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**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**  
**Executive Board – Eighty-Fourth Session**  
Rome, 18-20 April 2005

**REPORT AND RECOMMENDATION OF THE PRESIDENT**

TO THE EXECUTIVE BOARD ON PROPOSED FINANCIAL ASSISTANCE TO THE

**REPUBLIC OF MALDIVES**

FOR THE

**POST-TSUNAMI AGRICULTURAL AND FISHERIES  
REHABILITATION PROGRAMME**



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**CURRENCY EQUIVALENTS**

Currency unit	=	Rufiyaa (MVR)
USD 1.00	=	MVR 12.8
MVR 1.00	=	USD 0.078

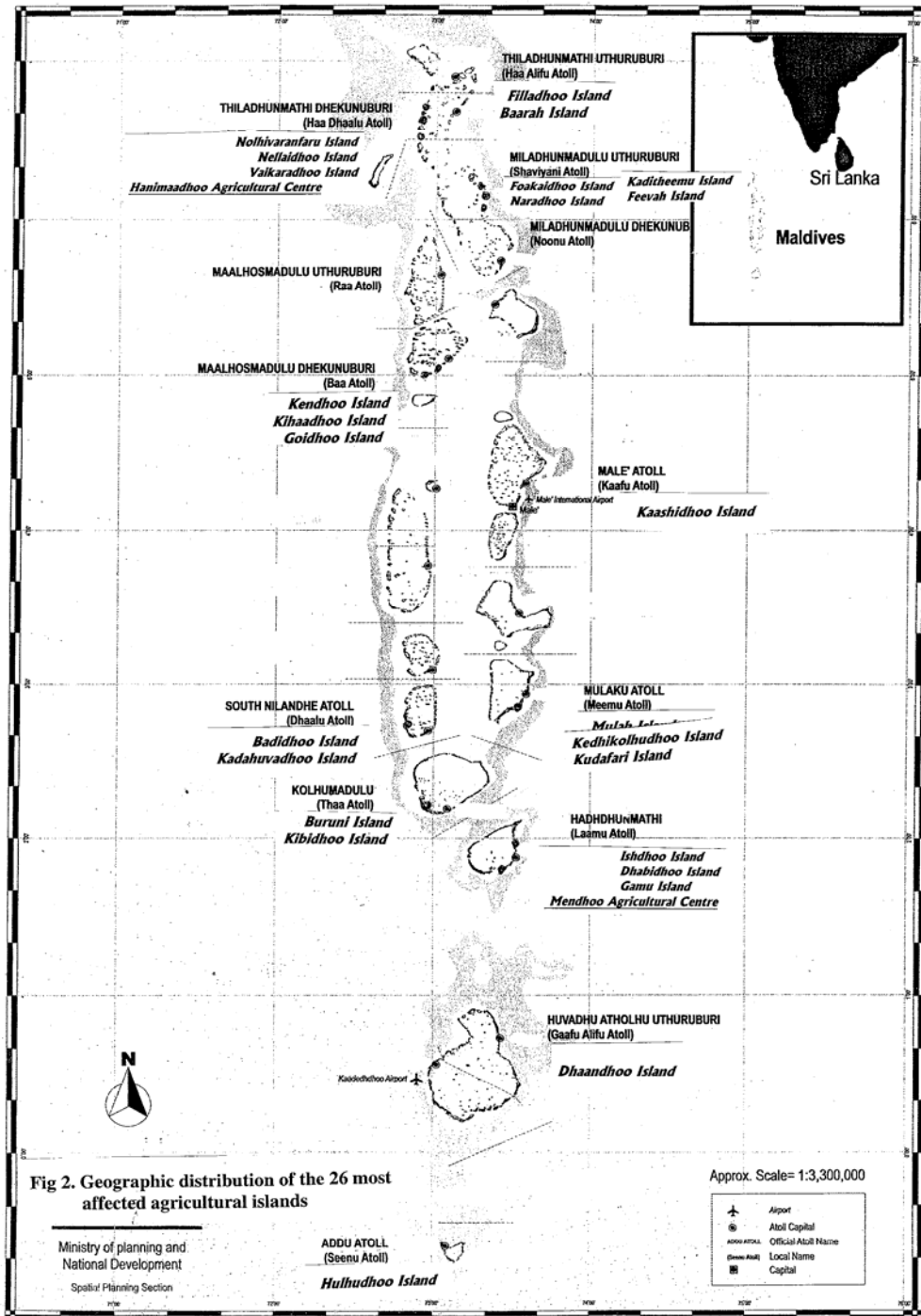
**WEIGHTS AND MEASURES**

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m <sup>2</sup> )	=	10.76 square feet (ft <sup>2</sup> )
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

**GOVERNMENT OF THE REPUBLIC OF MALDIVES  
Fiscal Year**

1 January – 31 December

MAP OF THE PROGRAMME AREA



Source: Ministry of Fisheries, Agriculture and Marine Resources.

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

**REPUBLIC OF MALDIVES**

**POST-TSUNAMI AGRICULTURAL AND FISHERIES  
REHABILITATION PROGRAMME**

**FINANCING SUMMARY**

<b>INITIATING INSTITUTION:</b>	IFAD
<b>RECIPIENT:</b>	Republic of Maldives
<b>EXECUTING AGENCY:</b>	Ministry Fisheries Agriculture and Marine Resources
<b>TOTAL PROGRAMME COST:</b>	USD 4.99 million
<b>AMOUNT OF IFAD FINANCING:</b>	<b>Loan:</b> SDR 1.40 million (equivalent to approximately USD 2.05 million) <sup>a</sup>  <b>Grant:</b> SDR 140 000 (equivalent to approximately USD 200 000)
<b>TERMS OF IFAD LOAN:</b>	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
<b>COFINANCIERS:</b>	Italy (Supplementary Funds)
<b>AMOUNT OF COFINANCING:</b>	USD 500 000
<b>TERMS OF COFINANCING:</b>	Grant
<b>CONTRIBUTION OF RECIPIENT:</b>	USD 193 100
<b>APPRAISING INSTITUTION:</b>	IFAD
<b>COOPERATING INSTITUTION:</b>	United Nations Office for Project Services

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<sup>a</sup> A further amount, equivalent to USD 2.05 million, will be mobilized or covered from the loan allocations under the Programme of Work and Budget of IFAD for 2006.

## PROGRAMME BRIEF

This recovery and sustainable development programme aims at addressing the long-term needs of communities affected by the tsunami disaster of 26 December 2004, the main victims of which were poor farmers and fishers. Unless a major recovery and reconstruction effort is organized and implemented as a matter of urgency, many rural people are likely to sink into even worse poverty. Critical assistance should not be limited to providing immediate relief but also focus on rebuilding skills and assets for the future, so that beneficiaries are less vulnerable and more resilient to shock.

Maldives is a coral archipelago in the Indian Ocean consisting of a chain of 1 190 islands that form 26 atolls distributed over an area of 90 000 km<sup>2</sup>. Most islands are small, flat and low-lying, with an average elevation of 1.6 m above sea level, which renders them particularly vulnerable to rising sea levels. The approximately 300 000 inhabitants of the country are scattered over 200 inhabited islands. The dispersed land mass and low population density significantly increases the cost of delivering essential social and administrative services, resulting in diseconomies of scale and high transport costs. It also poses unique challenges to development, recovery and relief efforts.

The overall goal of the programme is to contribute to restoring agricultural gross domestic product to pre-tsunami levels, returning the economy to a stable, long-term growth trend and reducing the fishery sector's vulnerability to natural disasters. Specifically, it will help to re-establish the country's fishing operations and augment the household income of fishers by restoring their livelihoods. With regard to agriculture, the programme will work to resume crop production in the atolls so as to rebuild the islanders' livelihoods and improve their diet, increase household income, reduce poverty and ensure food security.

The programme is structured around four components: recovery and sustainable development of the fisheries sector; recovery and sustainable development of the agricultural sector; policy support, capacity-building and technical assistance to the Ministry of Fisheries, Agriculture and Marine Resources (MFAMR); and programme coordination, management and implementation.

The programme will be implemented as part of the Government's Economic Recovery and Reconstruction Programme, under the supervision of an independent steering committee comprising representatives of the Ministries of Finance and Treasury, Atoll Development, National Planning, and MFAMR, and of private-sector organizations. A programme implementation unit will be set up in the MFAMR. The fisheries component will be managed by the Director of Fisheries and Marine Resources; the agriculture component will be managed, at the central level, by the Director of Agriculture and Forestry Services and, at each agriculture centre, by an agricultural officer.

The total programme cost, including physical and price contingencies, is estimated at USD 4.99 million. The fisheries component accounts for the largest share of programme costs at USD 3.04 million, followed by that for the agricultural sector at USD 1.08 million, policy support to MFAMR at USD 0.40 million, and programme coordination, management and implementation at USD 0.13 million. IFAD will provide a grant to MFAMR of USD 200 000 for technical assistance as well as a loan of USD 2.05 million (see footnote a) for implementation of other programme activities. Italy will provide a grant of USD 500 200 from supplementary funds, and the Government of Maldives will contribute USD 193 100.



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD  
TO THE EXECUTIVE BOARD ON PROPOSED FINANCIAL ASSISTANCE TO THE  
REPUBLIC OF MALDIVES  
FOR THE  
POST-TSUNAMI AGRICULTURAL AND FISHERIES  
REHABILITATION PROGRAMME**

I submit the following report and recommendation on proposed financial assistance to the Republic of Maldives, comprising a loan of SDR 1.40 million (equivalent to approximately USD 2.05 million)<sup>1</sup> on highly concessional terms and a grant of SDR 140 000 (equivalent to approximately USD 200 000) to help finance the Post-Tsunami Agricultural and Fisheries Rehabilitation Programme. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. It will be administered by the United Nations Office for Project Services as IFAD's cooperating institution.

**PART I – BACKGROUND AND CONTEXT**

**A. Impact of the Tsunami**

1. The tsunami that swept across the Indian Ocean on 26 December 2004 sent giant waves, travelling at 500 km an hour, crashing into the coastlines of 15 countries<sup>2</sup>, wreaking untold devastation. In Maldives, the magnitude and scale of the damage relative to the size and population of the country is unprecedented in living memory. The tsunami waves inundated most of the country, causing loss of life and severe damage to critical infrastructure. Damaged assets include tourism resorts, dwellings, schools, health centres, fishing boats, transport and communication equipment, water and sanitation facilities, and electricity infrastructure. Many islands were completely inundated or seriously damaged, the basic livelihoods of almost one third of the population were severely undermined, and there was substantial damage to crops and agricultural lands.

2. A joint assessment undertaken by the World Bank, Asian Development Bank, United Nations Development Programme and the Japan Bank for International Cooperation estimated total damages at about USD 470 million, of which USD 298 million account for direct losses. The tourism sector suffered worst, with losses amounting to about USD 100 million, followed by the housing sector where losses accounted for USD 65 million.

3. Fisheries play a vital role in the livelihood of the Maldivian population. The sector employs about 11% of the work force, accounts for more than 60% of exports, is the main source of livelihood for 20% of the population and contributes approximately 9.3% of gross domestic product (2004). As a result of the tsunami, as many as 120 fishing vessels were severely damaged or lost, about 50 vessels were partially damaged, there was widespread loss of fishing gear and equipment and damaged jetties and harbours have severely restricted access to some islands. Furthermore, since fishing communities in Maldives rarely deposit their earnings in banks, most of their savings were washed away by the

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<sup>1</sup> A further amount, equivalent to USD 2.05 million, will be mobilized or covered from the loan allocations under the Programme of Work and Budget of IFAD for 2006.

<sup>2</sup> Bangladesh, India, Indonesia, Kenya, Malaysia, Maldives, Mauritius, Myanmar, Seychelles, Somalia, Sri Lanka, Thailand, the United Republic of Tanzania and Yemen, and the island of Reunion (a French overseas department).

tsunami, which destroyed or severely damaged 50% of all dwellings. The total cost of the damage to the fishing industry is estimated at USD 25 million, of which USD 13.1 million account for direct losses.

4. Although the development of agriculture in Maldives is severely constrained by limited availability of arable land and water, crop production is an important source of income for island communities. The tsunami damaged field crops on approximately 2 100 farms; destroyed backyard plots and agricultural tools in approximately 11 700 homesteads; and damaged more than 700 000 fruit trees and 840 000 timber trees. Land and groundwater resources were severely affected on 35 islands, and saline water intrusion harmed 60% of field plots in the inhabited islands.

### **B. IFAD's Response**

5. The Government of Maldives rapidly launched a dynamic relief/rehabilitation operation with support from United Nations relief and emergency agencies, NGOs and other development and military partners, and set up a Ministerial Committee and Task Force and National Disaster Management Centre. The Ministry of Defence is responsible for coordinating the overall relief effort; the Ministry of Finance and Treasury for coordinating donor assistance; and the Ministry of Planning and Development for data-gathering and long-term response. As a result, communications with 11 atolls were restored within the first 24 hours and relief suppliers were dispatched to the needy as early as 27 December 2004.

6. Since IFAD is basically concerned with medium- to long-term recovery and rehabilitation activities, it was agreed that it would become involved once the emergency phase was under control. The Government of Maldives and IFAD reviewed jointly, between 2 and 16 February 2005, possible IFAD assistance to help in the medium-term post-tsunami recovery and rehabilitation. In view of the urgency of the matter, IFAD rapidly prepared a new programme to assist communities affected by the tsunami in the Meemu, Thaa, Laamu and Ghaaf Dhalu atolls, and in Malé: the proposed Post-Tsunami Agricultural and Fisheries Rehabilitation Programme, with a total cost of approximately USD 4.99 million.

7. It was further agreed that the programme should seek to complement other ongoing emergency and recovery donor interventions, such as distribution of agricultural inputs and fishing equipment, to ensure sustainability in the medium to long term. These include interventions by donors such as the Asian Development Bank, the World Bank, the Japan Bank for International Cooperation, the United Nations Development Programme, the Food and Agriculture Organization of the United Nations and NGOs.

8. The programme is in line with the Tsunami Relief and Reconstruction Fund (TRRF) set up by the Government to ensure transparency in handling the financial aspects of the tsunami emergency. The TRRF will receive resources from the national budget and from local and international sources for relief, recovery and reconstruction work, in accordance with objectives set by the Government and donors. A steering committee comprising representatives of the Government, private sector and donors, will monitor and supervise use of the funds. The TRRF will be administered by the Government Accounting Bureau of the Ministry of Finance and Treasury.

## PART II – THE PROGRAMME

### A. Programme Area and Target Group

9. The programme will address the basic needs of fishers on the following islands affected by the tsunami: Dhiggaru in Meemu atoll; Vilhufushi in Thaa atoll; Maamendhoo in Laamu atoll; and Madaveli in Ghaaf Dhalu atoll. These islands have a total population of 8 145, which will benefit from improved fish handling facilities. About 150 fishers will receive new vessels. Fishing communities in which inhabitants of tsunami-affected islands have been resettled, will also benefit from the programme.

10. As far as agriculture is concerned, the Ministry of Fisheries, Agriculture and Marine Resources (MFAMR) has identified the 26 most eligible islands for assistance under the programme (see map of programme area). The islands were selected on the basis both of the level of damage caused by the tsunami and vulnerability of the rural population. The programme will accord highest priority to delivering support services to communities located on these islands, where the primary source of income is agriculture. The second group of 24 islands to be assisted will be selected by the MFAMR during implementation of the programme, based on: (a) agricultural importance; (b) incidence of poverty and vulnerability; and (c) levels of food insecurity.

11. The primary target group for the agricultural component comprises poor farming households that depend on subsistence agriculture for food and income, and whose crops and production assets were destroyed/damaged by the tsunami. It is estimated that 5 000 households (or 20 000 beneficiaries) living in an area of approximately 1 000 ha will be assisted.

### B. Objectives and Scope

12. **Goal and objectives.** The overall goal of the programme is to contribute to restoring agricultural gross domestic product to pre-tsunami levels, returning the economy to a stable, long-term growth trend and reducing the fishery sector's vulnerability to natural disasters. With regard to fisheries, the programme will help re-establish the country's fishing operations and augment the household income of fishers by restoring their livelihoods. With regard to agriculture, the programme will work to resume crop production on the atolls so as to rebuild the islanders' livelihoods and improve their diet, increase household income, reduce poverty and contribute to greater food security.

13. **Implementation strategy.** The programme will collaborate with, and complement the approach of, other donors and stakeholders with a view to strengthening cooperation and linkages. For the fisheries component, the programme will work to achieve the goals of the Seventh National Development Plan, currently under preparation, by financing new fishing vessels and training and establishing fish markets and cold-storage facilities. These activities, which are in line with government's policies, will lead to diversification of the sector; reduce post-harvest losses; increase fish quality, thereby fetching better prices and contributing to the sustainability of fisheries resources; and improve the socio-economic situation of fishing communities. With regard to agriculture, the programme will distribute farm inputs, tools and equipment, building on the emergency assistance provided by other donors. An integrated approach will be taken to soil rehabilitation, crop production and water management techniques. Technical staff from agriculture centres, who have been involved in implementing the emergency phase, will be further trained and deployed to instal study plots in the islands affected by the disaster. They in turn will provide training to farmer groups in soil rehabilitation, crop production and on-farm water management. Agriculture support will follow a participatory community-driven development approach in all recovery activities.

### C. Components

14. The programme is structured around four components: recovery and sustainable development of the fisheries sector; recovery and sustainable development of the agricultural sector; policy support, capacity-building and technical assistance to MFAMR; and programme coordination, management and implementation.

#### **Recovery and Sustainable Development of the Fisheries Sector**

15. **Support to fisheries production.** The programme will replace nine boats and equip them with fish-storage facilities; this represents about 20% of assessed needs. The local boat-building industry is capable of constructing boats and the MFAMR has the capacity to supervise the work. In addition, the programme will instal ice plants on selected fishing islands to help fishing communities improve the quality of their produce.

16. **Fish marketing.** The programme will set up and equip four fish markets (or receiving stations) adjacent to harbour facilities on selected islands. These markets will facilitate the fish cleaning, gutting and filleting operations of artisanal fish processors. Cold storage facilities will be established in each market and sheds constructed. Recipient communities will contribute to setting up and operating the facilities.

17. **Training and extension.** The programme will provide training in cold-chain management, in establishment of small enterprises and in socio-economics. In addition, a number of MFAMR staff will be eligible for further specialized training in cold-chain management, programme management, socio-economics, extension and communication.

#### **Recovery and Sustainable Development of the Agricultural Sector**

18. **Agricultural marketing.** The programme will support the MFAMR in establishing a new fresh-produce market in Malé; the present facility cannot be expanded due to lack of space. Support will be provided for training one MFAMR staff member in marketing.

19. **Adaptive research and agricultural extension.** The programme will complement and strengthen the Government's efforts to concentrate limited human resources in the two agricultural centres of Mendhoo in the south and Hanimaadhoo in the north, thereby creating a critical technical mass following the concept of 'focus islands'. The aim of the strategy is to concentrate trained staff resources on the two centres, to the extent possible, and to provide technical assistance and training to farmers on the surrounding islands.

#### **Policy Support, Capacity-Building and Technical Assistance to MFAMR**

20. The programme will provide a grant to the MFAMR to enable it to deal with policy issues relating to fisheries and agriculture, including those that have arisen following the tsunami disaster. The grant will be used for strengthening the capacity of the MFAMR by means of senior staff training, overseas tours, national workshops and seminars, consultancies, and for studies and technical assistance.

#### **Programme Coordination, Management and Implementation**

21. The programme will finance the establishment of a programme implementation unit within MFAMR, as well as staff training in procurement, audits, programme management and monitoring, preparation of reports and consultancies.

### **D. Costs and Financing**

22. The total cost of the programme is estimated at USD 4.99 million (see the table 1), made up of USD 4.65 million in base costs and USD 141 000 in contingencies. The foreign exchange element is estimated at USD 2.5 million, or about 52% of total programme costs. Support to fisheries will receive the largest share, at 65% of the base costs, while crop production will account for 23%. In addition to core programme costs, extra grant resources amounting to USD 200 000 will be required to strengthen the capacity of the MFAMR, including formal training for key staff in the fields of fisheries and agriculture.

23. The programme will be financed by an IFAD loan of approximately USD 4.10 million<sup>3</sup> (82% of programme costs) and a grant of USD 200 000 (4%), to be funded from the 2005 allocation for small-country grants (Table 2). The loan will be used essentially to finance recovery and rehabilitation of the fisheries and crop production sectors. The grant will be used to strengthen the capacity of MFAMR to deliver services to the fisheries and agriculture sectors. In addition, Italian supplementary funds will be used to provide an extra grant of USD 500 200 for policy support to MFAMR. The Government's contribution will cover staff costs and taxes.

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<sup>3</sup> USD 2.05 million will be provided from the Programme of Work and Budget of IFAD for 2005. The balance will be mobilized or covered from the loan allocations under the Programme of Work and Budget of IFAD for 2006.

**TABLE 1: SUMMARY OF PROGRAMME COSTS<sup>a</sup>**  
(USD '000)

Components	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
Recovery and sustainable development of the fisheries sector	1 297.8	1 742.9	3 040.7	57	65
Recovery and sustainable development of the agricultural sector	694.9	383.2	1 078.0	36	23
Policy support, capacity-building and technical assistance to MFAMR	177.9	221.1	399.0	55	9
Programme coordination, management and implementation	61.0	68.2	129.2	53	3
<b>Total base costs</b>	<b>2 231.6</b>	<b>2 415.3</b>	<b>4 646.9</b>	<b>52</b>	<b>100</b>
Physical contingencies	60.8	36.1	96.9	37	2
Price contingencies	-	44.5	44.5	100	1
<b>Total programme costs</b>	<b>2 292.3</b>	<b>2 496.0</b>	<b>4 788.3</b>	<b>52</b>	<b>103</b>
IFAD Field Presence and Capacity-Building of MFAMR	200.0	-	200.0	-	-
<b>Grand total</b>	<b>2 492.3</b>	<b>2 496.0</b>	<b>4 988.3</b>	<b>-</b>	<b>-</b>

<sup>a</sup> Discrepancies in totals are due to rounding.

**TABLE 2: FINANCING PLAN<sup>a</sup>**  
(USD '000)

Components	IFAD Loan		IFAD Grant		Italian Grant		Government		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%			
Recovery and sustainable development of the fisheries sector	3 024.8	96.6			-		106.5	3.4	3 131.3	65.4	1 791.9	1 339.4	-
Recovery and sustainable development of the agricultural sector	1 024.6	92.2			-		86.7	7.8	1 111.3	23.2	400.5	710.7	-
Policy support, capacity-building and technical assistance to MFAMR	-	-			413.2	100.0	-		413.2	8.6	233.1	180.1	-
Programme coordination, management and implementation	45.6	34.4			87.1	65.6	-		132.6	2.8	70.5	62.1	-
<b>Total disbursement</b>	<b>4 095.0</b>	<b>85.5</b>			<b>500.2</b>	<b>10.4</b>	<b>193.1</b>	<b>4.0</b>	<b>4 788.3</b>	<b>100</b>	<b>2 496.0</b>	<b>2 292.3</b>	<b>-</b>
IFAD Field Presence & MFAMR Capacity-Building	-	-	200.0	-	-	-	-	-	200.0			200.0	
<b>Grand total programme costs</b>	<b>4 095.0</b>	<b>82.1</b>	<b>200.0</b>	<b>4.0</b>	<b>500.2</b>	<b>10.0</b>	<b>193.1</b>	<b>3.9</b>	<b>4 988.3</b>	<b>100</b>	<b>2 496.0</b>	<b>2 492.3</b>	

<sup>a</sup> Discrepancies in totals are due to rounding.

### E. Procurement, Disbursement, Accounts and Audit

24. All goods and services will be procured in accordance with IFAD's procurement guidelines and with the procedures of the Tsunami Relief and Reconstruction Fund. Wherever possible, procurement of equipment and materials will be bulked at national level. For smaller, locally available equipment, materials and services, the regional coordinators will be responsible for procurement. To the extent possible, contractors will use local labour in order to provide employment in the programme area.

25. All contracts for goods and services for a value equivalent to USD 40 000 or more will be awarded following local competitive bidding. Contracts for amounts below USD 40 000 but more than USD 10 000 will be awarded through local shopping. Contracts amounting to less than USD 10 000 will be filled under the direct purchase procedure. Prior approval by the cooperating institution will be required for all contracts valued in excess of USD 100 000 (or equivalent).

26. **Disbursement.** Programme funds will be disbursed over a period of five years. The proposed flow of funds reflects the decentralized management structure; funds will be managed at the atoll or island level by each regional coordinator. A special account in United States dollars will be opened with the Bank of Maldives. The authorized representative of the Government charged with signing withdrawal applications for IFAD funds will be also responsible for managing the special account. IFAD's initial deposit into the special account will correspond to projected six-month disbursements over an average programme year for the respective districts and the programme implementation unit. Direct payments to suppliers may be requested from IFAD for all contracts exceeding USD 20 000.

27. **Accounts and audit.** The accounts of both the programme and the implementing agencies will be audited annually by the Auditor-General's Office, in line with government procedures acceptable to IFAD. Certified audit reports will be transmitted to IFAD not later than six months after the end of the fiscal year. The auditor will provide a specific opinion on the funding mechanism of the implementing agencies, use made of programme resources, accountability of partners, and financial reporting.

### F. Organization and Management

28. While the programme will be implemented under the overall structure of the Government's Economic Recovery and Reconstruction Programme, it will be guided by an independent steering committee composed of representatives of the Ministries of Finance and Treasury, Atoll Development, National Planning and the MFAMR, and of private-sector organizations. The steering committee will be chaired by MFAMR's Director-General of Agriculture and Forestry Services.

29. A programme implementation unit will be set up within MFAMR and staffed by a programme manager nominated by the Minister of Fisheries, Agriculture and Marine Resources. The programme manager will be responsible for financial matters and accounting, procurement, programme planning and implementation of activities related to the sustainable development of fisheries and agricultural sectors. Office space, administrative services, equipment, materials and supplies will be provided by the MFAMR. The fisheries component will be managed by the Director of Fisheries and Marine Resources, whereas the agriculture component will be managed, at central level, by the Director of Agriculture and Forestry Services and, at the agricultural centres, by agricultural officers nominated by the Director of Agriculture and Forestry Services. The agricultural officers-cum-regional coordinators will supervise and assist in implementing the component at each centre and on the surrounding targeted islands.

30. In implementing extension and demonstration activities in selected islands, the programme will follow arrangements – adopted by the MFAMR during the emergency phase-based on the formation of multidisciplinary island support teams with the participation of farmers for coordination, planning

and implementation of agricultural activities. These island support teams will coordinate, plan and implement programme activities at the island level and will be composed of members of existing local institutions, such as atoll/island offices, atoll/island development committees, women's development committees and farmer leaders. Preferably, members should have participated in similar groups during the emergency phase. Staff of the agriculture centres will provide technical assistance, training and supervision, and demonstrate improved technologies.

### **G. Economic Justification**

31. The programme will finance the construction of nine 25-m fibreglass-hull fishing vessels. Using the base parameters, the economic rate of return (ERR) of these boats is estimated at 41% with a net present value (NPV) of USD 2.28 million. The programme will also finance the construction and operation of three fish-receiving stations and ice plants, for which the ERR is estimated at 39% with an NPV of USD 2.1. The programme will also finance the construction of a second agricultural market in Malé, the ERR of which is estimated at 19% with an NPV of USD 1.4 million.

### **H. Risks**

32. The follow-up nature of the programme (in relation to the emergency phase financed by other donors) leaves it vulnerable to potential constraints of the recovery phase. Delays and lack of accomplishment during the emergency phase may call for a significant adjustment of objectives and components. MFAMR's capacity to implement projects and programmes is limited, thus explaining the heavy investment in training local staff. The MFAMR's commitment to training staff stationed on the outer atolls and to creating conditions for their location in agricultural centres is crucial for the smooth implementation of field activities.

### **I. Environmental Impact**

33. Available information on skipjack (a small Pacific tuna) suggests that existing resources in the Indian Ocean will be able to withstand any additional fishing effort. The programme will promote the processing of fish waste on islands where the new markets are to be built, and monitor the impact of ice plants in freshwater resources suitable for ice production. Programme interventions on agricultural islands will be designed to improve the resource base, using appropriate technologies to ensure increased production and a safe environment. The agriculture component will mainly support small interventions at the island level. These will be highly localized, labour-intensive and largely of a natural resource rehabilitation and conservation nature (soil conservation and amelioration, water conservation and integrated pest and nutrient management). Given the limited size of the interventions, agricultural activities are not – for the most part – expected to have a negative impact on the environment.

## **PART III – LEGAL INSTRUMENTS AND AUTHORITY**

34. A financing agreement between the Republic of Maldives and IFAD constitutes the legal instrument for extending the proposed financial assistance to the recipient. A summary of the important supplementary assurances included in the negotiated financing agreement will be presented to the Executive Board following negotiations.

35. The Republic of Maldives is empowered under its laws to borrow from IFAD.

36. I am satisfied that the proposed financial assistance will comply with the Agreement Establishing IFAD.



**PART IV – RECOMMENDATION**

37. I recommend that the Executive Board approve the proposed financial assistance in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Republic of Maldives in various currencies in an amount equivalent to one million four hundred thousand special drawing rights (SDR 1 400 000) to mature on or prior to 15 April 2045 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

RESOLVED FURTHER: that the Fund shall provide a grant to the Republic of Maldives in various currencies in an amount equivalent to one hundred and forty thousand special drawing rights (SDR 140 000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge  
President

**SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES  
INCLUDED IN THE NEGOTIATED FINANCING AGREEMENT**

(Negotiations concluded on 13 July 2005)

1. **Counterpart funds.** The Government will make available to the lead programme agency during the programme implementation period counterpart funds from its own resources not exceeding USD 100 000, as required and set forth in the annual workplans and budgets (AWP/Bs) and in accordance with its customary national procedures for development assistance. For this purpose, the Government will make budgetary allocations for each fiscal year equal to the counterpart funds called for in the AWP/B for the relevant programme year and make such allocations available to the lead programme agency annually in advance as required to carry out the programme in accordance with the financing agreement.
2. **Replacement of fishing gear and input supply – subsidiary agreement.** The fishers who lost their fishing assets (particularly fishing boats) will be eligible for replacement of these assets through loans or grants under the programme. The boats will be made available to the affected fishers on a grant basis or on a hire-purchase basis. The lead programme agency will determine beneficiaries' eligibility for programme support under this activity, based on eligibility criteria approved by IFAD. Eligible beneficiaries will enter into an agreement with the lead programme agency (the "input supply agreement") to use the funds exclusively for input supply replacement and to repay the principal amount of the credit plus interest thereon to the Government within the established timeframe. IFAD will approve a draft model of the input supply agreement, substantially in the form to be used by the Government, including the relevant repayment terms to be applied, prior to the Government's entering into any such arrangements with eligible beneficiaries.
3. **Insurance of programme personnel.** The Government will insure key programme personnel against health and accident risks to the extent consistent with its customary practice in respect of its national civil service.
4. **Gender focus – implementation.** The Government will promote full participation of women farmers in training, extension and market-oriented activities, and will generally strive to mainstream women's participation in all programme activities.
5. **Gender focus – programme staffing and management.** Equal participation of women will be sought in the steering committee. The selection and appointment of key programme staff will be conducted in a gender-sensitive manner. In the recruitment of programme staff, all things being equal, preference will be given to women candidates.
6. **Monitoring.** By or before 12 months after its effective date, the programme will establish its own monitoring system to be able to evaluate programme implementation properly. The Government will ensure that the criteria established and required by IFAD under its results and impact management system, as communicated by IFAD to the Government, will be incorporated into and form part of the programme's monitoring.
7. **Progress reports.** (a) Six-monthly progress reports will be submitted by each programme party. These reports will address technical and physical progress made during the period and will contain financial statements relating to the relevant semester's expenditures.  
  
(b) Annual progress reports, based on the six-monthly progress reports, will be prepared, processed and consolidated in the same manner as the six-monthly progress reports.

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8. **Agriculture focus area.** The 26 islands for immediate intervention under the programme will be selected on the basis of both the level of damage caused by the tsunami and the vulnerability of the rural population. During programme implementation and in consultation with IFAD, the lead programme agency will select the second group of 24 agricultural islands for subsequent programme support. Selection will be based on the following criteria: (a) agricultural importance; (b) incidence of poverty and vulnerability; and (c) levels of food insecurity.

9. **Targeting.** Within the programme area, households selected to participate in the programme will be identified through rapid participatory assessments. To this end, beneficiaries are expected to form interest groups, which will be the basis for delivery of extension services. Existing groups (e.g. women's committees) will be evaluated on their willingness and commitment to participate in programme activities.

10. **Suspension.** In addition to the events specified in Section 12.01 of the General Conditions for Agricultural Development Financing, IFAD:

- (a) May suspend, in whole or in part, the right of the Government to request withdrawals from the loan account and/or grant account upon the occurrence of any of the events set forth therein or any of the following events:
  - (i) the input supply agreement, or any provision thereof, has been waived, suspended, terminated, amended or otherwise modified without the prior consent of IFAD, and IFAD has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the replacement of fishing gear and inputs supply activities, as described in paragraph 6 of Schedule 3;
  - (ii) IFAD has given notice to the Government that credible allegations of corrupt or fraudulent practices in connection with the programme have come to the attention of IFAD, and the Government has failed to investigate the matter fully and promptly to the satisfaction of IFAD; or thereafter, based on the conclusions of the aforesaid investigation and any other information available to it, IFAD, in consultation with the Government, determines that such practices have occurred, and the Government has failed to take timely and appropriate action to remedy the matter to the satisfaction of IFAD.
- (b) Will suspend, in whole or in part, the right of the Government to request withdrawals from the loan account and/or grant account if the audit report required by the financing agreement has not been satisfactorily completed within 12 months after the financial reporting period set forth therein.

11. **Conditions of effectiveness.** The following are specified as conditions precedent to the effectiveness of the financing agreement:

- (a) the programme manager will have been duly appointed by the lead programme agency and approved by IFAD;
- (b) the Government will have duly opened the special account and the grant bank account;
- (c) the Government will have duly established the steering committee and the programme implementation unit;

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- (d) the financing agreement will have been duly signed, and the signature and performance thereof by the Government will have been duly authorized and ratified by all necessary administrative and governmental action; and
- (e) a favourable legal opinion, issued by the attorney general or other legal counsel acceptable to IFAD in form and substance acceptable to IFAD, will have been delivered by the Government to IFAD.

APPENDIX I

COUNTRY DATA

MALDIVES

<b>Land area (km<sup>2</sup> thousand) 2002 1/</b>	300	<b>GNI per capita (USD) 2002 1/</b>	2 170
<b>Total population (million) 2002 1/</b>	0.29	<b>GDP per capita growth (annual %) 2002 1/</b>	3
<b>Population density (people per km<sup>2</sup>) 2002 1/</b>	957	<b>Inflation, consumer prices (annual %) 2002 1/</b>	1
<b>Local currency</b>	Rufiyaa (MVR)	<b>Exchange rate: USD 1 =</b>	MVR 12.8
<b>Social Indicators</b>		<b>Economic Indicators</b>	
Population (average annual population growth rate) 1996-2002 1/	2.4	GDP (USD million) 2002 1/	626
Crude birth rate (per thousand people) 2002 1/	29	Average annual rate of growth of GDP 1/ 1982-1992	n/a
Crude death rate (per thousand people) 2002 1/	7	1992-2002	7.2
Infant mortality rate (per thousand live births) 2002 1/	58	Sectoral distribution of GDP 2002 1/	
Life expectancy at birth (years) 2002 1/	69	% agriculture	n/a
Number of rural poor (million) (approximate)	n/a	% industry	n/a
Poor as % of total rural population	n/a	% manufacturing	n/a
Total labour force (million) 2002 1/	0.12	% services	n/a
Female labour force as % of total 2002 1/	44	Consumption 2002 1/	
<b>Education</b>		General government final consumption expenditure (as % of GDP)	24
School enrolment, primary (% gross) 2002 1/	125 a/	Household final consumption expenditure, etc. (as % of GDP)	29
Adult illiteracy rate (% age 15 and above) 2002 1/	3	Gross domestic savings (as % of GDP)	47
<b>Nutrition</b>		<b>Balance of Payments (USD million)</b>	
Daily calorie supply per capita	n/a	Merchandise exports 2002 1/	90
Malnutrition prevalence, height for age (% of children under 5) 2002 3/	25	Merchandise imports 2002 1/	392
Malnutrition prevalence, weight for age (% of children under 5) 2002 3/	30	Balance of merchandise trade	-302
<b>Health</b>		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2002 1/	7 a/	before official transfers 2002 1/	-54
Physicians (per thousand people)	n/a	after official transfers 2002 1/	-44
Population using improved water sources (%) 2000 3/	100	Foreign direct investment, net 2002 1/	12
Population with access to essential drugs (%) 1999 3/	50-79	<b>Government Finance</b>	
Population using adequate sanitation facilities (%) 2000 3/	56	Overall budget balance (including grants) (as % of GDP) 2002 1/	-7
<b>Agriculture and Food</b>		Total expenditure (% of GDP) 2002 1/	41
Food imports (% of merchandise imports) 2002 1/	23	Total external debt (USD million) 2002 1/	270
Fertilizer consumption (hundreds of grams per ha of arable land) 2002 1/	n/a	Present value of debt (as % of GNI) 2002 1/	34
Food production index (1989-91=100) 2002 1/	149	Total debt service (% of exports of goods and services) 2002 1/	5
Cereal yield (kg per ha) 2002 1/	1 000	Lending interest rate (%) 2002 1/	14
<b>Land Use</b>		Deposit interest rate (%) 2002 1/	8
Arable land as % of land area 2002 1/	13 a/		
Forest area as % of total land area 2002 1/	3 a/		
Irrigated land as % of cropland 2002 1/	n/a		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* database CD ROM 2004

2/ United Nations Development Programme (UNDP), *Human Development Report*, 2000

3/ UNDP, *Human Development Report*, 2004

**PREVIOUS IFAD FINANCING IN MALDIVES**

<b>Project Name</b>	<b>Initiating Institution</b>	<b>Cooperating Institution</b>	<b>Lending Terms</b>	<b>Board Approval</b>	<b>Loan Effectiveness</b>	<b>Current Closing Date</b>	<b>Loan/Grant Acronym</b>	<b>Denominated Currency</b>	<b>Approved Loan/Grant Amount</b>	<b>Disbursement (as % of approved amount)</b>
Second Fisheries Project	World Bank: IDA	World Bank: IDA	HC	09 Dec 82	27 Jul 83	30 Jun 91	L - I - 112 - MS	SDR	1 900 000	90%
Atolls Credit and Development Banking Project	IFAD	UNOPS	HC	6 Dec 89	04 Oct 90	31 Dec 96	L - I - 249 - MS	SDR	2 350 000	96%
Southern Atolls Development Project	IFAD	UNOPS	HC	13 Sep 95	10 Jun 96	30 Jun 04	L - I - 383 - MV	SDR	1 900 000	90%

### LOGICAL FRAMEWORK

Goal of Programme	Objectively Verifiable Indicators	Sources of Verification	Assumptions/Risks
Contribute to the restoration of agricultural GDP to levels reached previous to the occurrence of the tsunami and return to stable and long-term growth, while improving the livelihood of affected people and reducing their vulnerability to natural disasters	<ul style="list-style-type: none"> <li>- Increased GDP of the agricultural sector</li> <li>- Increased household income and assets in the target area</li> <li>- Reduced vulnerability of the affected people in the target area</li> </ul>	<ul style="list-style-type: none"> <li>- Official Government statistics</li> <li>- Base line and regular monitoring surveys</li> <li>- Livelihood, nutrition and employment surveys carried out by relevant line ministries</li> </ul>	<ul style="list-style-type: none"> <li>- Regular surveys must be carried out by the Government and PIU</li> <li>- Lack of implementation capability by the MFAMR may render the programme inefficient</li> </ul>

Objectives of Programme	Objectively Verifiable Indicators	Sources of Verification	Assumptions/Risks
<ul style="list-style-type: none"> <li>- Contribute to the improvement of operating conditions of the fishing fleets and increase the quality of the catches</li> <li>- Contribute to the recovery and improvement of agricultural production in the islands affected by the tsunami</li> </ul>	<ul style="list-style-type: none"> <li>- Increase household income of fisher folk and farmers in the target area</li> <li>- Fresh food market installed in Male with increased traded volumes of agricultural products</li> <li>- Improved fish markets installed and functional in selected islands</li> </ul>	<ul style="list-style-type: none"> <li>- Regular monitoring surveys conducted by the MFAMR and PIU</li> <li>- Market reports</li> <li>- Programme supervision reports</li> </ul>	<ul style="list-style-type: none"> <li>- Regular surveys must be carried out by the MFAMR and PIU</li> <li>- Relevant staff must be seconded to the programme and trained</li> <li>- Beneficiaries and staff must be willing to participate in the programme</li> </ul>

<b>Programme Outputs</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	<b>Assumptions/Risks</b>
<p>Component 1. Recovery and sustainable development of the fisheries sector</p> <ul style="list-style-type: none"> <li>- Replacement of fishing vessels</li> <li>- Establishment of fish markets</li> <li>- Establishment of ice plants</li> <li>- Establishment of cold storage facilities</li> <li>- Training and extension activities in fisheries</li> </ul>	<ul style="list-style-type: none"> <li>- Nine fishing vessels replaced</li> <li>- Market infrastructure constructed in four selected islands</li> <li>- Ice plant infrastructure constructed in three selected islands</li> <li>- Cold storage infrastructure constructed in eight selected islands</li> <li>- Five staff of MFAMR and approximately 3,000 beneficiaries trained in selected fields of fisheries</li> </ul>	<ul style="list-style-type: none"> <li>- Boat registry at MFAMR</li> <li>- Monitoring surveys, progress reports and supervision missions</li> <li>- Monitoring surveys, progress reports and supervision missions</li> <li>- Monitoring surveys, progress reports and supervision missions</li> <li>- Monitoring surveys, progress reports and supervision missions</li> </ul>	<ul style="list-style-type: none"> <li>- Boat yard can not handle the demand for boat construction</li> <li>- Land available at selected islands and beneficiaries willing to participate and contribute labour</li> <li>- Beneficiaries are interested and willing to participate</li> <li>- Fresh water sources are available</li> <li>- Sufficient electric power is available</li> <li>- Beneficiaries are interested and willing to participate</li> <li>- Sufficient electric power is available</li> <li>- Regional training institutions and resource persons are available for delivery of specialized training in fisheries</li> <li>- Staff and beneficiaries are willing to participate</li> </ul>



Programme Outputs	Objectively Verifiable Indicators	Sources of Verification	Assumptions/Risks
<p>Component 2. Recovery and sustainable development of the agricultural sector</p> <ul style="list-style-type: none"> <li>- Construction of fresh food market facility in Male</li>   <li>- Strengthening the capacity of the Agricultural Centres</li> </ul>	<ul style="list-style-type: none"> <li>- Fresh food market infrastructure facility constructed according to specifications</li>   <li>- Ten staff and approximately 10,000 beneficiaries trained in selected fields of agriculture in both Centres and target islands</li> <li>- Quantity and quality of applied research improved</li> <li>- Improved extension messages effectively delivered to farmers of the target area</li> </ul>	<ul style="list-style-type: none"> <li>- MFAMR and PIU regular surveys and reports</li>   <li>- MFAMR and PIU regular surveys and reports</li> </ul>	<ul style="list-style-type: none"> <li>- Land available</li> <li>- Suitable contractors identified</li> <li>- Beneficiaries and costumers are willing to use the new structure</li> <li>- Relevant regional training institutions and resource persons available for delivery of specialized training in selected fields of agriculture</li> <li>- Staff and beneficiaries are willing to participate</li> </ul>

<b>Programme Outputs</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	<b>Assumptions/Risks</b>
<p>Component 3. Policy support to the Ministry of Fisheries, Agriculture and Marine Resources</p> <ul style="list-style-type: none"> <li>- Relevant fisheries and agricultural policies enhanced</li> </ul>	<ul style="list-style-type: none"> <li>- Relevant staff trained in priority subjects</li> <li>- Relevant studies commissioned and delivered</li> <li>- Regional consultancies contracted</li> <li>- National seminars delivered</li> </ul>	<ul style="list-style-type: none"> <li>- MFAMR and PIU assessment and monitoring reports</li> <li>- Programme supervision mission reports</li> </ul>	<ul style="list-style-type: none"> <li>- Relevant staff available for training</li> <li>- Relevant institutions and resource persons identified for delivery of training, studies and consultancies</li> </ul>

<b>Programme Outputs</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	<b>Assumptions/Risks</b>
<p>Component 4. Programme coordination, management and implementation</p> <ul style="list-style-type: none"> <li>- Responsive, results oriented, flexible and efficient programme coordination and management</li> </ul>	<ul style="list-style-type: none"> <li>- Programme performance indicators</li> <li>- Establishment of relevant programme coordination mechanism</li> </ul>	<ul style="list-style-type: none"> <li>- Programme supervision mission reports</li> <li>- Mid-term programme review</li> <li>- MFAMR assessment reports</li> </ul>	<ul style="list-style-type: none"> <li>- Sustained commitment to the programme by MFAMR, line ministries and other local institutions</li> </ul>

## POST-TSUNAMI AGRICULTURAL AND FISHERIES REHABILITATION PROGRAMME

### Explanatory Note on USD 200 000 IFAD Grant

#### Activities to be financed by IFAD Grant

1. As indicated in the President's Report (para 20), the USD 200 000 grant will be provided to the Ministry of Fisheries, Agriculture and Marine Resources for **Policy Support, Capacity-Building and Technical Assistance** to enable it to deal with policy issues relating to fisheries and agriculture, including those that have arisen following the tsunami disaster.  
**Specific Areas of Support:**
2. The grant will be used for strengthening the capacity of the MFAMR by means of senior staff training, overseas tours, national workshops and seminars, consultancies, and for studies and technical assistance (Component 3).
3. Critical policy issues for which capacity strengthening is required:
  - (a) development of legal instruments for regulation of the fisheries industry;
  - (b) enforcement of the newly revised Fisheries Law and other regulatory instruments;
  - (c) plan of action to develop fishery industry organizations at national, atoll and island levels;
  - (d) Development Master Plan for agriculture.

#### Expected Benefits

1. Increased capacity of MFAMR staff is expected to contribute to:
  - (a) good governance through a comprehensive regulatory framework, which will define the rights and obligations of commercial stakeholders, as well as define procedures for licensing, controlling and determining royalties;
  - (b) diversification of capture fisheries away from coastal fishing in order to conserve resources, and emphasis on ensuring the development of artisanal, semi-industrial and industrial capture fisheries in a manner that will benefit the poor fisher-folk through job creation;
  - (c) a participatory fisheries industry to ensure the sustainable growth and progress of the sector;
  - (d) a framework for realization of the agricultural potential of the country through improved access to credit, sustainable use of uninhabited islands, improved research and extension services, and development of a logistics network and markets for agricultural products.