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Report No. 35240-MV

PROJECT PAPER

ON A

PROPOSED ADDITIONAL FINANCING CREDIT

IN THE AMOUNT OF

SDR 4.0 MILLION (US\$5.7 MILLION EQUIVALENT)

TO THE

REPUBLIC OF MALDIVES

FOR AN

INTEGRATED HUMAN DEVELOPMENT PROJECT

February 8, 2006

**Human Development Sector Unit
South Asia Region**

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CURRENCY EQUIVALENTS

(Exchange Rate Effective November 30, 2005)

Currency Unit = Rufiyaa (RF.)

Rf. 1 = US\$.080

US\$1 = Rf. 12.82

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

CAS	Country Assistance Strategy
EU	European Union
IDA	International Development Association
IHDP	Integrated Human Development Project

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**MALDIVES
INTEGRATED HUMAN DEVELOPMENT PROJECT**

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MAP(S)
IBRD Map 33442

MALDIVES
Integrated Human Development Project
Additional Financing

PROJECT PAPER DATA SHEET

Date: February 8, 2006 Country: Republic of Maldives Project Name: Integrated Human Development Project Project ID: P098583		Team Leader: Qaiser Khan Sector Director/Manager: Julian Schweitzer /Mansoor Rashid Country Director: Alastair J. McKechnie Environmental Category: B (Partial Assessment)			
Borrower: Republic of Maldives Responsible agency: Ministry of Education					
Revised estimated disbursements (Bank FY/US\$m)					
FY	2006	2007	2008	2009	2010
Annual	0.7	1.25	1.25	1.25	1.25
Cumulative	0.7	1.95	3.20	4.45	5.70
Current closing date: June 30, 2010 Revised closing date [if applicable]:					
Does the restructured or scaled-up project require any exceptions from Bank policies?					No
Have these been approved by Bank management?					N.A.
Is approval for any policy exception sought from the Board?					No
Revised project development objectives/outcomes [If applicable]					
N.A.					
Does the scaled-up or restructured project trigger any new safeguard policies? No If so, click here to indicate which one(s) N.A.					
For Additional Financing					
<input type="checkbox"/> Loan <input checked="" type="checkbox"/> Credit <input type="checkbox"/> Grant For Loans/Credits/Grants: Total Bank financing (US\$m.) US\$ 5.7 million Proposed terms: 40 year repayment, 10 year grace period					
Financing Plan (US\$m.)					
Source		Local	Foreign	Total	
Borrower		1.0	0	1.0	
IBRD/IDA		2.2	3.5	5.7	
Others		0	0	0	
Total		3.2	3.5	6.7	

MALDIVES INTEGRATED HUMAN DEVELOPMENT PROJECT

A. Introductory Statement

This Project Paper seeks the approval of the Executive Directors to provide an additional credit in an amount of US\$5.7 million to the Maldives Integrated Human Development Project (IHDP) (P098583) (Cr. 3948-MAL). The proposed additional credit will help fill the financing gap created by a partial cancellation of the original IHDP credit to meet the emergency needs of the post-tsunami reconstruction in the Maldives. It will finance activities on four focus islands including: (i) education services, (ii) health services, (iii) employment services, (iv) community services, and (v) a monitoring and evaluation component, with the objective of developing the islands as alternative economic and social centers in regions remote from Male that could act as hubs for the delivery of public social services and local government.

B. Background and Rationale for Additional Financing in the amount of \$5.7 million

The original IHDP Credit of SDR 10.9 million (US\$15.60 million approximately) was approved on June 6, 2004, and became effective on September 9, 2004. The objectives of the project were to improve social indicators and promote economic growth on four focus islands identified in outlying atolls with a view to developing them as viable alternatives to Male, and thereby reducing regional inequities in social services and economic growth. A related objective was to promote ecologically sustainable development on these fragile atolls by selecting the most ecologically viable islands within the remote atolls as the focus islands for development. There is no change in the objectives, design or scope of the project to be financed under the additional financing.

On February 10, 2005, SDR 6.598 million (US\$10 million) was cancelled from the IHDP to make available IDA funds for financing urgent post-tsunami rehabilitation works under the first Post Tsunami Emergency Relief and Reconstruction Project (P094193/Cr. 40420). During the December 2004 Tsunami disaster, tidal waves ranging from 4-14 feet engulfed the Maldives. More than 100 persons were reported dead, 1,300 persons injured, 12,000 persons displaced from their islands and 8,500 relocated to other places on their own islands. There was widespread destruction of infrastructure including electricity and water supply. Damages to physical assets were estimated to be about US\$300 million. The impact on the economy was severe and widespread. To respond to the emergency and crisis situation, the Government of the Maldives requested the World Bank to cancel US\$10 million from the IHDP to make IDA funds available for tsunami relief. Even at the time of the request for cancellation, the Government indicated that the request was solely to meet urgent funding needs for the Post Tsunami program, and that the Government would seek the restoration of cancelled funds to meet the original project objectives, once additional funds were available for the Maldives under the IDA-14 cycle in July 2005. However, the IDA-14 allocation for the Maldives of US\$27 million will not be sufficient to restore US\$10 million in funding in view of the other commitments/requirements of the Government. It was therefore decided that the Republic of Maldives would seek from IDA a maximum of US\$5.7 million for refinancing IHDP, and that the European Union (EU) would finance IHDP activities in two islands to the tune of \$3.6 million, reducing the estimated shortfall in the funds needed to meet the original IHDP objectives to about US\$0.7 million. It is expected that the shortfall will be met by savings resulting from the bidding process and from fluctuations in the exchange rate. The situation will be reassessed during the project's mid-term

review. Meanwhile, the proposed additional financing will suffice for the project to meet its original objectives.

In terms of implementation performance, the assessment of the last IDA supervision mission (December 2005) was that the project was currently on track to meet its development objectives. Project launch had initially been delayed from January to June 2005 as a result of the Government's focus on Tsunami rehabilitation works and the Project Implementation Plan was revised to reflect a new timeline resulting from the delayed start of the project. In the second half of 2005, project implementation improved significantly and both the development objective and implementation progress ratings are satisfactory. A number of start-up activities having been completed under each component, including the selection and appointment of key consultants. Under the civil works consultancy, for example, the preparation of detailed drawings for 11 packages of works is currently on-going. Training programs have been identified and staff to be deputed for training will be selected in the first half of 2006 as most of the courses are scheduled to begin in September 2006. About 36% of the reduced credit amount has disbursed to date. Without the additional financing implementation could begin to stall as the Government is unwilling to sign contracts for which bidding is on-going beyond the funds available under the credit. This includes contracting for the construction of schools, residential learning centers, teacher training centers, and multi-purpose buildings; contracting for the provision of broadband services on focus islands and the procurement of furniture and equipment for education, health and community services.

C. Proposed Changes

None. The additional financing will allow the completion of components as originally designed.

D. Consistency with CAS

N.A. The component continues to be consistent with the CAS objective of reducing regional inequities and developing alternatives to Male in remote atolls.

E. Economic Analysis of financing gap

No change. The original economic analysis of the project still holds as there are no changes in the components.

F. Appraisal of restructured activities

N.A.

G. Expected Outcomes

No change in the expected outcomes of improved social indicators and better economic growth in the focus islands, as well as a reduction in regional inequities and promotion of ecologically sustainable development.

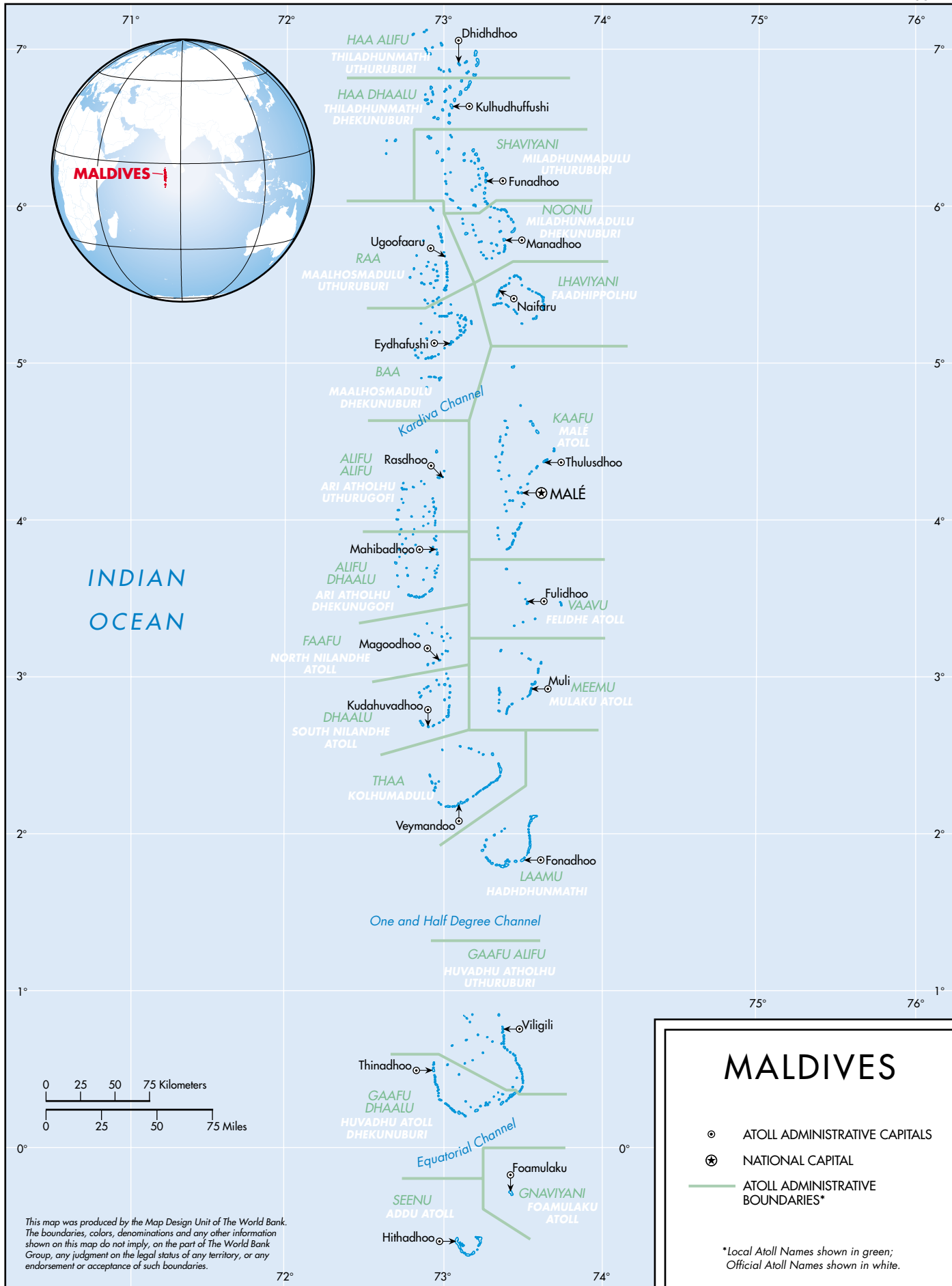
H. Benefits and Risks

No change in the expected benefit of developing viable alternative growth centers to Male for more equitable and ecologically sustainable development. The risk that people continue to prefer using services in the capital area is sought to be mitigated by ensuring that the quality of services to be provided with project support on the focus islands is high, and that the transaction costs of using services in the islands is lower than in the capital city.

I. Financial terms and conditions for the additional financing

Standard IDA Credit terms apply.

MAP SECTION



MALDIVES

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

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