/Planned AAA: Governance Diagnostics (FY10) Country Economic Memorandum (FY12)</p> <p>Partners: ADB, IMF</p>
1.2 Maintain fiscal deficit at a sustainable level and on a declining trajectory	<ul style="list-style-type: none"> Expenditures/GDP are reduced to sustainable levels equivalent to 45% of GDP by 2010 (baseline: 92% in the 2007 budget presented to Parliament) 	<p>Ongoing. Expenditure/GDP was considerably less than the baseline in 2007 at 60.8% (2007 actual), but worsened to 62.8% in 2008. However this ratio went down to an estimated 59% in 2009. As a result of Government action with support from the IMF and the Bank's Economic Stabilization and Recovery Credit, expenditures are expected to fall to 55% in of GDP in 2010.</p>	<p>Same as Above.</p>
Public Expenditure Management			
Country Development Goals:			
<ul style="list-style-type: none"> Improve public financial administration to promote fiscal transparency and accountability. Commission a modern, computerized Public Accounts System (PAS) for improved monitoring of expenditure and revenue collections, efficient cash management and facilitate the auditing. 			

Strategic Action Plan (Affordable Living Costs, Policy 2)			
Outcomes the Bank Group expects to influence	Milestones	Progress to Date	Bank Group and Partner Intervention
<p>2. Strengthen the effectiveness and transparency of public spending</p>	<ul style="list-style-type: none"> Public Accounting System (PAS) is operational in most important spending agencies and Ministries. Public Finance Act fully implemented. (baseline: Act was passed but cannot be implemented with the PAS) Produce monthly revenue and expenditure outturns report. Independent Auditor General's office is established and operating effectively. (baseline: Audit Act is passed but not implemented) 	<p><i>Ongoing.</i> PAS has become operational with respect to general ledger and payment processing for all Male-based MDAs. As part of Phase I, other modules have been fully implemented to 3 agencies: MoF, Customs and Department of Inland Revenue.</p> <p><i>Ongoing.</i> The Public Finance Act continues to be in effect but full implementation is linked to the PAS being fully operational.</p> <p><i>Achieved.</i> Auditor General's Office achieved independence with the enactment of the Audit Act (4/2007) following a revision of the constitution. The first independent Auditor General was appointed in January 2008. Risk based strategic audits for 2008 have been conducted across central government audit entities, and the audit reports are posted on AGO's website. While these initial institutional results were achieved, their consolidation will depend on continued leadership following the recent event (March 29, 2010) in which the Auditor General was voted out of office by the Peoples Majlis (parliament).</p>	<p>Ongoing/Planned Lending/TA: Public Accounting System (EC Trust Fund).</p> <p>NLTA: Public Financial Management.</p> <p>Economic Stabilization & Recovery Credit (FY10 & 11)</p> <p>Ongoing/Planned AAA: Public Expenditure & Financial Accountability (PEFA) assessment.</p> <p>Governance Diagnostics (FY10)</p> <p>PPIAF Grant to Support (FY10).</p> <p>ROSC (Accounting & Auditing) (FY11)</p> <p>Partners: CGAP, ADB, UNDP.</p>
Financial Sector/Access to Finance			
<p>Country Development Goals:</p> <ul style="list-style-type: none"> Strengthen the capacity of financial institutions and broaden and deepen the financial sector. Facilitate the introduction of new financial institutions. Encourage existing financial institutions to introduce and promote new financial products. Introduce intra operability for electronic payments between financial institutions. Improve the legal system and contract enforcement. <p>Strategic Action Plan: (Affordable Housing, Policy 2)</p> <ul style="list-style-type: none"> Facilitate development of real estate sector and housing market and ensure housing access to vulnerable families through housing safety nets. Provide access to housing finance. (Affordable Living Costs, Policy 4) Improve the banking system and introduce new financial institutions and development banks. (Affordable Living Costs, Policy 2) Deepening capital markets to facilitate financing for business. (Affordable Living Costs, Policy 3) 			

Outcomes the Bank Group expects to influence	Milestones	Progress to Date	Bank Group and Partner Intervention
<p>3.1 Increase access to formal financial services in particular through mobile phone banking in outer atolls</p>	<ul style="list-style-type: none"> Inter-bank payment system (MIPS) developed & introduced. % of adult population with access to bank accounts through mobile phone increase from 0% in 2007 to 75% in 2011. % of salary and supply chain payments will be made electronically directly into people's bank accounts increase from 40% in 2007 to 70% in 2011. An appropriate legal and regulatory framework is in place for mobile phone transactions. Increase rank and scores for Doing Business Indicator for access to finance (baseline: rank = 135) 	<p>Ongoing. The work on MIPS has commenced but system is not yet installed.</p> <p>The consultants have been recruited by the MMA to establish the Maldives Payment System (MPS). The initial report is being prepared.</p> <p>Market Survey has been completed and the results were discussed with the MMA. The final report is expected soon. This is the first survey in Maldives that provides information about financial access, behavior and needs at the household level.</p> <p>All the necessary MOUs between MMA, participating Banks and Mobile Network Operators (MNOs) have been signed</p> <p>Ongoing. 56.7% of adult population has access to bank accounts.</p> <p>Ongoing. 49% of salaries are paid electronically to more developed islands whereas 13% paid to developing islands.</p> <p>Ongoing. A draft legal regulatory framework has been prepared and submitted to Maldives Monetary Authority (MMA). It is in the process of finalization before the payment system goes live.</p> <p>Ongoing. The current 2010 ranking for access to credit is 150. HDFC privatization completed and Advisory Services to HDFC commenced. IFC provided investment and debt to HDFC.</p>	<p>Ongoing/Planned Lending/TA:</p> <p>IDA/CGAP Mobile Phone Banking project</p> <p>IFC TA (Bank of Maldives, HDFC, MMA -- credit information bureau)</p> <p>Partners: CGAP ADB, UNDP</p>

<p>3.2. Strengthen system capacity to assess client creditworthiness</p>	<ul style="list-style-type: none"> • Credit information Bureau established. 	<p><i>Ongoing.</i> IFC provided advisory services to MMA for creation of Credit Bureau; consultants contracted and work is underway; The number of clients at MFCL increased to 582 in 2009.</p>	<p>Ongoing/Planned Lending/TA: IFC TA (Bank of Maldives, HDFC, MMA – credit information bureau)</p>
<p>Investment Policy</p>			
<p>Country Development Goals:</p> <ul style="list-style-type: none"> • Provide a stable, transparent and attractive investment environment. • Establish a Maldives Association of Accountants to regulate the accounting profession and to establish private sector accounting standards. <p>Strategic Action Plan:</p> <ul style="list-style-type: none"> • Regulate, facilitate and provide incentives to encourage private sector investment in the development of airports and regional ports and other transport related infrastructure. (Nationwide Transport System Policy 2) • Create an enabling environment for investments, economic diversification and export promotion. (Trade and Investment Policy 6) 			
<p>Outcomes the Bank Group expects to influence</p>	<p>Milestones</p>	<p>Progress to Date</p>	<p>Bank Group and Partner Intervention</p>
<p>4.1 Improve governance framework for the private sector</p>	<ul style="list-style-type: none"> • Parliaments adopts amended Company Act. 	<p><i>Achieved.</i> A new code of corporate governance has been launched.</p>	<p>Ongoing/Planned AAA: WB Report on Standards & Codes (ROSC) assessment. Partners: ADB</p>
<p>4.2 Establish public private partnership (PPP) framework to allow effective transactions between government and private sector</p>	<ul style="list-style-type: none"> • Transactions in airport privatization and solid waste management PPPs have been carried out. 	<p><i>Ongoing.</i> Transactions are being carried out with expected completion during CY 2010. Government signed a mandate with the IFC to help set up a PPP on solid waste management. Expressions of interest have been invited from potential private sector partners. Airport transaction is expected to be completed during CY 2010.</p>	<p>Ongoing/Planned Lending/AAA: IFC Support to Transactions. PPIAF Grant to Support PPP (FY10).</p>
<p>Tourism</p>			
<p>Country Development Goals:</p> <ul style="list-style-type: none"> • Facilitate sustainable growth and increase investment in the industry, while enhancing public share of economic benefits from tourism. • Retain economic benefits through improved linkages with economic activities of island communities. • Increase employment opportunities and open opportunities for gainful public and community participation in the tourism industry. <p>Strategic Action Plan:</p> <ul style="list-style-type: none"> • Promote sustainable investment in the tourism sector and supporting infrastructure. (Tourism, Goal 1) • Increase employment opportunities and open up opportunities for gainful public and community. 			
<p>5.1 Improve supply chain linkages for tourism with local industries.</p>	<ul style="list-style-type: none"> • Increase local sourcing of resort inputs. 	<p><i>Ongoing.</i> IFC has conducted a scoping study of local tourism industry linkages with the poultry sector, project</p>	<p>Ongoing /Planned Lending/TA:</p>

		design is in place, and agreement should be reached for the provision of local supply to the selected resorts.	IFC equity investments and advisory work through IFC-SEDF- ongoing work with major clients (inc tourism and infrastructure). IFC TA: Strengthening links between selected resorts and local (SME) suppliers.
Pillar 2: Human Development			
Education			
<p>Country Development Goals:</p> <ul style="list-style-type: none"> • Ensure that all children have access to 10 years of basic education. • Establish residential learning centers in development focus islands or alternatively provide financial support to ensure access. • Increase the number of trained local teachers for all levels of schools. <p>Strategic Action Plan:</p> <ul style="list-style-type: none"> • Provide equitable access to all levels of education from preschool to higher secondary education. (Education, Policy 4) • Improve quality of education for ensuring holistic development of the child. (Education, Goal 2) • Align the education system to the economic and social needs of the country. (Education, Goal 3) 			
Outcomes the Bank Group expects to influence		Milestones	Progress to Date
<p>6. 1 Improve access and quality of secondary education in the selected islands¹</p>		<ul style="list-style-type: none"> • Increase in enrollment at the lower secondary level (O/GCE level) from 1,208 in 2005 to 1,510 in 2012². • Reduction in the gender gap in lower secondary pass rates on focus islands. (Baseline: Eydhafushi: 14%; L.H Naifaru: 26%; DH Kudahuvadoo: 8% and L. Gan 7%. • At least 80% secondary school teachers receive in service training in the focus islands. (Baseline: B. Eydhafushi: 56 teachers; L.H. Naifaru: 51, DH Kudahuvadoo: 21 and L. 	<p>Ongoing. Enrollment in lower secondary level in four focus islands slightly declined from the base line. (B. Eydhafushi: 317, L.H Naifaru: 404, DH Kudahuvadoo 170 and L. Gan: 313)</p> <p>Achieved. The gender gap in lower secondary (GCE O/L) pass rate has narrowed in the four focus islands: Eydhafushi and DH Kudahuva level fell to 2% & 7% respectively. In LhN aifaru shifted in favor of girls by 8%.</p> <p>Achieved. Training has been held for secondary school teachers in all focus islands.</p>
			<p>Bank Group and Partner Intervention</p> <p>Ongoing/Planned lending/TA: Integrated Human Development project. Post Tsunami Reconstruction project . Ongoing/Planned AAA: Education & Skills Training policy notes (FY11) Quality of General Education Policy Notes (FY12). Partners: ADB, UNDP, UNICEF, ILO</p>

¹ Four focus islands: B. Eydhafushi, L.H Naifaru, D.H Kudahuvadoo and L. Gan

² The baseline number is based on the combination of four focus islands enrollment. See IHRDP project outcome indicators

	Gain: 30.)	Social Protection	
<p>Country Development Goals:</p> <ul style="list-style-type: none"> Establish an effective retirement income system. Develop legislation on establishing a Defined Contribution (DC) pension scheme. Reform the existing civil service pension scheme to a DC scheme. <p>Strategic Action Plan:</p> <ul style="list-style-type: none"> Establish a social protection system that is preventive, promotive and transformative. (Social Protection, Policy 1) Implement legislation on pension including setting up mechanisms to execute the old age basic pension and the retirement pension, including mechanism for payment of benefits and annuities. (Social Protection, Policy 1) Expand coverage of retirement pension to formal private sector and the informal sector. (Social Protection, Policy 1) 			
	Outcomes the Bank Group expects to influence	Milestones	Progress to Date
	<p>6.2 Improve social assistance program and increase coverage of the poorest 25% of the population</p>	<ul style="list-style-type: none"> Develop and submit a unified safety net strategy paper to cabinet by end-2010. Develop and implement an eligibility criteria for a national cash transfer program. Develop robust targeting mechanism for determining eligibility for different social protection programs. 	<p>Being initiated. This is a new outcome that was introduced during preparation of the DPC.</p>
			Bank Group and Partner Intervention
			<p>Ongoing Lending: Economic Stabilization and Recovery Credit (FY10 & 11)</p> <p>Partners: UNDP, UNICEF</p>
	<p>6.3 Implementation of pension reform</p>	<ul style="list-style-type: none"> Basic pension payments made to all Maldivians age 65+ increased from 0% in 2009 to 99% in 2012. Pension plan introduced for civil servants through registering individual accounts from 0% in 2009 to 99% in 2012. List of beneficiaries eligible for basic pension created. 	<p>Ongoing. New basic pension system has been introduced. It provides 2000 rufiah per month to all the citizens 65 and above.</p> <p>Ongoing. Pension Law has been passed in May 2009 and the Maldives Pension Administration Office (MPAO) has been created.</p> <p>MPAO started making basic pension payments to 14,000 elderly Maldivians.</p>
Pillar 3: Environmental Management and Climate Adaptation			
<p>Country Development Goals:</p> <ul style="list-style-type: none"> Position Maldives to adapt to the impacts of climate change and sea level rise. Establish a strong information base on climate change in the Maldives 			

<ul style="list-style-type: none"> • Enable management of solid waste to prevent impact on human health and environment. <p>Strategic Action Plan:</p> <ul style="list-style-type: none"> • Protect and preserve the natural environment to ensure prosperous economic development. • Ensure management of solid waste to prevent impact on human health and environment through approaches that are economically viable and locally appropriate. (Environment, Policy 5). 				<p>Bank Group and Partner Intervention</p>
<p>Outcomes the Bank Group expects to influence</p>	<p>Milestones</p>	<p>Progress to Date</p>		
<p>7.1 Strengthen institutional capacity of the Ministry of Environment to better protect the natural environment of and improve people's resilience to climate change in, the Maldives.</p>	<ul style="list-style-type: none"> • Number of staff enrolled and trained in the program increased from 0% in 2008 to 80% in 2014. • Number of pilot activities in the areas of coastal protection, biodiversity conservation, water and livelihood options. • Improved capacities of public and private sectors to engage in climate change-related activities. 	<p><i>Achieved.</i> A degree and diploma program in environmental management has been established.</p> <p>100% of the program of targeted international scholarships for specialized environmental training has commenced ;</p> <p>International scholarships for specialized environmental training has commenced.</p>	<p>Ongoing/Planned lending/TA: Environmental Management Project</p> <p>IFC Environmental & social due diligence on any future investments</p> <p>Ongoing/Planned AAA: Climate Change Trust Fund (EU) (FY10)</p> <p>IFC Environmental Guidelines.</p> <p>IFC Clean Production Audit Program.</p>	
<p>7.2 Increase access to solid waste management services in selected atolls</p>	<ul style="list-style-type: none"> • Collection of basic data. • Introduction of sustainable solid waste collection and disposal practices in at least two regions in the Maldives 	<p><i>Achieved.</i> Terrestrial and marine resource data collection has commenced.</p> <p><i>Ongoing.</i> Fourteen Island Waste Management Center have been established in the South Ari Atoll and are operating on a phased basis.</p> <p>Studies to identify a sustainable solid waste management system in the North Province are underway.</p>	<p>Same as above.</p>	

Appendix II: Development Partners Activities in Maldives

Development Partners	Macro Reform/Budget Support	Public Sector Reform	Social Development				Governance	Climate Change	Infrastructure	Tsunami Recovery/Other
			Education	Youth Development	Health	Social Protection				
Australia		Civic Education	Scholarship s- post grad. TA through Australian engineers /teacher training		Drug rehabilitation/treatment.		Regional program- climate change & water treatment		Through UNDP.	
ADB		Budget support								
AusAID			Higher Education							
EU	TA to Ministry of Econ Development & Trade TA – graduation from LDCs in 2013						Climate Change mitigation program			
France							Environment/Protection of islands			
Germany		Justice reform.	Job training- Maldivians Journalists. (proposed) TA- rural				PPP- Waste disposal management TA – resorts to become carbon neutral		Through UNDP	

Development Partners	Macro Reform/Budget Support	Public Sector Reform	Social Development				Governance	Climate Change	Infrastructure	Tsunami Recovery/Other
			Education	Youth Development	Health	Social Protection				
			Education vocational training center.							
Islamic Development Bank								Infrastructure		
Japan							Solar energy project		Loans Grant for Food Aid	
Kuwait									Technical. South-South	
Qatar								TBD	TBD	
Turkey			Education							
Netherlands							Land Reclamation effort		Through UNDP	
Norway	TA- Financial sector strengthening TA- Fiscal/budget preparation						Promotion of mangroves		Through UNDP	
U.K/DFID		TA- Transparency Maldives. Training- Judicial/media and parliamentary	Scholarships program. British council – assist with educational opportunities	TA- Drug trafficking			Advocacy- climate change		Through DFID	
USAID	TA- tax revenue. Global financial	Judicial reform.	Annual scholarship program		Desalination and health services		Training- coastal management	Harbors, power & sewage systems.	Relief and reconstruction. Grants for	

Development Partners	Macro Reform/Budget Support	Public Sector Reform	Social Development				Governance	Climate Change	Infrastructure	Tsunami Recovery/Other
			Education	Youth Development	Health	Social Protection				
	crisis. Economic support fund	Training-counter terrorism operation					and global climate change		national objects and sights conservation	
IMF	Budget Support									
World Bank	Budget support	TA- Governance Diagnosis	Integrated Human Dev Project	Integrated Human Dev Project. TA- Costing HIV/AIDS	Pension & Social protection		Environment management and Climate Change Trust Fund			
UAE	TBD	TA: PPP Capacity Building								

Appendix III - Maldives Trust Fund Activities FY 08 - FY10
(Figures in thousands of USD)

Trust Fund #	Trust Fund Name	Net Grant Amount	Grant Closing Date	Grant Sign Date	Grant Curr.	Exchange Rate Diff. (USD)	Exec. By
Closed Project during CAS Period							
TF054266	IDF - MALDIVES: STRENGTHENING PUBLIC EXPENDITURE MANAGEMENT	198	5/16/2008	11/17/2004	USD	0.00	Recipient
TF055263	IDF-MALDIVES: STRENGTHENING OF PROCUREMENT REGULATORY FRAMEWORK	267	10/5/2009	3/3/2010	USD	0.00	Recipient
TF055387	JSDF-MALDIVES: SUSTAINABLE LIVELIHOOD IN COMMUNITIES AFFECTED BY THE TSUNAMI	1,961	12/31/2009	6/13/2006	USD	0.00	Recipient
TF055388	JSDF-MALDIVES: SUSTAINABLE LIVELIHOOD IN COMMUNITIES AFFECTED BY THE TSUNAMI (BANK-EXE TF TO COVER INCR BANK COSTS OF RECI-EX 55387)	15	12/31/2009	6/13/2006	USD	0.00	Bank
TF055495	IDF-REPUBLIC OF MALDIVES: INSTITUTIONAL DEVELOPMENT AND CAPACITY BUILDING OF THE AUDITOR GENERAL'S OFFICE	456	8/31/2009	9/1/2005	USD	0.00	Recipient
TF056638	MALDIVES POST TSUNAMI RECOVERY AND RECONSTRUCTION PROJECT	20,057	1/31/2010	10/09/2006	EUR	-884.09	Recipient
Active/New Projects							
TF090399	TTR - CGAP/GATES TECH PROGRAM MALDIVES	699	5/30/2011	2/27/2008	USD	0.00	Recipient
TF092007	THE MALDIVES - INSURANCE REGULATION AND SUPERVISORY ADVANCEMENT (#8004)	230	9/30/2010	4/16/2008	USD	0.00	Bank
TF092521	PUBLIC INTERNATIONAL LAW TO ADDRESS SOCIAL IMPACTS OF CLIMATE CHANGE	150	6/30/2010	7/23/2008	USD	0.00	Bank
TF094190	HDFC MALDIVES	235	6/30/2012	4/15/2009	USD	0.00	Bank
TF094701	IFC SOUTH ASIA ENTERPRISE DEVELOPMENT FACILITY -MALDIVES TRUST FUND	110	6/30/2014	7/1/2009	USD	0.00	Bank
TF095016	FIRST: MALIVES# 8116 FINANCIAL SECTOR DEVELOPMENT PROJECT	260	6/30/2010	8/10/2009	USD	0.00	Bank
	MALDIVES CLIMATE CHANGE TRUST FUND	8,800	6/30/2013	12/29/2009	USD		Bank
TF096026	TARGETING TA	70	12/31/2010	1/18/2010	USD	0.00	Bank
TF096069	PPIAF: MALDIVES: PPP OPTIONS FOR SOLID WASTE MANAGEMENT IN MALDIVES	145	10/31/2010	1/4/2010	USD	0.00	Bank

Appendix IV: Meetings Held during the CAS Progress Report Consultations¹

Government Ministries

- **Office of the Vice President:** Dr. Mohamed Waheed, Vice President
- **Ministry of Finance and Treasury:** Mr. Ali Hashim, Minister (2 meetings)
- **Ministry of Foreign Affairs:** Dr. Ahmed Shaheed, Minister
- **Ministry of Tourism, Arts and Culture:** Dr. Ahmed Ali Sawad, Minister; Mr. Ahmed Salih, Permanent Secretary; and Mr. Thoyyib Mohamed, Minister of State,
- **Ministry of Fisheries, Agriculture and Marine Resources:** Dr. Hussain Rasheed Hassan, Minister of State Minister; Dr. Abdulla Naseer, Permanent Secretary
- **Ministry of Education:** Dr. Mustafa Lutfi, Minister
- **Ministry of Human Resources, Youth and Sports:** Mr. Hassan Latheef, Minister; Mr. Mohamed Mahid Shareef, Permanent Secretary; Mr. Hussain Ismail, Deputy Minister; Ms. Mariyam Noordeen, Assistant Exec. Director
- **Ministry of Housing, Transport, and Environment:** Mohamed Aslam, Minister; Mr. Akram Kamaldeen, Deputy Minister; Mr. Ahmed Saleem, Permanent Secretary.
- **Ministry of Economic Development:** Mr. Mohamed Rasheed, Minister

Other Government

- **Auditor General's Office:** Mr. Ibrahim Naeem, Auditor General
- **Central Bank – Maldives Monetary Authority:** Mr. Fazeel Najeeb, Governor; Mr. Abdul Ghafoor Abdul Latheef, Sr. Executive Director (Financial Sector)

Development Partners, Private Sector, and Civil Society:

- **United Nations:** Mr. Mansoor Ali, Acting UN Resident Coordinator
- **Maldives Association of Tourism Industry:** Mr. Sim Ibrahim Mohamed, Secretary General
- **Transparency Maldives:** Ilham Mohamed, Executive Director,
- **Maldives Finance Leasing Company Pvt, Ltd.** Mr. D Soosaipillai, Managing Director/CEO.

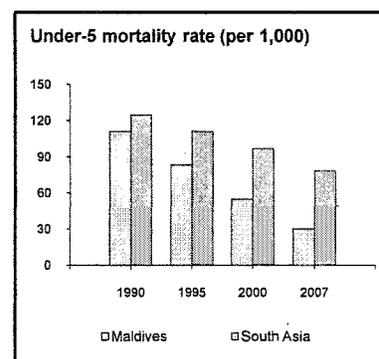
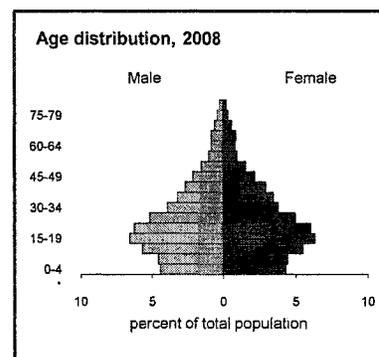
¹ All participants are not listed; only the primary/lead parties. The majority of these meetings were held in January 2010. It should be noted that in addition, at the beginning of the CAS PR Process, in August 2009, the CAS PR team consulted with numerous government officials, and with two business associations: (i) the Maldives National Chamber of Commerce and Industry; and (ii) Maldives Association of Construction Industry.

- **Housing Development Finance Corporation:** Dr. A D Priyanka Baddewithana, Managing Director
- **Housing Development Corporation (Hulhumale)**
- **Bank of Ceylon:** Mr. D M L C Kumara, Country Manager
- **Habib Bank:** Mr. M J Anjum, Senior Vice President / Country Manager
- **Rajee Foundation:** Ms. Ming Yu; Ms. Fathmath Nelfa
- **Maldives NGO Federation:** Ms. Fathmath Afya
- **Society for Women Against Drugs:** Ms. Fathmath Afya
- **Journey:** Ms. Ahmed Adam
- **Hope:** Ms. Rashida Yousoof, Ms. Aneesa Ahmed

Annex A2: Maldives at a glance

2/25/10

Key Development Indicators (2008)	Maldives	Lower middle income	
		South Asia	
Population, mid-year (millions)	0.31	1,543	3,702
Surface area (thousand sq. km)	0.3	5,140	32,309
Population growth (%)	1.7	1.5	1.2
Urban population (% of total population)	38	29	41
GNI (Atlas method, US\$ billions)	1.1	1,522	7,692
GNI per capita (Atlas method, US\$)	3,580	986	2,078
GNI per capita (PPP, international \$)	5,280	2,733	4,592
GDP growth (%)	5.2	6.9	7.6
GDP per capita growth (%)	3.5	5.3	6.3
<i>(most recent estimate, 2003–2008)</i>			
Poverty headcount ratio at \$1.25 a day (PPP, %)	..	40	..
Poverty headcount ratio at \$2.00 a day (PPP, %)	..	74	..
Life expectancy at birth (years)	68	65	68
Infant mortality (per 1,000 live births)	26	59	46
Child malnutrition (% of children under 5)	..	41	26
Adult literacy, male (% of ages 15 and older)	97	74	88
Adult literacy, female (% of ages 15 and older)	97	52	77
Gross primary enrollment, male (% of age group)	112	111	112
Gross primary enrollment, female (% of age group)	109	104	106
Access to an improved water source (% of population)	83	87	86
Access to improved sanitation facilities (% of population)	59	33	52

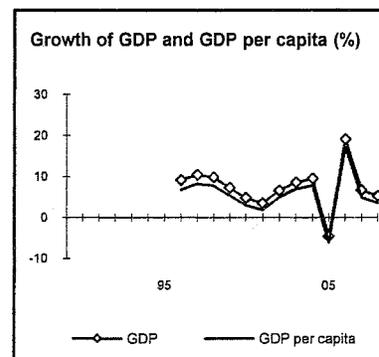


Net Aid Flows	1980	1990	2000	2008 ^a
<i>(US\$ millions)</i>				
Net ODA and official aid	21	21	19	37
<i>Top 3 donors (in 2007):</i>				
European Commission	0	1	0	7
Netherlands	0	0	1	5
Japan	1	6	8	4
Aid (% of GNI)	..	10.8	3.2	3.7
Aid per capita (US\$)	132	97	70	122

Long-Term Economic Trends

Consumer prices (annual % change)	23.8	3.6	-1.2	10.0
GDP implicit deflator (annual % change)	..	..	1.1	13.6
Exchange rate (annual average, local per US\$)	7.6	9.6	11.8	12.8
Terms of trade index (2000 = 100)	..	98	100	96

Population, mid-year (millions)	0.2	0.2	0.3	0.3
GDP (US\$ millions)	42	215	624	1,261
<i>(% of GDP)</i>				
Agriculture	..	..	..	6.2
Industry	..	..	..	17.7
Manufacturing	..	..	..	6.6
Services	..	..	..	76.1
Household final consumption expenditure	..	..	32.9	44.8
General gov't final consumption expenditure	..	..	22.9	22.2
Gross capital formation	..	..	26.3	53.5
Exports of goods and services	153.5	85.5	89.5	83.5
Imports of goods and services	205.1	82.6	71.6	110.1
Gross savings	..	..	35.1	33.8



1980–90 1990–2000 2000–08
(average annual growth %)

	3.1	2.4	1.6
	..	8.5	6.9
Agriculture	6.7	1.8	2.4
Industry	9.9	9.5	8.8
Manufacturing	9.6	4.9	3.3
Services	..	8.5	6.9
Household final consumption expenditure	..	4.3	3.1
General gov't final consumption expenditure	..	14.1	8.5
Gross capital formation	..	9.2	14.9
Exports of goods and services	..	8.6	9.0
Imports of goods and services	..	9.4	9.5

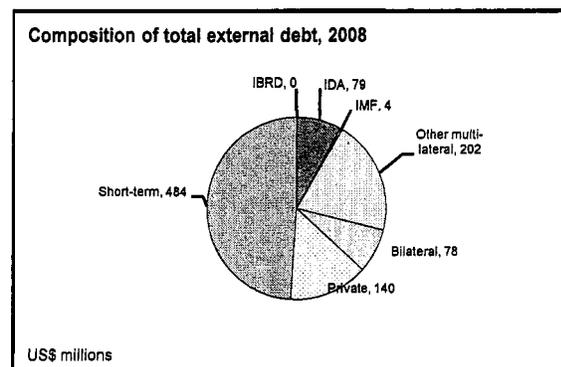
Note: Figures in italics are for years other than those specified. 2008 data are preliminary. .. indicates data are not available.

a. Aid data are for 2007.

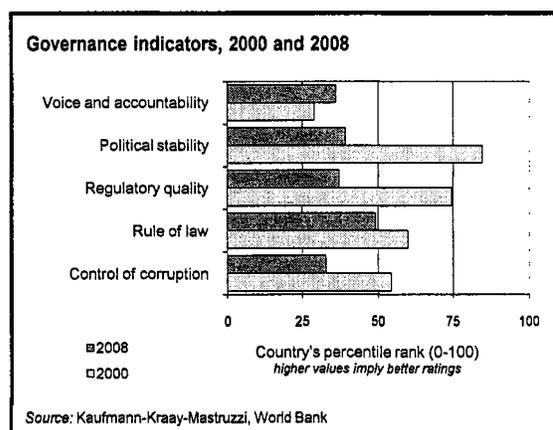
Balance of Payments and Trade	2000	2008
<i>(US\$ millions)</i>		
Total merchandise exports (fob)	109	331
Total merchandise imports (cif)	389	1,388
Net trade in goods and services	-25	-533
Current account balance	-52	-583
as a % of GDP	-8.2	-46.2
Workers' remittances and compensation of employees (receipts)	2	3
Reserves, including gold	123	308
Central Government Finance		
<i>(% of GDP)</i>		
Current revenue (including grants)	32.3	49.0
Tax revenue	..	21.0
Current expenditure	25.5	49.2
Overall surplus/deficit	-4.4	13.8
Highest marginal tax rate (%)		
Individual		
Corporate		

External Debt and Resource Flows

<i>(US\$ millions)</i>		
Total debt outstanding and disbursed	206	987
Total debt service	20	65
Debt relief (HIPC, MDRI)	-	-
Total debt (% of GDP)	33.0	78.2
Total debt service (% of exports)	4.1	8.9
Foreign direct investment (net inflows)	13	15
Portfolio equity (net inflows)	0	0



Private Sector Development	2000	2008
Time required to start a business (days)	-	9
Cost to start a business (% of GNI per capita)	-	11.5
Time required to register property (days)	-	-
Ranked as a major constraint to business (% of managers surveyed who agreed)	2000	2008
n.a.	..	..
n.a.	..	..
Stock market capitalization (% of GDP)	..	..
Bank capital to asset ratio (%)	..	..



Technology and Infrastructure	2000	2008
Paved roads (% of total)		
Fixed line and mobile phone subscribers (per 100 people)	12	155
High technology exports (% of manufactured exports)	..	0.0

Environment

Agricultural land (% of land area)	33	47
Forest area (% of land area)	3.0	3.0
Nationally protected areas (% of land area)		
Freshwater resources per capita (cu. meters)	106	98
Freshwater withdrawal (billion cubic meters)		
CO2 emissions per capita (mt)	1.8	2.4
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	..	..
Energy use per capita (kg of oil equivalent)	..	..

World Bank Group portfolio

	2000	2008
<i>(US\$ millions)</i>		
IBRD		
Total debt outstanding and disbursed	0	0
Disbursements	0	0
Principal repayments	0	0
Interest payments	0	0
IDA		
Total debt outstanding and disbursed	46	79
Disbursements	3	4
Total debt service	1	2
IFC (fiscal year)		
Total disbursed and outstanding portfolio of which IFC own account	4	60
Disbursements for IFC own account	0	0
Portfolio sales, prepayments and repayments for IFC own account	1	10
MIGA		
Gross exposure	-	-
New guarantees	-	-

Note: Figures in italics are for years other than those specified. 2008 data are preliminary.
.. indicates data are not available. - indicates observation is not applicable.

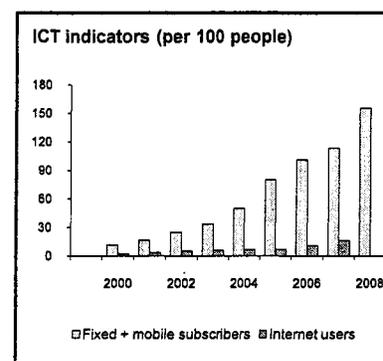
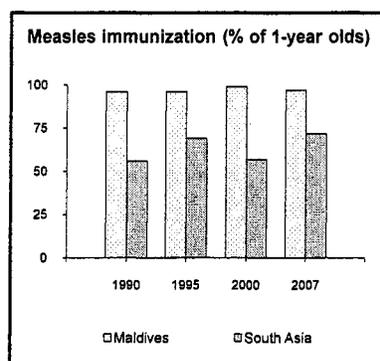
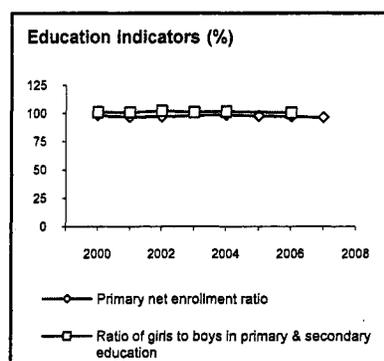
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Millennium Development Goals

Maldives

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	Maldives			
	1990	1995	2000	2008
Goal 1: halve the rates for extreme poverty and malnutrition				
Poverty headcount ratio at \$1.25 a day (PPP, % of population)	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..
Share of income or consumption to the poorest quintile (%)	..	..	..	..
Prevalence of malnutrition (% of children under 5)	..	32.5	25.7	..
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	87	..	98	96
Primary completion rate (% of relevant age group)	..	..	..	129
Secondary school enrollment (gross, %)	44	56	55	83
Youth literacy rate (% of people ages 15-24)	98	98	98	98
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	..	..	101	101
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	32	37	39
Proportion of seats held by women in national parliament (%)	6	6	6	12
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	111	83	55	30
Infant mortality rate (per 1,000 live births)	79	62	43	26
Measles immunization (proportion of one-year olds immunized, %)	96	96	99	97
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	120
Births attended by skilled health staff (% of total)	..	90	70	84
Contraceptive prevalence (% of women ages 15-49)	..	..	42	39
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	129	96	71	47
Tuberculosis cases detected under DOTS (%)	..	107	75	92
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	96	95	87	83
Access to improved sanitation facilities (% of population)	..	57	58	59
Forest area (% of total land area)	3.0	3.0	3.0	3.0
Nationally protected areas (% of total land area)	..	..	..	..
CO2 emissions (metric tons per capita)	0.7	1.1	1.8	2.4
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	..	..	..	..
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	2.9	5.6	9.0	15.1
Mobile phone subscribers (per 100 people)	0.0	0.0	2.8	140.3
Internet users (per 100 people)	0.0	0.0	2.2	23.1
Personal computers (per 100 people)	..	1.2	3.7	20.0



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

2/25/10

CAS Annex B2 - Maldives
Selected Indicators* of Bank Portfolio Performance and Management
As Of Date 4/7/2010

Indicator	2007	2008	2009	2010
Portfolio Assessment				
Number of Projects Under Implementation ^a	2	4	5	5
Average Implementation Period (years) ^b	2.6	1.9	2.3	2.1
Percent of Problem Projects by Number ^{a, c}	0.0	0.0	40.0	0.0
Percent of Problem Projects by Amount ^{a, c}	0.0	0.0	38.0	0.0
Percent of Projects at Risk by Number ^{a, d}	0.0	0.0	40.0	0.0
Percent of Projects at Risk by Amount ^{a, d}	0.0	0.0	38.0	0.0
Disbursement Ratio (%) ^e	33.1	35.6	14.3	20.6
Portfolio Management				
CPPR during the year (yes/no)	no	no	no	no
Supervision Resources (total US\$'000)	264.8	406.2	400.8	410
Average Supervision (US\$'000/project)	88.2	101.5	100.2	68.3

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	6	1
Proj Eval by OED by Amt (US\$ millions)	61.0	16.8
% of OED Projects Rated U or HU by Number	0.0	0.0
% of OED Projects Rated U or HU by Amt	0.0	0.0

- a. As shown in the Annual Report on Portfolio Performance (except for current FY).
- b. Average age of projects in the Bank's country portfolio.
- c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
- d. As defined under the Portfolio Improvement Program.
- e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
- * All indicators are for projects active in the Portfolio, with the exception of Supervision Resources and Disbursement Ratio, which include all active projects as well as projects which exited during the fiscal year.

Annex B3: IDA Program Summary FY08-12

FY	CAS Planned Project	Original Amount (US\$)	Actual	Approval Date	Approved Amount (US\$ mil)
FY08	Mobile Phone Banking	3.8	Approved	04/17/2008	7.7
	Maldives Environmental Project	12	Approved	06/10/2008	13.2
FY09	Maldives Pension Administration Project	12	Approved	05/12/2009	3.8
	Additional Financing for IHDP (education)	5	Dropped		
FY10	Possible Development Policy Credit	6	Approved	03/04/2010	13.7
FY11	Possible Follow on Financing	5	Dropped		
CAS PR Planned Project					
FY11	Follow on Development Policy Credit	10			
FY12	Possible New Development Policy Credit (Sector TBD)	5			

Annex B3
Maldives: IFC Investment Operations Program

	2007	2008	2009	2010*
<u>Commitments (US\$m)</u>				
Gross	0.00	0.00	62	2.50
Net**	0.00	0.00	62	2.50
<u>Net Commitments by Sector (%)</u>				
Real Sector Cluster	n/a	n/a	80.65	100
Financial Markets	n/a	n/a	19.35	0
Total	n/a	n/a	100	100
<u>Net Commitments by Investment Instrument (%)</u>				
Equity	n/a	n/a	7.26	0
Loan	n/a	n/a	92.74	100
Total	n/a	n/a	100	100

* As of March 31, 2010

** IFC's Own Account only

Annex B4
Summary of Nonlending Services

As of April 7, 2010

<i>Product</i>	<i>Completion FY</i>	<i>Cost (US\$000)</i>	<i>Audience^a</i>
Recent completions			
Public Expenditure Mgmt TA	2008	228	Government
Review/Costing of HIV/AIDS TA	2010	35	Government
Underway			
Maldives Governance Diagnostics TA	2010	50	Government
Planned			
PPP Capacity Building TA	2011	50	Government
ROSC Accounting and Auditing	2011	100	Government
Education and Skills Training Policy Notes	2011	150	Government
Country Economic Memorandum	2012	200	Government
Quality of General Education Policy Notes	2012	150	Government

a. Government, donor, Bank, public dissemination.

Annex B5: Poverty and Social Indicators

	Latest single year			Same region/income group	
	1980-85	1990-97	2002-08	South Asia	Lower-middle-income
POPULATION					
Total population, mid-year (millions)	0.2	0.2	0.3	1,542.9	3,702.2
Growth rate (% annual average for period)	3.0	2.8	1.6	1.5	1.2
Urban population (% of population)	25.5	25.6	37.9	29.5	41.3
Total fertility rate (births per woman)	6.7	4.5	2.6	2.8	2.5
POVERTY					
<i>(% of population)</i>					
National headcount index	..	40	28	..	..
Urban headcount index	..	..	..	..	..
Rural headcount index	..	..	..	..	..
INCOME					
GNI per capita (US\$)	..	..	3,630	986	2,015
Consumer price index (2000=100)	..	..	125	127	125
Food price index (2000=100)	..	81	99	..	..
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	..	..	..	..	..
Lowest quintile (% of income or consumption)	..	..	..	..	..
Highest quintile (% of income or consumption)	..	..	..	..	..
SOCIAL INDICATORS					
Public expenditure					
Health (% of GDP)	..	..	6.5	0.9	1.8
Education (% of GDP)	..	4.0	7.9	2.2	3.2
Net primary school enrollment rate					
<i>(% of age group)</i>					
Total	..	87	96	85	87
Male	..	87	96	87	89
Female	..	87	97	83	85
Access to an improved water source					
<i>(% of population)</i>					
Total	..	95	83	87	86
Urban	..	100	98	94	94
Rural	..	93	76	84	81
Immunization rate					
<i>(% of children ages 12-23 months)</i>					
Measles	47	96	97	72	80
DPT	28	94	98	69	77
Child malnutrition (% under 5 years)	..	33	..	41	26
Life expectancy at birth					
<i>(years)</i>					
Total	59	63	68	65	68
Male	60	63	68	63	66
Female	57	61	69	66	70
Mortality					
Infant (per 1,000 live births)	94	62	26	59	46
Under 5 (per 1,000)	135	83	30	78	65
Adult (15-59)					
Male (per 1,000 population)	247	208	181	246	205
Female (per 1,000 population)	322	284	153	167	137
Maternal (modeled, per 100,000 live births)	..	..	120	500	370
Births attended by skilled health staff (%)	..	90	84	42	64

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED97. Immunization: refers to children ages 12-23 months who received vaccinations before one year of age or at any time before the survey.

World Development Indicators database, World Bank - 15 September 2009.

Annex B6
Maldives - Key Economic Indicators

Indicator	Actual			Estimate		Projected		
	2005	2006	2007	2008	2009	2010	2011	2012
National accounts (as % of GDP)								
Gross domestic product ^a	100	100	100	100	100	100	100	100
Agriculture	10	8	7	6	8	9	9	10
Industry	18	17	17	18	23	25	27	29
Services	72	75	76	76	69	67	64	61
<i>Memorandum items</i>								
Gross domestic product (US\$ million at current prices)	750	929	1055	1261	1338	1441	1552	1669
GNI per capita (US\$, Atlas method)	2580	2970	3190	3580	3690	4090	4470	4770
Real annual growth rates (%)								
Gross domestic product at market prices	-4.6	18.0	7.2	6.3	-3.0	3.4	3.7	3.9
Real annual per capita growth rates (%)								
Gross domestic product at market prices	-6.1	17.1	4.9	3.5	-6.3	1.5	1.8	1.9
Balance of Payments (US\$ millions)								
Exports (GNFS) ^b	485	777	877	1034	981	1042	1150	1329
Merchandise FOB	162	225	228	330	313	333	356	399
Imports (GNFS) ^b	869	1047	1234	1570	1260	1248	1297	1374
Merchandise FOB	655	815	965	1221	1124	1120	1167	1237
Resource balance	-384	-269	-357	-535	-279	-206	-147	-45
Net current transfers	142	8	-14	-52	-55	-55	-55	-55
Current account balance	-273	-302	-438	-651	-395	-400	-350	-139
Net private foreign direct investment	9	14	15	15	5	15	15	20
Long-term loans (net)	18	39	..	0	70	40	-7	-15
Official	21	34	27	37	35	44	5	-2
Private	-3	4	..	-37	35	-4	-12	-13
Other capital (net, incl. errors & omissions)	222	295	..	568	400	430	398	225
Change in reserves ^d	23	-45	-77	68	-81	-86	-56	-91
<i>Memorandum items</i>								
Resource balance (% of GDP)	-51.2	-29.0	-33.8	-42.4	-20.8	-14.3	-9.5	-2.7

(Continued)

Maldives - Key Economic Indicators (Continued)

Indicator	Actual			Estimate		Projected		
	2005	2006	2007	2008	2009	2010	2011	2012
Public finance (as % of GDP at market prices)^e								
Current revenues	48.1	44.1	48.1	44.3	39.0	40.3	40.2	40.3
Current expenditures	48.4	47.2	48.6	51.3	54.2	48.0	42.5	38.2
Current account surplus (+) or deficit (-)	-0.3	-3.1	-0.5	-7.0	-15.2	-7.8	-2.4	2.1
Capital account surplus (+) or deficit (-)	10.6	11.3	12.1	11.4	12.3	10.7	9.2	8.6
Foreign financing	11.0	11.8	12.3	8.5	2.2	1.5	-1.4	-1.6
Monetary indicators								
M2/GDP	31.6	31.2	32.6	37.7	78.1	80.0	82.6	82.6
Growth of M2 (%)	22.5	22.2	18.8	38.1	120.1	10.2	11.3	7.5
Private sector credit growth / total credit growth (%)	72.5	104.4	93.4	67.2	97.7	93.0	93.0	93.0
Price indices								
Consumer price index (% change)	1.3	3.1	10.3	9.1	4.0	4.5	6.0	4.8
GDP deflator (% change)	1.2	4.0	6.6	13.6	11.0	4.0	3.8	3.5

- a. GDP at factor cost
b. "GNFS" denotes "goods and nonfactor services."
c. Includes net unrequited transfers excluding official capital grants.
d. Includes use of IMF resources.
e. Consolidated central government.
f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

Maldives - Key Economic Indicators (Continued)

Indicator	Actual			Estimate		Projected		
	2005	2006	2007	2008	2009	2010	2011	2012
Public finance (as % of GDP at market prices)^a								
Current revenues	48.1	44.1	48.1	44.3	39.0	40.3	40.2	40.3
Current expenditures	48.4	47.2	48.6	51.3	54.2	48.0	42.5	38.2
Current account surplus (+) or deficit (-)	-0.3	-3.1	-0.5	-7.0	-15.2	-7.8	-2.4	2.1
Capital account surplus (+) or deficit (-)	10.6	11.3	12.1	11.4	12.3	10.7	9.2	8.6
Foreign financing	11.0	11.8	12.3	8.5	2.2	1.5	-1.4	-1.6
Monetary indicators								
M2/GDP	31.6	31.2	32.6	37.7	78.1	80.0	82.6	82.6
Growth of M2 (%)	22.5	22.2	18.8	38.1	120.1	10.2	11.3	7.5
Private sector credit growth / total credit growth (%)	72.5	104.4	93.4	67.2	97.7	93.0	93.0	93.0
Price indices								
Consumer price index (% change)	1.3	3.1	10.3	9.1	4.0	4.5	6.0	4.8
GDP deflator (% change)	1.2	4.0	6.6	13.6	11.0	4.0	3.8	3.5

- a. GDP at factor cost
b. "GNFS" denotes "goods and nonfactor services."
c. Includes net unrequited transfers excluding official capital grants.
d. Includes use of IMF resources.
e. Consolidated central government.
f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

Annex B7: Key Exposure Indicators

Indicator	Estimate				Projected			
	2005	2006	2007	2008	2009	2010	2011	2012
Total debt outstanding and disbursed (TDO) (US\$m) ^a	390	484	576	987	1001	1014	982	946
Net disbursements (US\$m) ^a	55	82	72	418	23	13	-32	-36
Total debt service (TDS) (US\$m) ^a	35	39	50	65	96	106	105	77
Debt and debt service indicators (%)								
TDO/XGS ^b	76.9	59.9	62.6	91.9	121.0	86.1	67.2	
TDO/GDP	47.8	48.6	50.3	72.0	62.5	57.7	..	
TDS/XGS	7.0	4.8	5.5	6.0	11.6	9.0	7.1	
Concessional/TDO	53.8	46.9	42.6	26.4	30.5	34.0	37.1	
IBRD exposure indicators (%)								
IBRD DS/public DS	2.9	3.2	2.6	2.0	..	..	..	..
Preferred creditor DS/public DS (%) ^c	18.6	19.8	28.7	35.3	..	..	..	..
IBRD DS/XGS	0.2	0.1	0.1	0.1				
IBRD TDO (US\$m) ^d	0	0	0	0	0	0	0	0
Of which present value of guarantees (US\$m)								
Share of IBRD portfolio (%)	0							
IDA TDO (US\$m) ^d	64	70	77	79	85	89	92	94
IFC (US\$m)								
Loans								
Equity and quasi-equity /c								
MIGA								
MIGA guarantees (US\$m)								

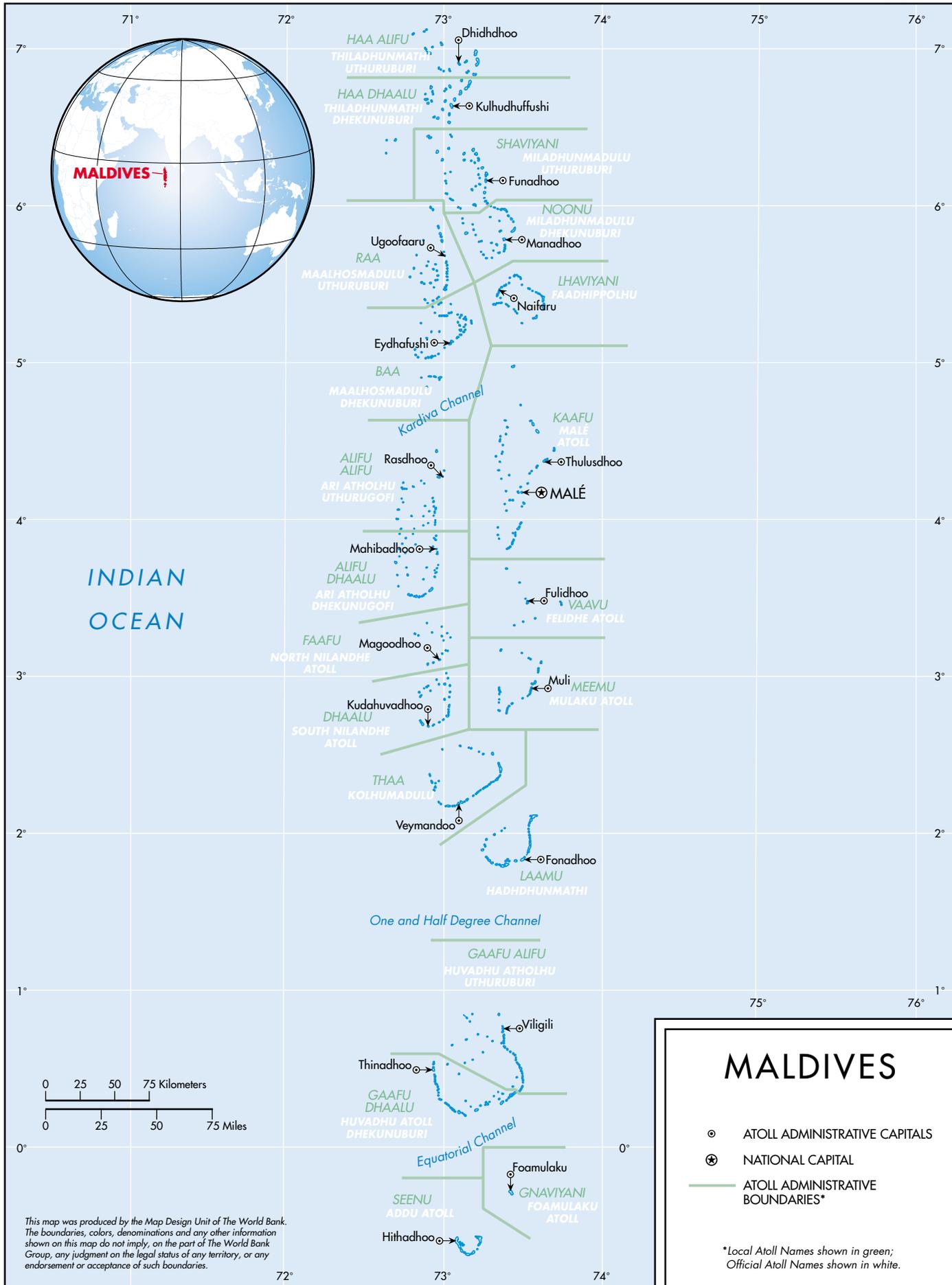
a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.

b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.

d. Includes present value of guarantees.

e. Includes equity and quasi-equity types of both loan and equity instruments.



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MALDIVES

- ◉ ATOLL ADMINISTRATIVE CAPITALS
- ⊕ NATIONAL CAPITAL
- ATOLL ADMINISTRATIVE BOUNDARIES*

*Local Atoll Names shown in green; Official Atoll Names shown in white.