

**ASIAN DEVELOPMENT BANK
Operations Evaluation Department**

**VALIDATION OF THE COUNTRY STRATEGY AND PROGRAM
COMPLETION REPORT**

FOR

REPUBLIC OF THE MALDIVES

In this electronic file, the report is followed by the Board of Directors' Development Effectiveness Committee (DEC) Chair's summary of a discussion of the report by DEC.



Validation Report

Reference Number: VCR: MLD 2007-07
Validation of the Country Strategy and Program Completion Report
June 2007

Republic of the Maldives

Operations Evaluation Department

Asian Development Bank

CURRENCY EQUIVALENTS

Currency Unit - Rufiyaa (Rf)

		1995	2002	2006
Rf1.00	=	\$0.08496	\$0.07813	\$0.07813
\$1.00	=	Rf11.77	Rf12.80	Rf12.80

ABBREVIATIONS

ADB	–	Asian Development Bank
ADTA	–	advisory technical assistance
COS	–	country operational strategy
CPS	–	country partnership strategy
CSP	–	country strategy and program
GDP	–	gross domestic product
MOFT	–	Ministry of Finance and Treasury
NDP	–	National Development Plan
OED	–	Operations Evaluation Department
PPTA	–	project preparatory technical assistance
SWOT	–	strengths, weaknesses, opportunities, and threats
TA	–	technical assistance

NOTES

- (i) The fiscal year (FY) of the Government ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

Keywords

asian development bank, country operational strategy, country strategy and program, development, effectiveness, efficiency, evaluation, partnership, performance, portfolio, relevance, responsiveness, sector, strategy, sustainability, technical assistance, validation

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Attachment: DEC Chair Summary

The guidelines formally adopted by the Operations Evaluation Department (OED) on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. To the knowledge of the management of OED, there were no conflicts of interest of the persons preparing, reviewing or approving this report.

EXECUTIVE SUMMARY

This validation report is a new product of the Operations Evaluation Department (OED). It reviews the performance of Asian Development Bank (ADB) country assistance in the Republic of the Maldives from 1995 to 2006 and validates the conclusions of the country strategy and program (CSP) completion report prepared by the Maldives country team of ADB's South Asia Department.

ADB formulated country strategies for Maldives in 1995 and 2002. The 1995 strategy was relevant at the time it was prepared, but its implementation deviated from the initially stated priorities. The 2002 strategy was aligned with the national development plan and was largely consistent with the development priorities of the program and the Government, although the program was affected by the Indian Ocean tsunami in December 2004.

ADB, as a main development partner, played a substantial role in assisting the Government to formulate its development plans and set development priorities. ADB continuously engaged in policy dialogue with the Government. It also provided some analytical work on core sectors and thematic areas through the CSP exercise. It undertook poverty analysis and other economic, sector and thematic work, in addition to its technical assistance (TA) and loans to selected sectors and areas. Implementation of the programs was affected by weak institutional and human capacity. The main sectors of operation have been energy, transport, education, and multisector.

The achievements made by country strategy objectives from 1995 to 2006 are rated as follows: (i) infrastructure development "partly successful," (based on a four category scale of highly successful, successful, partly successful, or unsuccessful) (ii) human development "successful," (iii) good governance promotion "unsuccessful/partly successful," and (iv) tsunami recovery assistance "partly successful." The achievement of the country strategies in terms of program delivery and immediate outcomes in the sectors in which ADB intervened also varied by sector, and overall the achievement was modest.

In thematic areas, ADB's interventions for poverty reduction through poverty analysis and sector programs under the 2002 CSP were considered "relevant" as the Maldives faced a growing problem of disparities between the capital, Malé, and the country's atolls. ADB supported capacity development in key public institutions. However, given the cancellation of a project to improve public accounting systems, the overall effectiveness of ADB intervention in this area was modest.

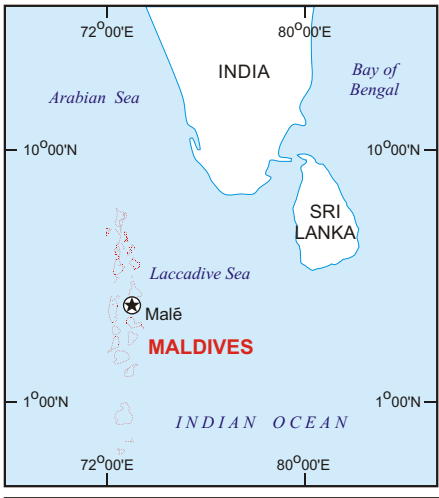
The assessment of results of the country strategies and programs indicates that the overall outcome is "partly successful," based on the combined ratings at the country and sector levels. This implies that there are areas for better performance in the future. The feedback from OED's field interviews and workshop discussions on the performance of ADB and its programs, as well as the outcome of structured surveys of perceptions of ADB's interventions and advisory TA, indicates that ADB's institutional performance in general has been "substantial," (based on a four category scale of high, substantial, modest, or negligible). ADB needs to improve its performance, especially in helping overcome a lack of local capacity.

OED generally validates the completion report's conclusions and recommendations. The report's descriptions and analyses cover many issues and areas relevant for ADB's country operations and generally reflect the reality of conditions in the Maldives. There are some limitations, but the completion report is rated "satisfactory."

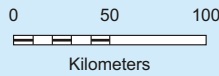
The validation of the completion report identified several lessons for consideration in formulating a new country partnership strategy.

- (i) A strong central Project Management Unit in the executing agency equipped with adequate technical staff would help to improve project implementation.
- (ii) ADB needs to better assess weaknesses in institutional capacity, strengthen human resource management systems, and build capacity in agencies with which it works. Considering the limited annual TA budget, a more flexible modality (such as a TA loan) needs to be contemplated. ADB assistance for capacity development should be conditional on Government appointing qualified staff in those institutions assisted by ADB TA.
- (iii) To achieve operational synergies, a more integrated approach based on common themes should be explored.
- (iv) ADB should assess the operational benefits and costs of maintaining a local office in the Maldives.

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**MALDIVES
VALIDATION OF THE
COUNTRY STRATEGY AND
PROGRAM COMPLETION REPORT**



- National Capital
 - Atoll Capital
 - International Airport
 - Regional Airport
 - Atoll Administrative Boundary
- Boundaries are not necessarily authoritative.

I. INTRODUCTION

A. Background and Country Context of ADB's Assistance

1. In February 2007, Asian Development Bank's (ADB) South Asia Department prepared a relatively extensive country strategy and program (CSP) completion report for the Maldives. The completion report reviewed the performance of ADB's country operations from 1995 to 2006 as part of preparation for ADB's new country partnership strategy (CPS) for the Maldives. ADB's portfolio and annual assistance program for the country is relatively small, with an average annual program of about \$6 million lending and \$1 million nonlending assistance. Taking into account this and the resource implications, the Operations Evaluation Department (OED) concluded that, instead of undertaking a full-scale country assistance program evaluation, it would briefly review ADB's country operation performance in the Maldives and validate the findings of South Asia Department's CSP completion report. Accordingly, OED fielded an evaluation mission to the Maldives in February 2007 for this purpose. This validation report is a pilot product of OED in the sense that it is the first validation of a CSP completion report.

2. To help assess ADB's performance, OED conducted (i) structured surveys on stakeholder perceptions of ADB and nonlending services (advisory technical assistance [TA]), (ii) a participatory workshop that was attended by more than 20 government officials implementing ADB-funded projects, and (iii) face-to-face interviews with opinion leaders in the Government and the private sector.

3. From 1995 to 2004 the Maldives achieved robust economic and social development with an annual average gross domestic product (GDP) growth of about 7%. The Maldives graduated to middle-income country status (per capita gross national product of \$2,400 in 2004). In 2005, the economy recorded its first negative growth rate (-4.5%) as a result of the nationwide damage caused by the 2004 tsunami. However, the tourism sector grew strongly in 2006, pushing the GDP growth rate to double figures (estimated at 18.2%).¹ The Maldives has a narrow economy base, with tourism accounting for a third of GDP in 2004, followed by transport and communications (15%), manufacturing (8%) and fisheries (6%). Income inequalities and poor access to basic social services for people on many scattered atolls remain serious. Activities to assist the country's recovery from the damage caused by the tsunami led to a significant sudden increase in the fiscal and current account deficits. This resulted in a greater reliance on external debt financing as well as deterioration in the fiscal position.² Lack of adequate human resources in the country is a persistent weakness hampering economic growth and development.

4. ADB assistance to the Maldives comprises Asian Development Fund funding in selected sectors, including energy, transport and telecommunications and education, as well as multisector

¹ Economic and social indicators for the Maldives are presented in Appendix 1.

² The *Asian Development Outlook* indicates that the Maldives' budget deficit planned for 2006 widened to 18% of GDP (with 51% growth in expenditures) from 12.5% in 2005 (ADB. 2007. *Asian Development Outlook 2007*. Manila.) Since the tsunami, external debt increased by \$230 million to reach an estimated \$582 million (64% of GDP). The outlook suggests that the rapidly deteriorating fiscal indicators are worrisome (especially with large expansion of the civil service and subsidized social services) and high economic growth cannot be maintained unless the Government addresses these issues before its debt reaches unsustainable levels. In 2006, ADB, in coordination with the World Bank, focused on developing a Public Resources Management Reform Program initially planned as an emergency loan, given the grave risks entailed by a spiraling fiscal deficit. The proposed loan was eventually suspended due to a muddling-through approach favored by the authorities and the eventual dissipation of downside risks to financial stability. This also reflects the difficulties in introducing policy reforms given entrenched governance issues prevailing in the country.

projects.³ Nonlending assistance supported a broader range of sectors and areas for institutional capacity development, sectoral analytical work, project preparation and policy dialogue. The 1995 country operational strategy (COS) and the 2002 CSP guided the ADB assistance to the Maldives. The 2002 CSP in particular was anchored on the three-pillar framework of ADB's poverty reduction strategy and the Government's National Development Plan (NDP). However, due to weak absorption capacity and program management systems in the executing agencies, implementation of ADB-funded operational programs was difficult in most sectors and areas, producing mixed results. As required by Article 2 of the *Agreement Establishing the Asian Development Bank* (the Charter), ADB needs to pay special attention to the needs of smaller member countries such as the Maldives.

5. ADB's total lending assistance to the Maldives between 1995 and 2006, on an approval basis, totaled \$57.6 million for nine projects.⁴ Two loans for a total of \$15.0 million were provided to the energy sector, two loans for \$12.3 million to the education sector, one loan for \$9.5 million to the communications sector, and two loans for \$14.0 million for regional (outer islands) development. One \$5.0 million loan was cancelled.⁵ Besides the planned assistance, ADB provided a grant of \$20 million and a small loan of \$1.8 million for emergency post-tsunami assistance in early 2005. In addition, 24 advisory TA grants totaled \$9.95 million and 11 project preparatory TA (PPTA) grants totaled \$3.47 million. Appendix 2 presents a list of ADB loans and TA projects.

B. Major Findings of the Country Strategy and Program Completion Report

6. South Asia Department's CSP completion report (i) summarized the Maldives' development context and the Government's priorities; (ii) analyzed ADB assistance programs' alignment with those priorities and ADB's positioning among development partners' programs, program implementation issues and performance, results achieved, and factors influencing performance; and (iii) suggested key findings, conclusions and recommendations for the forthcoming CPS. The report also rated the performance based on self-designed criteria (see Table 1). However, since no specific guidelines were available for structuring a CSP completion report and rating performance, this self-assessment inevitably was not completely in line with OED's evaluation of the relevance, effectiveness, efficiency and sustainability of the country assistance programs.

7. The completion report's self-evaluation highlighted several important issues and suggested recommendations, as summarized in Appendix 3. It found that the weak alignment of strategy with program in the 1995 COS, reflecting frequent requests from the Government that were at variance with the strategy, and the weak absorption capacity in the executing agencies were critical factors that diminished the overall effectiveness of ADB's intervention. For instance, major strategies identified in the 1995 COS, such as fiscal management, health and population planning, were not supported by the operational program. This gap revealed an inconsistency between the declared strategy and the operational program. In the 2002 CSP, ADB failed to be selective, taking up some projects that were either being prepared or already determined. A positive feature of the program was ADB's responsiveness in providing assistance after the unexpected tsunami disaster. A significant implementation problem has been low institutional

³ Projects with multiple components covering different sectors. For the Maldives, the *Regional Development Project* (Loan 1695) and the *Tsunami Emergency Assistance Project* (Loan 2160) fall into a multisector classification.

⁴ From 1981 to 1994 (before the review period), ADB's lending focused on three sectors—transport, energy and multisector projects – providing six loans worth \$33.9 million. This sectoral focus was diluted as ADB subsequently expanded its operations to other sectors.

⁵ ADB. 2002. *Strengthening of the Public Accounting System Project* (Loan 1915). Manila.

absorption capacity and human resource capacity limitations. This has been a consistent problem throughout the 1995 COS and 2002 CSP periods. The completion report noted good cooperation and dialogue among development partners with operations in the Maldives, with several instances of successful project co-financing and recent joint country assessments with the World Bank and the International Monetary Fund.

8. The completion report's self-evaluation of ADB's contribution to development results in the Maldives (Table 1) stood on the lower side of its performance ratings. For instance, it rated the effectiveness in achieving desired objectives as "poor" while the consistency of delivery with the declared strategy and program, and sustainability over time, were rated as "adequate/poor." The overall performance (with an average rating of "adequate") stands below the medium point.

Table 1: Self-Evaluation of ADB's Contribution to Development Results in the Maldives

Key Criteria / Areas	Performance Measure	Performance Assessment ^a
Relevance of ADB's strategy to development challenges facing the Maldives.	Government development objectives and ADB program objectives.	Good
Extent to which ADB contributed to major development challenges.	Strategic outcomes.	Adequate
Extent of alignment to national priorities.	ADB's operational program and national development plans.	Good / Adequate
Degree of harmonization with assistance provided by other donors.	Duplication in the donor coordination matrix.	Good
Consistency of delivery with declared strategy and program.	Sectoral results.	Adequate / Poor
Effectiveness in achieving desired objectives.	Program implementation results.	Poor
Sustainability over time.	Sectoral outcomes.	Adequate / Poor
Extent of ADB's contribution to the Government's ability to combat poverty and foster sustainable socioeconomic development.	Outcomes.	Adequate

^a Ratings: Excellent / Good / Adequate / Poor.

Source: Maldives: Country Strategy and Program Completion Report, February 2007, South Asia Department.

C. Objectives, Scope, Methodologies and Limitations of the Validation

9. The objectives of this OED validation of the CSP completion report were (i) to review ADB's performance in the Maldives and validate the conclusions of the CSP completion report, (ii) to fill gaps in the self-evaluation and add value to it, and (iii) to draw lessons and make suggestions, as an input to ADB's preparation of a new CPS for the Maldives.

10. The scope of OED's validation covered the following.

- (i) Assessment of (a) the country positioning of ADB assistance, including the relevance of its strategy and programs in terms of the Government's development context and priorities, the program implementation and factors affecting the implementation; (b) ADB's achievement according to objectives and key sectors

and areas; and (c) ADB's overall performance, including feedback from the Government on ADB's performance.

- (ii) Validation of the conclusions of the CSP completion report.
- (iii) Identification of key issues and lessons.

11. The validation involved desk work to examine the CSP completion report and related data as well as field work to collect additional secondary data and feedback from ADB's counterparts and beneficiaries. In collecting the data, interviews were conducted with selected informants in the field, including through a participatory workshop with key players involved in ADB projects. Several other methodologies for performance data analysis established under the guidelines for the country assistance program evaluation were also applied where possible, including (i) a CSP quality-at-entry assessment method, (ii) top-down and bottom-up approaches, (iii) a strengths, weaknesses, opportunities and threats (SWOT) analysis,⁶ (iv) structured questionnaires for surveys of perceptions, and (v) triangulation of various study outcomes. As this is a brief review and validation exercise, the evaluation relied mainly on secondary information and survey data without conducting in-depth studies, particularly in the sectors and thematic areas.

II. RELEVANCE OF COUNTRY STRATEGIES AND PROGRAMS

A. Strategic Objectives of the Country Strategies and Programs

12. The 1995 COS focused on the education sector, development of the outer islands, continued support to energy and transport sector development, and TA for public sector management. The 2002 CSP was designed to facilitate economic growth and social development in the outer islands and to improve governance. The tsunami emergency assistance was added to the country program in 2005. The objectives of ADB's assistance strategies and operational programs during the review period (1995–2006) can be categorized into four groups, as follows.

- (i) Infrastructure development (energy, transport, water supply/sanitation/waste management, multisector projects).
- (ii) Human development (postsecondary education, vocational skills).
- (iii) Good governance promotion (public sector management, capacity development, a conducive environment for the private sector).
- (iv) Tsunami recovery assistance.

B. Positioning of the Country Strategies and Programs

13. The country positioning of ADB assistance is assessed in terms of (i) whether the program was relevant and responsive to the national development priorities, (ii) whether the program was consistent with the strategy and whether there was flexibility when required, (iii) progress made in portfolio management, and (v) whether the partnerships were productive. Other criteria that could support the assessment include aspects such as whether the prerequisites were addressed (for example, reforms and absorption capacity) and whether the assistance program had critical mass to create positive results. The relevance of country strategies is assessed both at entry and at completion.

14. **The 1995 COS.** The country strategy, formulated at a time when the Maldives faced macroeconomic instability, was to support fiscal management reforms; provide social

⁶ The SWOT analysis is summarized in Appendix 4.

infrastructure (postsecondary and vocational education), including on the atolls; and strengthen environmental management. The strategy was formulated in response to the Government's 1992 *Perspective Plan 2000* and was broadly aligned with the national development priorities at that time. To meet the Government's plan, the ADB strategy, a decade after the first loan to the country was approved, targeted new operational areas (for example, human resources development⁷ and fiscal management) in addition to the conventional physical infrastructure sector.⁸ The country strategy was relevant and responsive at the time of entry. However, after the macroeconomic instability was resolved, the ensuing operational programs substantially deviated from the priorities set out in the strategy, diminishing consistency across program areas. For instance, one loan and six TA projects subsequently approved as part of the operational program were not included in the COS. As a result, the COS lost much of its initial relevance. This situation reflected a rapidly changing environment in the country at that time. The subsequent operational programs sought to respond to evolving national development needs. However, with the entry of a new postsecondary education project and an information technology project in the program, the sector focus was diluted and sufficient critical mass to create results was diminished. The main prerequisites, such as fiscal and public sector reforms, were not adequately followed up under the program. As a result, the 1995 COS was not very effective in helping ADB position its sectoral operations during the period and contributed only modestly to providing a strategic focus for the country development program.

15. The mismatch between the COS and the subsequent operational program raises questions about (i) the degree of Government ownership of the COS, (ii) whether the COS was driven by ADB's corporate priorities rather than the Government's priorities, and (iii) whether ADB was a project-driven organization at the time rather than an organization that used country strategies to guide and focus the operations in the Maldives, find strategic niches, and develop synergies between the various components of its operations and with other development partners. These issues apply to most COSs developed during this period and are not unique to the Maldives.

16. **The 2002 CSP.**⁹ The CSP involved a relatively extensive consultation process, in contrast to the 1995 COS, and a high-level forum on the poverty reduction and country strategy. The CSP was well aligned with the national development priorities and needs and guided ADB's assistance program and the Poverty Reduction Partnership Agreement signed between the Government and ADB in 2002. There was reasonable consistency between the strategy and the subsequent program. Implementation of the CSP was affected by limited resources allocated to the country operations and exogenous factors such as the 2004 tsunami.¹⁰

17. There were, however, weaknesses in the formulation of the 2002 CSP. For instance, only limited assessment of past operations was made available and the new loan and TA projects could not secure economies of scale. The widespread capacity weakness of the implementing agencies and the public sector in general, which was a key prerequisite for the success of the CSP, was not adequately contemplated at the time of CSP formulation or addressed over the CSP period. The loan portfolio represented a low degree of focus on sectors

⁷ ADB's strategic focus to support postsecondary education was relevant, considering the population's high percentage of young people (53% of the population was aged between 18 and 35) and significant youth unemployment (40% of young women and 20% of young men were unemployed in 2004).

⁸ With the ADB's first loan to the country approved in 1984 for a multisector project covering energy and transport, there had been a focus on building physical capacity in these two sectors.

⁹ The 2002 CSP was one of the first CSPs prepared following the operational cycle prescribed in the Poverty Reduction Strategy in November 1999.

¹⁰ Appendix 5 compares the actual programs approved and the programs proposed by the CSP.

(for example, few loans per sector spread across many sectors), as in most other developing member countries with small portfolios, such as the Pacific, Bhutan, Azerbaijan and Kazakhstan.¹¹ Nonetheless, considering that several projects were designed to complement or supplement earlier projects in the same sector, there seemed to be a reasonable critical mass and continuity. The CSP was not particularly responsive to the ground-level realities observed during the course of its implementation. The CSP, however, flexibly accommodated the urgent need for tsunami damage recovery, for which ADB funding totaling \$23.45 million was approved.¹² ADB's performance was modest in portfolio management and partnership. Overall, the country strategies continued to be substantially relevant and flexible and helped ADB select priorities to focus its operations.

C. ADB's Institutional Positioning in the Country

18. ADB, as a main development partner of the Maldives, played a substantial role to assist the Government in formulating its development plans and setting development priorities.¹³ ADB has developed comparative assistance advantages in key infrastructure sectors of transport and energy in the country. This needs to be continued. Further intervention in sectors that have relatively lower comparative advantage (for example, communications) need to be reviewed in light of available resources within ADB and ADB's second medium-term strategy.¹⁴

19. ADB continued policy dialogue with the Government and provided analytical work in core sectors and thematic areas through the CSP exercise and other economic, sector and thematic work, in addition to its technical and financial assistance to selected sectors and areas. For instance, the expansion of port capacity and increasing power generation and distribution capacity, through a combination of sector analysis, policy dialogue, capacity development and funding, made clear contributions to the national economy. While it is difficult to attribute specific impacts or development results, it can be generally concluded that ADB's strategy and assistance program, especially through continuous policy dialogue on identifying development priorities and provision of sectoral development assistance, contributed to the Maldives' sustained economic growth (about 7% per annum) over the review period.

20. ADB's partnership role and functions varied over time and were somewhat limited in the period before the tsunami. This partly reflects the fact that ADB does not have a resident mission in Malé, which, if in place, could have interfaced better with government and partner agencies, either locally-based or visiting. Partnership activities with other donors in the Maldives were undertaken in the 1990s mainly through cofinancing¹⁵ and biennial roundtable meetings organized by the United Nations Development Programme resident mission. In 2000, the Government took the leading coordination role, but due to its weak capacity the role played was limited. The 2002 CSP did a stocktaking of donor activities by sector and ADB used this information when formulating the strategy. Following the 2004 tsunami, aid coordination was

¹¹ This sector focus analysis was made in para 43 of the *Annual Report on Loan and TA Portfolio Performance for the Year Ending 31 December 2005*, OED, ADB.

¹² The *Tsunami Emergency Assistance Project* was approved on 31 March 2005 and made effective on 23 May 2005. It had two components, (i) a quick disbursing component and (ii) a project component consisting of five sectors (water supply/sanitation/waste management, transport, power, fisheries and agriculture). ADB provided a grant of \$20 million from the Asian Tsunami Fund and a loan of \$1.8 million (from loan savings), supported by TA grants of \$1.65 million for the tsunami recovery program.

¹³ ADB supported the development of most of the national development plans.

¹⁴ ADB. 2005. *Medium-Term Strategy II (2006-2008)*. Manila. Prioritization of operational sectors was made based on classification of three groups of sectors and subsectors.

¹⁵ Between 1997 and 1999, ADB's lending attracted cofinancing of \$10.3 million from the Australian Agency for International Development, the Islamic Development Bank and the Nordic Development Fund.

strengthened, with ADB undertaking the Joint Needs Assessment together with the World Bank and the United Nations Development Programme. In March 2005, ADB hosted the Maldives Development Partners Meeting in Manila. This was a significant input to donor coordination. In 2005, ADB established an Extended Mission to the Maldives, whose office is shared with the World Bank. However, its main role was limited to implementation of the tsunami emergency assistance. It has not made a much broader contribution to improving donor coordination other than facilitating an exchange of views with the World Bank on certain areas of common interest (for example, the proposed public resources management reform program). ADB and the World Bank have strengthened coordination by closely cooperating in preparing their respective country strategy documents for the Maldives in 2007. In this regard, they are currently undertaking joint staff assessment of the Government's seventh NDP.

III. ACHIEVEMENT OF THE COUNTRY PROGRAMS

A. Program Implementation

21. Assessment of the implementation of country programs can be based on several criteria on implementation efficiency such as timely project completion, procurement and disbursement, monitoring of portfolio quality, efficiency and capacity of project supervision by the implementing agencies and ADB, as well as perceptions of the stakeholders.

22. Due to the common delays in implementation, only one of the projects approved during the review period was fully completed—the Third Power System Development Project. The project was rated successful in the project completion report. However, all the ongoing projects experienced implementation delays. While operational sectors and areas were broadened during the review period, the lack of absorption capacity of the implementing agencies was not adequately addressed during program implementation and has even deteriorated since the 2004 tsunami. As ADB does not have a resident mission in the Maldives, all the programs (except for the tsunami program) were administered from Manila. It is likely that ADB's portfolio management and partnership activities would have been stronger if ADB had a resident office in the Maldives. However, in countries with small portfolios, such as the Maldives, the overhead costs of a resident office must be considered in assessing whether the costs can be justified on the basis of improved services that a resident office offers to clients. Portfolio management was inefficient, showing a substantially lower rate of disbursement than the ADB average.¹⁶ ADB needs to provide periodic and regular training for implementing agency officials on ADB's policies, procedures and portfolio management.

23. Weak absorption capacity and several other difficulties (for example, geographical remoteness, design changes, weak participation by beneficiaries) are resulting in delays in implementation of the ongoing projects. In the case of the two Regional Development Projects and the Outer Islands Electrification Project, implementation difficulties and delays led to frustration among the project beneficiaries and a general perception that ADB-funded projects are typically delayed. The Employment Skills Development Project has encountered significant delays in starting up the training development and delivery component mainly due to problems related to staffing, recruiting consultants and local capacity.

24. The Tsunami Emergency Assistance Project finances rehabilitation works in multiple sectors (fisheries and agriculture, power, transport and harbor, and water and sanitation). The

¹⁶ The average disbursement ratio (for 2002-2006) of ADB projects for the Maldives stood at 15.8%, which is substantially lower than the ADB-wide average of 20.8% and that of its comparator (Bhutan, 26.3%).

project has suffered from lack of a clear strategy for identifying and implementing subprojects¹⁷ and complicated implementation problems, providing the same lessons as those gained from earlier emergency assistance programs funded by ADB. For instance, the project appraisal document notes some of the lessons and risks identified. These include the lack of a central project management unit which could have played an important role in identifying, selecting and implementing subprojects. As well, beneficiary participation was not strong and the emergency project was not completed within 2 years. Procurement delays are a common problem across the projects, reflecting a lack of adequate capacity within government departments. The ministries implementing the subprojects do not have adequate and timely support from the Ministry of Finance and Treasury regarding disbursements and procurement. The Indian Ocean tsunami brought to the fore some of the fundamental development challenges facing the Maldives, including significant capacity constraints across the sectors and areas. These constraints affected overall ADB-funded portfolio implementation. The low disbursement ratio before the tsunami implies the existence of capacity constraints and inadequate implementation capacity.

25. While ADB's project performance report indicators rated all the ongoing loans, except for one, as "satisfactory" in terms of the impact or outcome and the implementation progress, the ADB-assisted quarterly review by the Government¹⁸ (fourth quarter 2006, issued in March 2007) of ADB-funded projects had more critical ratings. (The exception was a loan for the Information Technology Development Project, which was rated "partly satisfactory".) The Government rated¹⁹ the performance of one ADB-funded project "red" (Outer Islands Electrification), two projects "yellow" (Employment Skills Development and Regional Development Phase II) and two projects "green" (Information Technology Development and Postsecondary Education). The performance of the four components of the Tsunami Emergency Assistance Project was mixed (power and fisheries were "green," water and sanitation was "yellow" and transport was "red"). The participatory workshop on the performance of ADB-funded projects, organized by the Operations Evaluation Mission, confirmed the Government's views on the projects. This is a serious finding which implies that the information in ADB's project performance reports does not give a true picture of the implementation status of ongoing projects. This calls into a question the reliability of ADB's project administration efforts that are based on such reporting systems. Any failure of ADB's project monitoring systems to report on problems could jeopardize effective resolution of problems with the Government and achievement of satisfactory development results. Overall, OED rates the implementation of ADB-funded projects "partly satisfactory."

26. Implementation of most of the ADB-funded TA projects was rated generally satisfactory in ADB's TA completion reports.²⁰ The survey on ADB's advisory TA projects also showed positive responses from government agencies and TA consultants. However, there were common difficulties such as delays in start-up, lack of coordination in terms of assigning counterpart staff and technical expertise in the implementing agencies, and weak skills transfer. ADB's capacity-building TA projects failed to address the significant issue of the weak

¹⁷ See the Tsunami Evaluation Coalition report *Impact of the Tsunami Response on Local and National Capacities*, July 2006.

¹⁸ The Government's quarterly review of donor-financed projects (38 ongoing projects of about \$350 million) was introduced in July 2006 by the ADB TA on Strengthening Project Management and Monitoring for the Ministry of Finance and Treasury. It rates project progress and highlights issues and immediate actions required for improvement. The review report indicates significant implementation delays in at least 17 projects.

¹⁹ The Government's rating criteria are as follows: (i) a project is rated "red" when the project's progress is unknown or not satisfactory and the Ministry of Finance and Treasury is concerned about either the project's management or the current progress, (ii) "yellow" when a project's progress is less than satisfactory and the Ministry of Finance and Treasury is concerned about the project's ability to meet targets and objectives, and (iii) "green" when a project's progress is satisfactory or improving and the project is likely to meet its targets and objectives.

²⁰ Among the ten TA projects rated by a completion report, eight were generally successful and two partly successful.

absorption capacity in many of the recipient agencies. The relatively small TA allocation for the Maldives, about \$1 million a year, limits the development impact that ADB can expect to achieve, as this is sufficient to finance only one to three TA projects a year. Capacity-building requires a long-term and consistent engagement with stable and committed counterpart staff resources.

B. Achievement by Objectives

27. Achievement made in accordance with the CSP objectives is assessed mainly according to the effectiveness of the projects, either proved or potential. The consolidated rating²¹ for each objective shows (i) infrastructure development is likely to be “partly successful,” (ii) human development “successful,” (iii) good governance promotion “unsuccessful” for the loan project and “partly successful” for the advisory TA, and (iv) tsunami recovery assistance “partly successful.” The ratings for each objective are summarized in Table 2.

Table 2: Achievement by Objectives

Objectives	OED Rating ^a	Explanation/Comments
(i) Infrastructure development (energy, communications, transport, water, sanitation, waste management)	“Successful”	<p><u>(i) Power supply system development in Malé (\$7.0 million)</u></p> <p>The completed Third Power System Development Project was successful in augmenting the capital city’s energy capacity and contributed to ensuring reliable power supply. This assistance is relevant, effective, efficient and sustainable. The technical assistance was effective in building technical capacity to develop and maintain power projects. This was seen as an effective use of the TA for long-term institutional strengthening. However, the rise in oil prices coupled with weaknesses in the organizational structure resulted in poor business performance. Tariffs remained low and the State Electric Company (STELCO) required subsidies. This reduced the effectiveness of the completed projects and raises questions about long-term sustainability.</p>
	Likely to be “partly successful”	<p><u>(ii) Outer islands electrification (\$8.0 million)</u></p> <p>The ongoing project aimed to expand and augment power supply in 40 islands by December 2005. Although the ultimate outcome of the project to provide electricity to the outer islands seems appropriate, this is likely to be less effective, mainly due to cost escalation from the price rise in raw materials. Implementation progress is slow because of contractor problems and public reluctance to some ADB projects. Of the 10 islands to be covered in Phase 1 Batch 1 facilities, only one island is nearing completion of the work. The original target was to cover 40 islands by June 2007. Implementation difficulties are likely to continue as the next phase of subprojects was awarded to the same contractor, whose performance was poor for the first phase but was selected following ADB’s procurement guidelines.</p>

²¹ This used a tentative rating for those projects/components that were not completed and evaluated by OED.

Objectives	OED Rating ^a	Explanation/Comments
	Likely to be "partly successful"	<p><u>(iii) Regional development (\$14.0 million)</u></p> <p>Two active regional development projects were conceived to promote equitable development of three regions, which each encompasses a number of outer islands, and to reduce the pressure in the over-crowded island where the capital is situated. The projects shared a broadly similar project design that provides for several physical developments, including water supply, sanitation, and waste management components on selected islands, and institutional capacity-building. The design of the projects lacked the concept of an "integrated" regional development encompassing the outer islands within the regions. The first phase of the regional development project, which was declared physically completed in 2005 (but financially still active), was generally relevant to the Government's development objectives. The project is assessed to be less effective in achieving the stated objectives. A significant factor in this is due to the ineffective functioning of two regional development centers (north and south) in delivering their intended services. The centers were built and trained under the project. One was operative with limited capacity and the other was not operative. Other factors influencing the outcome were associated with design revisions and inadequate operational arrangements to implement sanitation and solid waste management components, which reduced effectiveness. The physical design of the sewage treatment plant (in Kulhudhuffushi) was inadequate; there was a drastic downsizing of the sanitation component, and efficiencies varied in the waste management component. Road and water components were relatively efficient, although several road sections require repairs. The large consulting services component provided under the project was inefficient, with insignificant knowledge transfer and materialization of the studies made under the project. The second phase project was approved in April 2005 and implementation began in April 2006. A combination of limited human resources and the several layers of project administration is likely to remain a barrier to effective and efficient implementation of the second phase of the project, which had already experienced implementation delays. Therefore, close support for capacity development and inter-ministerial coordination with clear and realistic allocation of responsibilities are required.</p>
	Likely to be "successful"	<p><u>(iv) Information technology development (\$9.5 million)</u></p> <p>The ongoing project intended to connect 20 atolls with Malé by December 2004, but experienced implementation delays. When completed, it is likely to be effective, but only in a moderate way.</p>
(ii) Human development (postsecondary and skills development)	Likely to be "successful"	<p><u>(i) Postsecondary education development (\$6.3 million)</u></p> <p>The project, overcoming implementation delays, provided a college that has 4,500 full-time students and about 3,000 part-time students. About 1,000 students graduated in 2006 and almost all of them have jobs in fields such as accounting, teaching, tourism and health. Project objectives have been met or exceeded.</p>

Objectives	OED Rating ^a	Explanation/Comments
	Likely to be "successful"	<p><u>(ii) Employment skills development (\$6.0 million)</u></p> <p>The start-up of this project was delayed due to slow evaluation of proposals and the reorganization of the responsible ministry, but it is catching up on implementation of the planned activities. This project suffered due to inadequate capacity at the project implementation unit. Since late 2006, however, a consulting firm was engaged, experts were mobilized and counterpart staff have been strengthened.</p>
(iii) Good governance promotion (public sector management, capacity development, private sector environment, etc.)	<p>"Unsuccessful"</p> <p>Likely to be "partly successful"</p>	<p><u>(i) Strengthening the public accounting system (\$5.0 million)</u></p> <p>The project was cancelled due to continued delays in the Government meeting loan conditions.</p> <p><u>(ii) ADTA projects on capacity building (2.6 million)</u></p> <p>This sector received \$2.6 million of TA, 54% of total TA projects under the 2002 CSP. Capacity building in the statistics area within the Government and assistance in developing a results-oriented seventh NDP were reasonably successful. The statistics area received a series of ADB TA over time. However, capacity building in other areas for relatively small and weak agencies through one-off TA projects (for example, revenue diversification) was not effective.</p>
(iv) Tsunami recovery assistance (\$20 million grant and \$1.8 million loan)	Likely to be "partly successful"	<p><u>(i) Tsunami recovery assistance (\$21.8 million)</u></p> <p>The assistance covers restoration of sanitation systems, fisheries equipment, agriculture, transport and power. Projects are spread across the country and the progress has been partly satisfactory to date. The design and implementation are considered to be less than satisfactory because of complicated implementation problems (see para. 24). There was a lack of public participation in the design of individual subprojects and in the determination of the level of reconstruction required. This is likely to reduce the effectiveness of tsunami-related projects.</p>

^a Ratings: Highly Successful / Successful / Partly Successful / Unsuccessful.

ADB = Asian Development Bank, ADTA = advisory technical assistance, CSP = Country Strategy and Program, NDP = National Development Plan, OED = Operations Evaluation Department, TA = technical assistance.

Source: Operations Evaluation Mission.

C. Achievement in Sectors and Thematic Areas

1. Achievements in Sectors of ADB Intervention

28. The achievement of ADB's country strategies in terms of program delivery and immediate outcomes in the sectors in which ADB intervened is found to be modest. This partly reflects the fact that the 1995 COS did not provide sector strategies relevant to the subsequently chosen sector interventions. The 2002 CSP provided outline sector strategies, but they lacked specificity (the strategies covered education, gender and development, energy, finance and the public sector, telecommunications, transport and regional development). Sector studies and analytical works were generally useful, but some studies (for example, a sea transport study provided under the regional development project) need to be followed up for

materialization of the study proposals. While ADB's assistance to the selected sectors was relevant, most of the sector projects designed during the review period experienced difficulties in delivering and achieving the expected outcomes in a timely manner. The exception was the completed energy project. As explained in the foregoing sections, various factors caused inefficient project implementation. Likely effectiveness and sustainability of the sector projects vary, with three relatively more effective and sustainable sectors (education, energy and communications) and less effective and less sustainable other sectors.

29. The immediate outcomes of the seven ongoing projects are not clearly visible, except for a post-secondary education project that is achieving concrete results. In the communications sector, the Information Technology Development Project experienced start-up delays but is performing better now and is likely to be successful. In the energy sector, the completed Third Power System Development Project was completed successfully, but the ongoing Outer Islands Electrification Project is likely to be only partly successful. In multisector work, the two regional development projects that contain multisector components (water supply, sanitation, waste management and transport) are likely to be partly successful. The Tsunami Emergency Assistance Project is likely to be partly successful. A summary of the weighted rating of performance of ADB's sector interventions in terms of projects is shown in Table 3.

Table 3: Weighted Rating of the Performance of Sector Projects

Sector	Status	Aggregate Loan Amount \$ million	Weight % of Total	Effectiveness			Likely Sustainability Scale of 0-6	Overall	Overall Rating ^a
				Relevance Scale of 0-3	Scale of 0-6	Efficiency Scale of 0-3			
Communications	Ongoing	10	13	2	3	1	4	10	Successful
Education	Ongoing	12	17	2	4	1	4	11	Successful
Energy	Completed	7	10	2	4	2	4	12	Successful
Multisector (regional development)	Ongoing	8	11	2	2	1	2	7	Partly successful
	Ongoing ^b	14	19	2	2	1	2	7	Partly successful
Multisector (tsunami)	Ongoing	22*	30	2	2	1	2	7	Partly successful
Overall rating		73		2	3	1	3	9	Partly successful

* Including the \$20 million grant project.

This performance rating excludes an impact criterion (with a scale of 0-6) as the validation did not undertake an impact analysis due to limitation in its scope.

^a Ratings: Highly successful / Successful / Partly successful / Unsuccessful. The rating is tentative for the projects that are not completed and evaluated by OED.

^b The phase 1 project was declared physically completed in December 2005, but is not closed financially. Source: Operations Evaluation Mission.

2. Thematic Areas: Poverty Reduction and Good Governance

30. Addressing poverty reduction became a crosscutting theme of the 2002 CSP, following a high-level forum on poverty reduction in May 2001, jointly organized by the Government and ADB to discuss a poverty reduction strategy for the country. ADB assisted the Government

through a relatively extensive beneficiary consultation and a poverty analysis.²² This strategic planning process enabled ADB's assistance program to support the Maldives in addressing the three pillars for poverty reduction, namely, pro-poor growth, social development and good governance. To foster pro-poor growth, ADB assistance provided development programs for the outer islands, including the provision of basic infrastructure and capacity building and development of information and communication networks in the atolls. To improve inclusive social development, ADB financed post-secondary education and skills development programs, focusing on poorer atolls. Therefore, ADB's interventions under the 2002 CSP for poverty reduction were considered relevant as the Maldives faced a growing problem of disparities between people in the capital and those on the atolls. However, the effectiveness of poverty reduction varied across the programs and activities.

31. In the governance area, ADB supported capacity development in key public institutions through a TA program. However, the planned improvements to public accounting systems did not materialize as the approved loan was cancelled. This was a significant setback. Therefore, the overall effectiveness of ADB intervention in this area is assessed as modest.

D. ADB's Performance

32. This criterion focuses on the processes that underlie ADB's effectiveness in discharging its responsibilities as a development partner. This includes ADB's efforts and success in providing quality support for lending and nonlending services, demonstrating good governance practice, being sensitive and responsive to client needs, fostering client ownership, and harmonizing with development partners.

33. The results of OED's field work (surveys, workshop, focal group interviews, etc.) indicate that ADB's performance in general has been satisfactory. The structured survey showed that ADB staff involvement was viewed as being efficient and effective in adding value to development efforts.²³ Slightly more than half of the 13 survey respondents rated ADB's overall performance as better than, or about the same as, other aid agencies. About 10% rated it to be worse. The feedback from the workshop and the interviews on ADB's overall performance was also generally positive. However, several government departments expressed concerns about (i) project designs that failed to reflect the local context, (ii) inadequate provision for stakeholder consultation, (iii) delays in approvals from ADB Headquarters, and (iv) the absence of a resident or liaison office, which was seen to result in difficulties in closer and more frequent interactions with the executing agency and implementing agencies.²⁴

34. The views of Government officials on advisory TA projects were positive. All the respondents expressed satisfaction about the contribution of these projects and ADB's supervision of them. Satisfaction was relatively lower regarding TA design, specifically relating to the adequacy of skills transfer, for which availability of counterpart staff is a crucial factor. This is reflected in the effectiveness and sustainability of the TA outputs. However, there were some critical views and suggestions including (i) dissatisfaction with the Headquarters-based services (expressed by a minority group of the respondents), (ii) the need for ADB to improve its delivery by conducting technical-level workshops, providing procurement and bidding documents online, and providing better support to ADB consultants, and (iii) unsatisfactory

²² To make the poverty analysis comprehensive, ADB had undertaken several necessary studies on the private sector (1999), gender (2001) and the financial sector (2001), as well as making sector assessments (2000).

²³ See Appendix 6 for the summary of the survey outcomes.

²⁴ Several government officials stressed the importance of capacity building in portfolio management and hoped the ADB's extended mission would be made permanent and strengthened.

approaches applied to the skills transfer under TA projects. OED found from its 2007 study on TA effectiveness that one-off TA projects are rarely effective, especially with regard to skills transfer, and long-term engagement in selected areas is necessary.²⁵

35. In response to a separate questionnaire about the need for a resident mission, several government officials advised that the presence of an ADB local office (for example, a strengthened extended mission) that can provide strong technical support to the implementation of ADB projects would be useful. They suggested that this would reduce the number of mission visits to the Maldives from Manila.

36. Overall, on triangulating the desk review outcomes and the feedback from various sources (the interviews, workshop and surveys), as well as the various findings presented above, ADB's institutional performance is rated "substantial" (on a four category scale of high, substantial, modest, and negligible). However, there is room for ADB to strengthen and increase its technical-level interactions to help fill the local capacity gap and to improve the effectiveness of project implementation.

IV. OVERALL ASSESSMENT

A. Assessment of Outcomes

37. OED's assessment of overall outcomes of the CSP for the Maldives from 1995 to 2006 indicates a "partly successful" result, based on the combined ratings of the following levels of assessment and the other various assessments made in the foregoing. This implies that there are areas for better performance in the future.

- (i) **At the country level.** While the 2002 CSP was relevant, responsive and flexible, the 1995 COS was not effective in helping ADB position its sector operations and only modestly contributed to providing a strategic focus for the country development program. ADB's policy dialogue and analytical work (for example, the poverty strategy) and the continued support to the Government in formulating its national development plans and setting development paths were found to be useful. The 2002 CSP resulted in a relatively diffused and unfocused program. ADB was engaged in too many sectors with very limited resources.
- (ii) **At the sector level.** Most ADB assistance programs are found to be relevant. However, several sectors suffered from a weak project selection process, a diminished focus and absence of critical mass in the programs, and weak coordination and implementation capacity at the implementing agencies. Implementation delays and inefficiencies were found across the ongoing sector projects, diminishing effectiveness. As shown in paras. 27 and 29, only three of the total eight loan projects in the sectors (either completed or under implementation) are considered to be "successful." The rest are "partly successful." Sector studies and analytical works were generally useful. Capacity development TA at the sector level showed mixed results, leaving the weak absorption capacity largely unresolved. Overall, the sector-level outcomes of the CSP are rated "partly successful."

²⁵ ADB. 2007. *Special Evaluation Study on Performance of Technical Assistance*. Manila.

B. Validation and Assessment of the CSP Completion Report

38. Validation of the CSP Completion Report is made based on several criteria including (i) consistency of the document, (ii) whether there is sufficient validation of conclusions and recommendations provided in the report, and (iii) whether the report uses indicators to assess performance. The report's provision of extensive data relevant to the ADB country operations for the review period could be additional criteria.²⁶

39. OED generally validates the completion report's conclusions and recommendations. The descriptions and analyses in the report cover many of the issues and areas relevant to ADB country operations and generally reflect the reality of conditions in the Maldives. The report provided relatively extensive data on operations during the review period, many of which are relevant. Since neither specific guidelines for structuring CSP Completion Reports nor validation examples were available to the country team at the time the report was prepared, it is impossible to assess the consistency of the document and whether the report adequately assessed the performance of the country operations at the country and sector levels, based on the standard criteria of relevance, efficiency, effectiveness and sustainability. In addition, the completion report, as is usual, was prepared on the basis of a desk review undertaken by several operational staff members actually involved in the country operations. It did not include stakeholders' views on ADB's performance, nor engage surveys in the field. This validation report, therefore, intended to fill such gaps and guide the preparation of future CSP completion reports.

40. Considering the limitations noted above and that this self-review exercise has provided useful data and foundation for preparing the forthcoming CPS for the Maldives, OED concludes that the CSP Completion Report is "satisfactory."

V. KEY FINDINGS AND LESSONS

41. Issues and lessons identified by OED in the validation exercise are summarized below and will provide input to ADB's formulation of the next country strategy for the Maldives. It should be noted that items A (i)–(ii) and item B (i) are closely in line with observations made in the CSP Completion Report.

A. Key Issues Identified

- (i) There is limited institutional capacity and staff in most government agencies. Central coordination exists but is weak. These factors adversely affected the quality of portfolio management. In addition, the tsunami recovery operations being implemented across sectors has placed an added heavy burden on the country's already stretched institutional capacity.²⁷ Disbursement rates of ongoing ADB projects are below ADB's average (para. 22). Also, the sharply increasing external debt and the fiscal deficit (para. 3) call for tighter debt management, at least for the time being.
- (ii) There was a lack of selectivity in sectors for ADB intervention. ADB should have focused on areas of comparative advantage.

²⁶ It should be noted that these criteria are new and were not available for the Maldives country team at the time the completion report was prepared.

²⁷ The Government's 2006 fourth Quarterly Review of Investment Projects indicates there were as many as 38 ongoing externally funded projects.

- (iii) There was a lack of an integrated approach whereby sector interventions are planned under broader themes. The sector programs largely based on annual country program budgets did not efficiently support the country's demand-oriented programs and strategic priorities.
- (iv) Frequent changes of assigned ADB staff and the absence of an ADB resident mission had the effect of limiting interaction on technical matters between ADB staff and counterpart government staff and consultants. A more permanent physical presence of ADB in the country could be useful for improving client responsiveness and portfolio management.

B. Lessons to Consider for the New Country Partnership Strategy

- (i) A strong central Project Management Unit in the executing agency equipped with adequate technical staff would help to improve project implementation.
- (ii) ADB needs to better assess institutional capacity weaknesses, strengthen human resource management systems, and build capacity in selected government agencies. Considering the limited annual TA budget, a more flexible modality (such as a TA loan) needs to be contemplated. ADB assistance to capacity development needs to be conditional on Government appointing qualified staff in the institutions supported by ADB TA.
- (iii) A more integrated approach, with common themes across projects and sectors, should be explored to develop synergies within ADB's operations in the Maldives.
- (iv) ADB should carefully assess the operational benefits and costs related to maintaining a local office in the Maldives.

THE MALDIVES ECONOMIC AND SOCIAL INDICATORS

Series Name	2003	2004	2005	2006
Growth and Inflation				
GDP growth (annual %)	8.5	9.5	(4.5)	18.2
GNP per capita, Atlas method (current US\$)	2,150	2,400	2,390	–
Inflation, consumer prices (annual %)	(2.9)	6.4	3.3	3.7
Composition of GDP (%)				
Fisheries	6.6	6.1	7.5	6.6
Tourism	32.7	32.3	22.7	27.7
Industry	15.6	16.1	17.3	16.9
External Accounts				
Exports of goods and services (% of GDP)	84.6	88.7	64.5	77.6
Imports of goods and services (% of GDP)	77.4	93.0	114.5	119.6
Current account balance (% of GDP)	(4.5)	(15.8)	(35.8)	(41.5)
External debt outstanding (\$ million)	290	332	397	582
Debt service ratio (% of exports of goods and services)	3.7	4.1	6.5	4.6
Gross reserves in months of imports	4.1	3.8	3.0	3.0
Gross domestic savings (% of GDP)	48.8	45.0	–	–
Gross fixed capital formation (% of GDP)	26.9	38.1	–	–
Fiscal Accounts (% of GDP)				
Government revenues, excluding all grants	33.5	33.7	39.4	44.8
Total expenditure and net lending	38.3	36.0	58.9	70.2
Primary deficit/surplus				
Overall surplus/deficit, excl. all grants	(4.8)	(2.3)	(19.5)	(25.3)
Social Indicators				
Health				
Life expectancy at birth, total (years)	66.8	67.2	–	–
Improved sanitation facilities (% of population with access)		59.0	–	–
Improved water source (% of population with access)		83.0	–	–
Mortality rate, infant (per 1,000 live births)		35.4	–	–
Education				
School enrollment, primary (% gross)	109.6	103.5	–	–
School enrollment, secondary (% gross)	73.6	72.8	–	–
Population				
Population growth (annual %)	1.6	1.4	1.6	1.6
Population, total (million)	0.3	0.3	0.3	(0.3)
Urban population, (% of total)	28.8	29.2	29.6	–

– = not available, GDP = gross domestic product, GNP = gross national product.

Source: Monthly Statistics, Maldives Monetary Authority, March 2007; Statistical Yearbook of Maldives, 2005 and 2006, Ministry of Planning and National Development; World Development Indicators, World Bank; Asian Development Outlook 2007, Asian Development Bank.

ASIAN DEVELOPMENT BANK LOANS AND TECHNICAL ASSISTANCE FOR THE MALDIVES (1995–2006)

Table A2.1: Loans and Grant Project

Project Reference Number/Title	Amount \$ million	Approved	Current Status	PCR/ Rating	PPER/ Rating
1. Energy					
1532 Third Power System Development	7.00	1997	Closed	S	–
1887 Outer Islands Electrification Sector	8.00	2001	Active	–	–
Subtotal	15.00				
2. Communications					
1882 Information Technology Development	9.50	2001	Active	–	–
3. Regional Development (Multisectors)					
1695 Regional Development	8.00	1999	Active	–	–
2170 Regional Development Project II - Environment Infrastructure and Management	6.00	2005	Active	–	–
Subtotal	14.00				
4. Law, Economic Management and Public Policy					
1915 Strengthening of the Public Accounting System	5.00	2002	Cancelled	–	–
5. Education					
2028 Employment Skills Training	6.00	02 Dec 2003	Active	–	–
1637 Postsecondary Education Development	6.30	30 Sep 1998	Active	–	–
Subtotal	12.30				
6. Tsunami Emergency Assistance					
2160 Tsunami Emergency Assistance Loan Grant	1.80	2005	Active	–	–
0001 Tsunami Emergency Assistance Grant	20.00	2005	Active	–	–
Subtotal	21.80				
Total	77.60				

– = not available.

S = Successful, PCR = project completion report, PPER = project performance evaluation report.

Source: Asian Development Bank records.

Table A2.2: Advisory Technical Assistance

TA Reference Number/Title	Amount (\$'000)	Date Approved	Current Status	TCR/ Rating	TPER/ Rating
1. Agriculture and Natural Resources					
4337 Commercialization of Agriculture	150	19 May 2004	Closed	–	–
2. Education					
2324 Education Masterplan	300	26 Apr 1995	Closed	GS	–
4338 Strengthening the Framework of Education Toward Vision 2020	350	19 May 2004	Active	–	–
3405 Science and Technology Masterplan	600	02 Mar 2000	Closed	GS	–
3057 Postsecondary Education Management Development Study	150	20 Aug 1998	Closed	–	–
Subtotal	1,550				

TA Reference Number/Title	Amount (\$'000)	Date Approved	Current Status	TCR/ Rating	TPER/ Rating
3. Finance					
2311	Maldives Monetary Authority	385	13 Mar 1995	Closed	PS –
3797	Enhancement of the Social Security System	150	12 Dec 2001	Closed	– –
	Subtotal	535			
4. Trade					
3496	Capacity Building for the Maldives Customs Service	700	05 Sep 2000	Closed	GS –
5. Law, Economic Management and Public Policy					
2440	Development of a System of National Accounts	400	09 Nov 1995	Closed	– –
2988	Further Development of the System of National Accounts	950	12 Feb 1998	Closed	GS –
4103	Capacity Building for the National Statistical System	350	02 May 2003	Active	– –
4196	Strengthening of Debt Management	350	14 Oct 2003	Active	– –
3389	Strengthening Legal Education and Judicial Training	995	23 Dec 1999	Closed	GS –
2759	Capacity Building for the Maldives Audit Office	600	11 Feb 1997	Closed	GS –
4591	Developing a Results-Oriented 7th National Development Plan	377	25 May 2005	Closed	NR –
4623	Strengthening Project Management and Monitoring for the Ministry of Finance and Treasury	250	25 Jul 2005	Active	– –
4735	Strengthening of Public Service Division	250	14 Dec 2005	Active	– –
3320	Capacity Building for the Maldives Public Accounting System	510	02 Dec 1999	Closed	GS –
3925	Revenue Diversification	350	13 Sep 2002		PS –
4879	Restructuring and Privatization of State-Owned Enterprises	400	01 Dec 2006	Active	– –
4261	Capacity Building for Regional Development	350	16 Dec 2003	Closed in Feb 2007	S –
	Subtotal	6,132			
6. Transport					
3922	Transport Master Plan Port Authority (Supplementary) Port Authority	230	06 Sep 2002	Closed	– –
3099	Private Sector Participation in the Maldives Port	400	20 Nov 1998	Closed	GS –
	Subtotal	630			
7. Water Supply, Sanitation and Waste Management					
4614	Promoting Sound Environmental Management in the Aftermath of the Tsunami Disaster	400	19 Jul 2005	Active	– –
	Total	9,947			

– = not available, GS = Generally Successful, NR = No Rating, S = Successful, TA = technical assistance, TCR = technical assistance completion report, TPER = technical assistance performance evaluation report.

Source: Asian Development Bank records.

Table A2.3: Project Preparatory Technical Assistance

TA Reference Number/Title		Amount (\$'000)	Date Approved	Current Status	TCR/ Rating	TPER/ Rating
1. Education						
3826	Postsecondary Education and Skills Development	400	21 Dec 2001	Closed	–	–
2894	Postsecondary Education Rationalization and Development	150	16 Oct 1997	Closed	–	–
Subtotal		550				
2. Energy						
3232	Outer Islands Electrification Project	300	30 Jul 99	Closed	–	–
3. Small and Medium Scale Enterprises						
4745	Small and Medium-Sized Enterprise Development	600	19 Dec 2005	Active	–	–
4. Law, Economic Management and Public Policy						
2895	Atoll Development	625	16 Oct 1997	Closed	–	–
3896	Regional Development Project (Phase II)	400	12 Jul 2002	Closed	–	–
2896	Strengthening the Maldivian Legal System	150	17 Oct 1997	Closed	–	–
3597	Information Technology Development	150	19 Dec 2000	Closed	–	–
	Strengthening of the Public Accounting System	150	19 Dec 2001	Closed	–	–
3824	System					
	Strengthening of the Public Accounting System	40	22 Aug 2005	Closed	–	–
3824	System					
Subtotal		1,515				
5. Transport						
4394	Domestic Maritime Transport	500	22 Sep 2004	Active	–	–
Total		3,465				

– = not available.

* Evaluated together with Project's project completion report/project performance audit report.

TA = technical assistance, TCR = technical assistance completion report, TPER = technical assistance performance evaluation report.

Source: Asian Development Bank records.

MAIN FINDINGS OF THE COUNTRY STRATEGY AND PROGRAM COMPLETION REPORT

1. This analysis, completed by South Asia Department in February 2007, covers the period from 1995 through to 2006. It encompasses the period of ADB's Country Operational Strategy Study (COS) 1995–2002 and Country Strategy and Program (CSP) 2002–2004. The 1995 COS and 2002 CSP were undertaken during a period of evolving political and social change. The Government's development priorities have shifted from a primary focus on fiscal management towards a focus on reducing poverty through addressing unequal development between Malé and the regional atolls. This shift has been broadly reflected in the 1995 COS and 2002 CSP programs.

2. Over the assessment period, ADB's program with the Maldives has also become more complex, evolving from mainly the provision of infrastructure in Malé to more difficult assistance addressing poverty in the outer atolls. Between 1995 and 2002, poverty reduction became the overarching goal of ADB assistance. The change in the program commenced during the implementation of the 1995-2002 COS and was continued as part of a Poverty Reduction Partnership Agreement signed with the Government in 2002. This formed the basis of the 2002 CSP.

3. The review broadly examines how effective ADB has been in meeting the changing needs of the Maldives. In doing so, it first analyses the extent to which ADB's program strategies were consistent with the national development priorities of the Maldives. It also analyses the operationalization of the 1995 COS and 2002 CSP, looking at both the effectiveness of development assistance per se and the extent to which the assistance was consistent with the strategies espoused in the 1995 COS, 2002 CSP and 4th, 5th, and 6th National Development Plans (NDP)s of the Maldives.

A. Principal Findings

4. In general, the strategies proposed in ADB's program were relevant to the development challenges facing the Maldives. There was both good alignment of the operational program to the relevant NDP policies and strategies and the activities of other donors. However, operationalization of the program was adequate/poor, particularly with regards to effectiveness in achieving desired objectives, sustainability of outcomes, and overall contribution to the Government's ability to combat poverty and foster sustainable economic development.

5. The 1995 COS was relevant to the development challenges facing the Maldives and the national development priorities of the mid 1990s. In terms of operationalization, most of the activities undertaken during the 1995 COS were aligned with a priority or strategy from the 4th or 5th NDP. However, many aspects of the 1995 COS were unsupported by the ensuing operational program and much ADB assistance was redirected into areas where it had little operational experience. Furthermore, most of the activities in the operational program in the 1995 COS were outside the area of previous experience and competence.

6. The 1995 COS also represented a very diffuse set of development objectives, which made it difficult for ADB to achieve significant operational impact.

7. The 2002 CSP comprised strategies to facilitate economic growth and social development in the atolls, and improve governance. It was consistent with ADB's poverty reduction goal and the Maldives' development challenges. However, the strategies embedded within the 2002 CSP were closely aligned to those articulated in the ongoing program of the

1995 COS. It appears that they were selected without much reference to lessons learned from the operationalization of the 1995 COS. As such, ADB failed to be selective, based on previous experience, in the areas and activities in which it chose to operate.

8. The operational program of the 2002 CSP was much more aligned to the strategy document than the operational program of the 1995 COS. All but one program strategy was supported by an activity from the operational program. The program also demonstrated considerable flexibility and responsiveness with respect to the tsunami assistance provided.

9. Project implementation has been difficult throughout the review period, despite some attempts to address some of the main constraints.

10. In particular, a legislative backlog in the Attorney General's office has caused delays and cancellation of projects throughout the review period. Over the latter half of the review period, ADB intended to use its influence to encourage pro-poor policy reform. However, a key finding of this review is that due to a failure to sufficiently engage at the level of the President's Office in the Maldives, pro-poor policy reform has been slow. A key lesson of this review is that ADB needs more sustained effort, in partnership with the relevant line ministry, to establish high-level contact with the President's Office for projects involving a significant amount of policy reform.

11. Similarly, a major constraint to implementation has been absorption capacity and human resource capacity limitations within the Government. This has been a consistent limitation throughout the 1995 COS and 2002 CSP and indicates an ongoing and unresolved ability to manage the development program in the country.

12. Further constraints are internal coordination between agencies of the Government and the institutional strength of the Ministry of Finance and Treasury (MOFT). These weaknesses have been compounded by ministerial changes over the review period that have negatively affected Implementing Agency (IA) arrangements.

13. Partly as a result of these constraints, the review found that projects are being completed with an average delay of two years. The delays in project implementation will continue unless Executing Agency (EA) and IA weakness are tackled.

14. In spite of the issues cited above, the projects have been rated satisfactory and the nonlending program has been relatively successful.

15. The review highlights evidence of good cooperation and donor dialogue, with several instances of successful project co-financing. ADB has also taken a proactive role in trying to improve donor liaison. However, no formal mechanism has been established outside the tsunami reconstruction efforts. Furthermore, the absence of resident missions for most donors, combined with the Government's lack of capacity to manage the development process, presents a risk for duplicated or contradictory donor interventions.

B. Sector Level Findings

16. The energy sector received 27% of the program and was the largest sectoral recipient of assistance over the course of the review period. However, ADB efforts to improve the regulatory body were unsuccessful and the complexity of providing power in the outer atolls and poor IA capability has seriously delayed project implementation.

17. The education sector received 22% of the program and provides the most tangible impact on poverty reduction through social development and the provision of employment skills—particularly through postsecondary education programs and training programs offered in the atolls. The projects in the sector have taken longer to complete but should provide sustainable benefits due to their good integration into the education system.

18. With SME development, the failure of the relevant IA to comply with two policy related loan covenants clearly highlights the problem of inter-ministerial coordination and decision-making ability within the Government. Changing the IA to overcome these problems has not been effective and imparts a lack of ownership and overall commitment to the project by the IA.

19. Effectiveness in the area of good governance area has been mixed. Planned improvements to the public accounting systems did not materialize. However, the program assistance did contribute to the passage of new legislation that will improve the area generally. Capacity building in statistics has involved several interventions over a prolonged period. This has been successful and resulted in improved statistical information. Audit has been improved but will only be sustainable if in-house training capacity is developed. Building the capacity for development planning and management has not been effective and remains a continuing weakness in the Government.

20. Multisector support in the form of loan and grant assistance has been provided for post-tsunami reconstruction efforts. As with other areas, support has been characterized by slow start up. The scope of assistance has also been reduced due to the Government selecting the most expensive reconstruction options.

21. In transport the program has been examining facilitation of transport in the atolls. In particular it has engaged in the development of transport planning encompassing policy, strategy and a legal and regulatory framework for a nationwide integrated transport network. The Government now has useful information on future transport planning activities along with improved knowledge with respect to the requirements of preparing future transport plans.

22. In communication a technically complex project to improve data interconnectivity and data access in the atolls has suffered from slow start up and the belief by the IA that their technical personnel were not sufficiently consulted in the project preparatory phase.

23. All projects acknowledged the risk of skills shortage at the preparatory phase. However, measures undertaken to address this risk were insufficient to prevent delays in project implementation. Project specific risks, not identified in the design, have occurred in regional development, information and technology and the improvement of outer island electricity. The project to improve public accounting (Loan 1915-MLD) was eventually cancelled due to the passage of legislation not being met within an acceptable timeframe—a risk that was identified in the design.

C. The Future Program

24. The future program faces challenges in overcoming the implementation impediments mentioned above. These will have to be undertaken against a backdrop of social and political reform.

25. Recommendations to be considered in formulating the new Country Partnership Strategy (CPS) are as follows.

- (i) For the development of the CPS it is recommended that the strategies followed are chosen on the basis of those best suited to reducing poverty and less influenced by the existing operational program.
- (ii) It is recommended that strategies that require legislative support have a timeframe commensurate with past experience in delays in the Attorney General's (AGs) office attached to them. The inclusion of legislative support as part of loan conditionality should only be considered where critical to project outcomes and where the preparation process has engaged support at the level of the President's Office.
- (iii) It is recommended that ADTA indicating potential for future ADB engagement is discussed with technical staff within the relevant ministry or agency and between other ministries, and consensus reached before it is agreed to move on to the preparation stage.
- (iv) It is recommended that in the future ADB insists upon the transparent appointment of duly qualified staff for Project Management Unit (PMU)/Project Implementation Units (PIUs) and if necessary participates in this process. It is also suggested that it provide monetary and non-monetary benefits for project implementation staff as an additional incentive to retain them. To minimize staff turnover, it is recommended to establish minimum tenures of project directors/managers responsible for implementing ADB projects.
- (v) It is recommended that ADB either establish consultation at the level of the President's Office in respect to policy reform or place very long timelines on, or even avoid, interventions with significant policy implications.
- (vi) It is recommended that ADB consider assistance to the Government in rationalizing the donor coordination function into one office, or formalize a regular process of donor liaison similar to that which was developed by the United Nations Development Programme.
- (vii) It is recommended that all future loans include a condition to limit the changing of IAs for project implementation without prior consultation with ADB and confirmation of arrangements to transfer or provide suitably experienced and qualified staff in the new IA.
- (viii) It is suggested that a single PMU be established within the MOFT with the responsibility to coordinate inter-ministerial discussion of the forward TA program. The PMU will also be responsible for the coordination of project implementation requirements through the respective IAs.
- (ix) It is recommended that complex projects involving inter-ministerial coordination be carefully scheduled. Where such projects are undertaken, the timeframe for implementation needs to be adjusted to accommodate this requirement in the design phase.
- (x) It is recommended that the capacity of the IA to implement projects be assessed on the basis of the experience of the staff involved. Training should also be provided for staff without recent project implementation experience, and due diligence be undertaken on any proposed change in IA during program implementation.
- (xi) It is recommended that the need for inter-ministerial committees be minimized in project design, and coordination of ministerial inputs be undertaken by the PMU within MOFT.

- (xii) It is suggested that strategies to build capacity within organizations adopt a long timeframe of sequential and reinforcing interventions over the period. Consideration should be given to the provision of incentives to trained and capable staff within target organizations in an effort to retain them. TA designs for capacity building should include the provision of succession planning within the organization.
- (xiii) It is recommended that proposals to change administrative procedures are recognized as political and that prior consensus is obtained at the level of the President's Office as part of the design process.

SWOT ANALYSIS FOR THE MALDIVES

1. The **strengths** identified in terms of development performance include:
 - (i) Natural resources: pristine environment and rich marine resources.
 - (ii) Strong private sector tourism industry.
 - (iii) Fast growing economy: 7% GDP growth during the last decade, 18.2% in 2006 based on the strong recovery in the tourism industry.
 - (iv) Relatively high GNP per capita (\$2,400) and low poverty incidence (only 3% of the population below \$1/day).
 - (v) Generally stable political environment with the ongoing reform agenda.
 - (vi) Government pushes on local governance and decentralization.
 - (vii) Reasonably good primary and secondary education and English language skills.

2. Development **weaknesses** include:
 - (i) A narrow economy base: tourism accounting for a third of the GDP, followed by transport/communications (15%), manufacturing (8%), and fisheries (6%).
 - (ii) Income inequalities and poor access to basic social service for many scattered coral atolls.
 - (iii) Lack of adequate human resources in the country hampering sustained economic growth and development.
 - (iv) Institutional deficit: weak institutions managing the development process and large expansion of civil service and subsidized social services.
 - (v) Low absorptive capacity for external assistance and currently too many externally-funded projects.
 - (vi) Lack of social and physical infrastructure supporting scattered atolls and tourism.
 - (vii) Governance deficit: primarily on account of absence of independent institutions and statutory bodies and lack of transparency in the decision making process.
 - (viii) Large inequalities and inequities between the capital Malé and outer atolls.
 - (ix) Very high youth unemployment rate and heavy reliance on expatriate labor.

3. Development **opportunities** include:
 - (i) Increased foreign investment in core sectors and promotion of private investment by locals (especially at atolls).
 - (ii) Diversification of industry through developing local industries.
 - (iii) Strengthening of institutional capacity in public sector.
 - (iv) Strengthening of governance and economic management.
 - (v) Development of a merit-based civil service structure and efficient human resource management.

4. Development **threats** include:
 - (i) Rising sea level, tsunamis, and mismanagement of environment and pollution.
 - (ii) Social and political tension from large social and economic inequities between Malé and outer atolls.
 - (iii) Potential fiscal and economic instability: unless the Government addresses the rapidly growing fiscal deficits before its debt reaches unsustainable levels, high economic growth would be difficult.
 - (iv) Increase in political tensions in the short-term due to the transition to multi-party democracy.

ACTUAL PROGRAMS VERSUS THE 2002 COUNTRY STRATEGY AND PROGRAM

Loan and TA Projects	Amount \$ million	Included in 2002 CSP	OED Comments
2002 Actual			
PPTA: Regional Development Project, Phase II	0.400	Y	
ADTA: Transport Master Plan	0.230	Y	
ADTA: Revenue Diversification	0.310	Y	
Loan: Strengthening Public Accounting System	5.000	Y	The Approved loan was cancelled in 2005 due to delays in meeting conditions.
2003 Actual			
ADTA: Capacity Building for the National Statistical System	0.350	Y	
ADTA: Strengthening Debt Management	0.350	Y	
Loan: Employment Skills Training Project	5.775	Y (for 2004)	Originally it was Post-secondary Education and Skills Development Project.
ADTA: Capacity Building for Regional Development	0.350	N	
2004 Actual			
ADTA: Commercialization of Agriculture	0.150	N	
ADTA: Strengthening the Framework of Education Toward Vision 2020	0.350	N	
PPTA: Domestic Maritime Transport	0.500	N	
2005 Actual			
Loan: Tsunami Emergency Assistance Project	1.774	N	Funds reallocated from other loans for the Maldives.
Loan: Regional Development Project, Phase II	5.727	Y (for 2003)	
ADTA: Developing a Results-Oriented 7th National Development Plan	0.377	N	
ADTA: Promoting Sound Environment	0.400	N	
ADTA: Strengthening Project Management and Monitoring for the Ministry of Finance and Treasury	0.250	N	
ADTA: Strengthening of Public Services Division	0.250	Y (for 2004)	
PPTA: Small and Medium-Sized Enterprise Development	0.600	Y (for 2003)	

ADTA = advisory technical assistance, CSP = Country Strategy and Program, N = No, OED = Operations Evaluation Department, PPTA = project preparatory technical assistance, Y = Yes.

Source: Country Strategy and Program Completion Report.

SUMMARY OF SURVEY FINDINGS

A. Perceptions of Maldivian Partners of the Asian Development Bank

1. The Operations Evaluation Department (OED) conducted questionnaire surveys, in addition to a number of focus group meetings and a participatory workshop attended by over 20 government officials implementing ADB projects, to obtain insights into the responsiveness and client orientation of ADB in its country assistance in the Maldives. The small number of responses reflects the small number of people in the core opinion-leader group in the community of this small island country who have familiarity with ADB operations. There were 13 responses received from Government decision-makers (30%), ADB project executing agencies/implementing agencies (EAs/IAs) (54%), a donor (8%), and a non-government organization (8%). On average, about 71% either had direct involvement with ADB staff or familiarity with ADB activities in areas comprising country strategy and program, project design, project implementation/portfolio management, analytical work, technical support, and donor cooperation.

2. Client awareness of ADB roles and performance is measured by the affirmative responses received. The survey results show an encouraging level of client awareness. Ninety-six percent of the respondents believed that ADB staff involvement is relevant and 64% acknowledged ADB staff to be efficient. However, only 57% think that ADB and its staff involvement are effective as a whole. Half of the respondents considered ADB to be either at par if not ahead of other donor/aid agencies. Overall, 70% are satisfied with headquarter-based services. Although only 27% of the respondents regularly visited ADB website, 73% believe that knowledge management products are relevant. The detailed findings are set out below.

3. **Relevance.** That ADB staff demonstrate a full grasp of country context and needs in the way they understand the development needs of the Maldives and attempt to be as effective a development partner as possible, is confirmed by a 100% affirmative response. ADB staff were regarded by 91% of the respondents as possessing good personal interaction skills, know the country and relevant sectors well, and make good use of local expertise.

4. **Effectiveness.** Table A6.1 summarizes the survey results according to the areas of effectiveness and the affirmative responses as a percentage of the total. ADB and its staff are seen to be effective in assisting with project design owing to adequate consideration of country realities, sector context, past experiences, and use of available local expertise among others. This is consistent with the survey findings on relevance. The technical support in terms of advisory technical assistance provided by ADB was found to be effective. Based on the affirmative response rate, there is room for improvement in the areas of country strategy and formulation and economic sector work.

Table A6.1: Effectiveness of ADB and Its Staff's Involvement

Areas of Effectiveness	Affirmative Responses as a % of Total	Disagreeing Responses as a % of Total
1. Country strategy formulation and programming	45	9
2. Policy dialogue	55	9
3. Project design	82	18
4. Project administration/ portfolio management	54	9
5. Economic and sector related work	45	18
6. Technical support	64	18
7. Donor/ Aid support	55	0

Source: Operations Evaluation Mission.

5. **Efficiency.** This is generally reflective of how timely response to inquiries and requests from local agencies was provided by ADB staff, and how past lessons learned have improved subsequent interactions of ADB staff. Nearly two thirds of respondents (64%) responded affirmatively.

6. The survey shows a greater appreciation for nonlending (TA projects) assistance compared to lending (loans) products. To some, TA programs are well implemented in a way most beneficial to the sector. Allocation of ADB products/resources are seen to be based on a close review of critical needs, performance and absorptive capacity of specific countries thus ensuring the allocation of funding to the right needs. Some consider that ADB products oblige receiving countries to follow good governance and anticorruption practices.

7. In terms of ADB services, the most preferred were:
- (i) knowledge management;
 - (ii) online disbursement check;
 - (iii) capacity building program and monitoring and evaluation;
 - (iv) technical assistance;
 - (v) workshops; and
 - (vi) on-line procurement and bidding sample documents.

8. Varied responses were received on how ADB could further improve its delivery of its products and services. Table A6.2 summarizes the feedback.

Table A6.2: Actions for ADB Products and Services Improvement

Areas for Improvement	Suggested Actions
Project formulation and	1. Use a long-term focus.
Processing	2. Strengthen expert advice by ADB staff and review project timelines.
	3. More time in country for negotiations.
	4. Streamline processing time.
Project implementation	5. Less cumbersome procedures, less bureaucracy and less need for advisors and consultants.
	6. Capacity building workshops to improve the sustainability of project benefits.
Procurement-related	7. Streamline procurement procedures.
Local capacity	8. Attach long-term staff training component focusing on degree level training.
Economic and sector work	9. Conduct in-depth and innovative studies on macroeconomic dynamics of the Maldives with emphasis on fragmented market.

Source: Operations Evaluation Mission.

B. Perceptions on the Advisory Technical Assistance

9. This small survey was carried out to gain insights on how appropriate and effective ADB's Advisory TA projects are in the Maldives are from the perspective of the executing agencies, consultants and ADB task managers. Survey returns were received from 4 executing agencies, 6 consultants, and 8 ADB task managers. Table A6.3 summarizes key points common across the three groups of respondents. The small number of respondents (18) must be born in mind when interpreting the results and drawing conclusions.

Table A6.3: Affirmative Responses on ADTA as a Percent of Total

ADTA Areas	Executing Agencies (4)	Consultants (6)	ADB Task Managers (8)
1. Preparation of the TA			
a. Importance of the TA to EA's development (high–medium/very important–important)	100	100	83
b. Adequacy of consultation in developing consultant's terms of reference (yes)	75	83	
c. Satisfaction of EA with choice of consultants (yes)	100	100	75
d. Built on previous work of a TA or loan (yes)	25	67	60
e. A step in a more general reform program which required further assistance in the future? (yes)	100	100	100
f. Incorporated the work of the TA into the ongoing work of the Agency through an internal action plan (yes)	50	100	100
2. Design of TA			
a. Skills transfer to EA (yes)	75	100	83
b. Satisfactory skills transfer (very satisfactory/satisfactory)	50	100	
3. Implementation of TA			
a. Availability of counterpart staff to the TA			
- from the outset	33	100	50
- shortly after the beginning	67	0	
4. Supervision missions added value (yes)		83	100
5. Satisfactory ADB supervision of the TA (very satisfactory or satisfactory)	100		

ADB = Asian Development Bank, ADTA = advisory technical assistance, EA = Executing Agency, TA = technical assistance.

Source: Operations Evaluation Mission.

10. **Design of ADTA.** Survey results show that 75% of the executing agencies and 67% of consultants were satisfied with the TA design and terms of reference vis-à-vis the objectives of the work. Those who were not pointed to the short duration of the TA and insufficiency of allocated funds for long-term training as major weaknesses. ADB task managers are of the view that the length of the time of the TA was generally insufficient, especially where overseas training components were included. In the case of project preparation TA projects, more than 1 year would have been sufficient to collect all the views of the stakeholders. One other weakness pointed was that the development of the management information system was not considered properly before the loan project. Few EAs reported that they had to alter TA recommendations to be accepted by the Government. However, these were only partially accepted by the latter.

11. **TA Implementation.** The 3 groups of respondents confirmed that availability of counterpart staff to work with the TA team was constrained by insufficient staff resources. From the point of view of the EAs, all TA objectives were achieved. The TA consultancy team was well positioned in the EAs and added technical value. The number of supervision missions was just adequate. Some of the major problems encountered during implementation of the TA that are critical to sustainability of its impacts are cited in Table A6.4.

Table A6.4: Major Weaknesses of the ADTA

Problem Areas	Details
1. Counterpart staff	Lack of capable staff which delays implementation
	Frequent turnover that prevents knowledge transfer
	Absence of mechanism to retain staff who go on overseas training
2. The Government	High staff turnover
	Difficulty in arranging meetings
	Some staff too young to be capable enough to manage and supervise TA
3. Tsunami	Disaster relief management precludes simultaneous management of TA workshops
4. TA terms of reference	Did not reflect private sector development, specifically micro enterprises in the outer atolls
	Narrow definition of business development service component
	No proper to address of small and medium-sized enterprise development
5. TA consultants	Unresponsive

ADTA = advisory technical assistance, TA = technical assistance.

Source: Operations Evaluation Mission.

12. **Importance, Impact, and Sustainability of ADTA.** More than 80% of the TA consultants and ADB task managers agreed that involvement of other government agencies is necessary for the successful completion of the TA. While all task managers who responded agreed that this was effectively guaranteed by ADB, only half of the responding TA consultants believed so. Both groups strongly believed that there was work in the ADTA to improve the capacity of the EAs. Overall, TA consultants considered the TA as strategically important for the agency, while most of the task managers rated the impact and sustainability of ADTA as medium.

DEVELOPMENT EFFECTIVENESS COMMITTEE

Chair's Summary of the Committee's Discussion on 27 June 2007

Validation Report on the Country Strategy and Program (CSP) Completion Report for the Maldives

1. A discussion on the contents of the report was not expected. OED simply wanted to introduce this new OED product to the DEC. OED considers that such product will be useful for Country Partnership Strategy (CPS) preparation, but clarified that these validation reports will only be prepared in the case of small countries where a CAPE is not being prepared.
2. The advantage of this product is that it allows OED to make an input into CSP formulation without incurring the cost, both in staff time and constant costs, of preparing a full CAPE, and is therefore a more effective use of OED resources. The CSP completion report validations will involve a brief country consultation to obtain first hand feedback from the client.
3. Management responses are not requested for such reports. They are for the use of CSP preparation teams. A DEC member asked why Management's response was not expected for such reports. OED indicated that unless there are any major issues of concern, it does not expect a reply from Management, as is the case with project completion reports.
4. Director, Country Coordination and Regional Coordination, SARD indicated that the report is useful as an independent evaluation which validates the lessons learnt and can be incorporated in the CPS that will be submitted for Board consideration in September.
5. DEC Members agreed with the usefulness of this new product. A DEC member asked how long it took and how much it costs to produce such a report. OED responded that for this report it took two and a half weeks for two staff in the country, and that the expense was only a small portion of OED's expenditure.