

**PROJECT INFORMATION DOCUMENT (PID)
ADDITIONAL FINANCING**

Report No.: PIDA20575

Project Name	Maldives Environmental Management Project Additional Financing (P153958)
Parent Project Name	Maldives Environmental Management Project (P108078)
Region	SOUTH ASIA
Country	Maldives
Sector(s)	Solid waste management (50%), Central government administration (50%)
Theme(s)	Environmental policies and institutions (33%), Pollution management and environmental health (33%), Biodiversity (17%), Climate change (17%)
Lending Instrument	Investment Project Financing
Project ID	P153958
Parent Project ID	P108078
Borrower(s)	Ministry of Finance and Treasury
Implementing Agency	Ministry of Environment and Energy
Environmental Category	A-Full Assessment
Date PID Prepared/Updated	21-Jan-2015
Date PID Approved/Disclosed	24-Feb-2015
Estimated Date of Appraisal Completion	15-Mar-2015
Estimated Date of Board Approval	21-Apr-2015
Decision	

I. Project Context

Country Context

After averaging 6.5% during 2007-11, growth in Maldives decelerated considerably to less than 2% in 2012 due to stagnant growth in agriculture and fisheries and a contraction in tourism. Real gross domestic product (GDP) grew by 3.7% in 2013 driven by tourism and related sectors which accounted for about half of the growth. Inflation moderated to 4% in 2013, down from 11.3% in 2011 and 10.9% in 2012, and continued to fall in 2014.

Unsustainable public spending, escalating debt, and substantial external vulnerabilities pose a risk to the country's macroeconomic outlook. These factors are negatively affecting growth prospects. The serious cash flow constraint faced by the Government has severely compromised development expenditures. Furthermore, despite its vulnerability to external shocks, Maldives lacks adequate buffers in a context of high debt, limited fiscal space, and depleted external reserves.

Considering that Maldives was a low-income country two decades ago, its national poverty rate of 8% is a remarkable achievement. Poverty has been declining in the atolls mainly because of improved living conditions. However, poverty rose in the capital of Malé from 2% in 2003 to 7% in 2010, possibly due largely to the impact of rising food prices. Inequality, too, is on the rise in Malé, even after several years of high growth. Indeed, growth has been less inclusive as the dominant tourism industry is operating on an enclave model of development, and agriculture and fisheries – subsectors that employ the largest share of Maldivians in the outer atolls – are only weakly linked.

Sectoral and institutional Context

Environmental pressures in the Maldives stem from the fragile geography of the country coupled with rising population densities, increased tourism, changing consumption patterns. The country faces growing problems with solid waste management and pollution from sewage and other effluents emanating from urban settlements, hotels, fish-processing plants, ships and other sources. The quantities of solid waste generated exceed disposal and treatment capacity. Most wastes are dumped onto the island foreshore and burned at low combustion temperatures. Uncontrolled waste disposal and floating debris at tourist resorts is the most visible threat to the country's reputation as a pristine high-end tourist destination.

Moreover, habitat degradation threatens marine assets. Coral mining for construction and dredging of lagoons for reclamation is the most widespread cause of reef destruction. Other pressures include damage caused by divers, illegal collection of corals and unsustainable exploitation of high-value reef resources such as sea-cucumber, grouper and giant clams. Terrestrial threats include timber harvesting and destruction of mangroves while pollutants from numerous sources lead to the eutrophication of coral reefs.

The environmental challenges could hamper the country's economic growth especially if they undermine tourism. Hence, environmental management is a national priority, as evident in its recurrence as a core theme of successive national development and tourism plans. Efforts were made in recent years to strengthen the country's environmental policy framework, such as the introduction of robust guidelines for environmental and social impact assessments, a small system of marine protected areas, and a marine monitoring and surveillance system. Nevertheless, the Maldives still confronts the issue of limited technical and managerial capacity to deliver the environmental infrastructure to monitor and control environmental impacts.

Being land scarce and low lying, the Maldives is exposed to the risks of climate change – intensifying weather events such as damage caused by inundation, extreme winds and flooding from storms. With the melting of polar ice caps, the country is exposed to the risks of sea-level rise. Rising sea temperatures also threaten the coral reefs and cause bleaching and death, with the most severe damage in areas stressed by pollutants or by physical disturbance. The vulnerability to climate change is magnified by the damage to the coral reefs that stand as the first line of defense for the islands against storm surges.

II. Proposed Development Objectives

A. Current Project Development Objectives – Parent

The main aim of the Project is to provide the Republic of Maldives with the capacity to effectively manage environmental risks and threats to fragile coral reefs as well as marine habitats resulting from tourism development, increased solid waste disposal, fisheries and global climate change. Accordingly, this Project has two development objectives. The first Project Development Objective is that a solid waste management system is established and that inhabitants on targeted islands use solid waste management facilities, reducing the risks of contamination associated with accumulated wastes and sea dumping. The second Project Development Objective is to build human and technical capacity for environmental management so that the environmental dimension is integrated in the planning process using information and expertise developed in the Project.

III. Project Description

Component Name

Regional solid waste management (RSWM) system

Comments (optional)

This component was designed to achieve the PDO associated with the establishment of a regional solid waste management (RSWM) system and its use by the participating islands as well as by tourist resort islands in the North Central Region. The following activities were/are being carried out: (i) community participation and mobilization; (ii) formulation of the best practicable environmental option (BPEO) for site and technology selection; (iii) design and construction of island waste management centers (IWMCs) and of the regional waste management facility (RWMF) in the island of Vandhoo; (v) regional transfer system for transporting residual waste to the RWMF; and (vii) development of suitable institutional arrangements for operationalizing the RSWM system.

Component Name

Technical assistance for environmental monitoring and management

Comments (optional)

This component is aimed at expanding the knowledge base regarding critical natural resources on which the country's ecosystem and economy depend and enhancing coordination among disparate agencies in addressing environmental pressures. It has supported the following: (i) training of community monitors on vegetation cover and coastal erosion; (ii) compilation, data analysis and reporting on erosion and the terrestrial environment; (iii) studies and monitoring of the coral reef ecosystem and bait fishery management; and (iv) development of spatial database and planning capacity in order to integrate the environmental dimension in the country's planning. Most of the activities were completed by 2013.

Component Name

Project management and communications

Comments (optional)

This component comprises support for overall project management, coordination with other agencies and programs, financial management, procurement, monitoring and evaluation and project communications.

Another component under the parent project – building capacity for environmental management – will not be include in the AF because the relevant activities were completed in 2013. The component aimed to build a cadre of environmental specialists to help manage the country's

environmental pressures. Specifically, it supported: (i) an undergraduate degree program in environmental management at the Maldives National University; (ii) targeted overseas scholarships at the post-graduate and undergraduate levels; and (iii) community training for solid waste management and marine monitoring.

IV. Financing (in USD Million)

Total Project Cost:	3.48	Total Bank Financing:	3.30
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			0.18
International Development Association (IDA)			3.30
Total			3.48

V. Implementation

Since the parent project became effective in late 2008, considerable progress was made in meeting the project's development objective (PDO) associated with human and technical capacity building for environmental management and monitoring. The activities under the components on capacity building for environmental management and on technical assistance for strengthening environmental management and monitoring were completed by 2013 and the related PDO was achieved. The Government is working to sustain the achievement through the continuation of the Bachelors of Environmental Management program at the Maldives National University, the monitoring of the coastal and terrestrial ecosystems and the use of the national geographic information system (NGIS) database by government agencies for planning.

As to the PDO associated with the establishment and use of the RSWM system, the following is the status of the results indicators. Waste segregation and composting is taking place in 20% of participating islands compared to 20% target in Year 6 (2014). The payment of user fees by households is occurring in 40% of participating islands compared to the target of 50% in Year 6. That percentage is expected to increase following the completion of additional island waste management centers (IWMCs) in the coming months. As far as other physical achievements are concerned, the construction of the regional waste management facility (RWMF) in the island of Vandhoo – consisting of the engineered landfill for ash disposal, landing point for the waste transfer vessel and other facilities – was finished ahead of schedule. The installation and operationalization of the incinerator, completion of the IWMCs in the participating islands and delivery of the waste transfer vessel are expected in February 2015.

The proposed Additional Financing would help finance unforeseen cost increases in goods, consultant services, incremental operating costs and training primarily for the RSWM system at the island level and the RWMF.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04	x	
Forests OP/BP 4.36		x

Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12		x
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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