

The World Bank in Maldives

COUNTRY BRIEF

SEPTEMBER 2004

Vision 20/20

Prepared by the government, the Vision 20/20 document spells out a series of long-term aspirations for the Maldives, such as:

- Becoming a top-ranking middle-income country
- Achieving gender equality
- Establishing a minimum of 10 years of formal schooling and good tertiary education
- Ensuring access to quality medical care and health insurance

Promoting the conditions for rapid economic growth with the Maldives serving as a hub of regional free trade

The Republic of Maldives is made up of 1,190 islands in 20 atolls spread over 900 km in the Indian Ocean. The country's population of approximately 287,000 people lives in 198 of these islands, 70 percent of which are inhabited by less than 1,000 people. With an estimated per capita Gross National Income (GNI) of \$2,170 in 2002 (up from \$2,000 the year before), the Maldives has the highest GNI in the South Asia region.

DEVELOPMENT PROGRESS

The Maldives has achieved buoyant growth over the past two decades. The development of the tourism and fisheries sectors, favorable external conditions, large inflows of external aid, and good economic management contributed to a steady rise in the gross domestic product (GDP), averaging 9 percent since the late 1970s. After slowing following the terrorist attacks of September 11, 2001, which had a

negative impact on the economy by impacting the tourism industry, GDP rose 8.5 percent in 2003. The Maldives' social indicators have shown significant improvements over the past two decades, as reflected in a falling infant mortality rate, expanding school enrollments, and rising literacy rates.

The Government of Maldives remains committed to further reducing poverty. It is preparing the country's first Poverty Reduction Strategy Paper (PRSP). The PRSP builds on the government's Sixth National Development Plan, which provides a strategic policy framework for achieving the objectives laid out in the Vision 20/20 document (see box).

The Maldives faces several key development challenges as it strives to sustain strong economic growth and improve living standards:

Mitigating social, economic, and environmental vulnerability. Social vulnerability in the Maldives comes about because of the small size of the population and the way it is so widely dispersed. Economic vulnerability stems from the high dependence on tourism and fishing, industries which are subject to outside shocks. It is also reflected in significantly higher poverty figures, especially in some of the outer atolls. Environmental vulnerability is due to the fragile ecosystem and geography of the Maldives and to the potential effects of global warming.

Fostering private sector-led growth and employment. Succeeding in this area hinges on creating a sound investment climate. The Maldives has had favorable experience with private sector development with resorts and telecoms. However, the share of gross domestic product (GDP) spent by the government continues to grow. Gaining a better understanding of the investment climate and implementing targeted policy reforms would help sustain robust development.

Developing "focus" islands to lower the marginal cost of service provision. The consolidation of economic and human resources on larger "focus" islands will improve the economic base, diversify the economy away from fishing, address the vulnerability of a

A Threat to Development: HIV/AIDS in Maldives

The Maldives took action against HIV/AIDS before the first domestic case was reported in 1987 and, as a result, has so far kept the threat to a minimum. The country has seen a decrease in new infections. With few resources currently required for treatment, the Maldives has the opportunity to focus on better understanding risk factors, such as sexual practices and drug use and accessibility to health services, and translating this knowledge into improved action in the ongoing HIV/AIDS program.



dispersed population, and adapt to global warming. The World Bank is helping the government strengthen public services on these "focus" islands, which will, in turn, lower the escalating unit costs of delivery.

Improving fiscal systems. Strengthening fiscal systems can increase the effectiveness of public spending. Three key issues need to be addressed: (1) development of a multiyear budget, (2) creating improved means of financing deficits, and (3) strengthening public expenditure management. One example of the Bank's assistance in this effort was the approval in June 2004 of an International Development Fund (IDF) grant for \$235,000 to strengthen the Government of Maldives' public expenditure management, focusing on improving the budget formulation process.

THE WORLD BANK GROUP IN THE MALDIVES

The Republic of Maldives became a member of the World Bank in 1978. Through the International Development Association (IDA), the World

Bank's concessionary lending arm, the Bank began its program of assistance in 1979 with a \$3.2 million credit for a fisheries project. Since then the Bank has approved seven credits with a total commitment value of \$64.9 million. The Bank's assistance program has focused on the main productive sectors (fisheries and tourism), their related infrastructure, human resource development, and building government capacity.

Two fisheries projects, supported by \$3.2 and \$5 million credits from IDA, were completed successfully. They contributed to increasing fish production, exports, and the incomes of artisan fishermen in the outer atolls. The most recently completed Third Fisheries Project, supported by an IDA credit of \$10 million, continued to improve fish collection and storage initiated by the first two projects, while enhancing fishers' income. The project also broadened the approach to include assistance in dealing with economic and technical issues in sector management and environmental aspects in project implementation.

The Bank is also supporting the government's investment in human capital. The FY89 Education and Training Project (\$8.2 million) helped in the expansion and improvement of secondary education by broadening access to education and increasing the planning and management capacity of the Ministry of Education. The Second Education and Training Project (\$13.4 million), which closed in June 2000, built upon the improvements made under the previous project, while striving towards quality enhancements. The Third Education and Training Project (\$17.6 million) is helping expand access to lower and upper secondary education in the outer atolls.

As part of a shift toward a more multisectoral and programmatic lending approach, the Bank approved in July 2004 the Integrated Human Development Project for \$15.8 million. The project supports improving service delivery of education, health and nutrition, employment, and community services, particularly to remote island regions.

Women in the Maldives

Observers agree that Maldivian women are among the most emancipated in South Asia and the Islamic world. There is no institutional discrimination along gender lines in access to education and health services or for jobs in the public sector. School enrollment rates for girls and boys are almost the same and very high, as are the adult literacy rates. Women are employed in the government and in manufacturing, and they account for 70 percent of active persons in agriculture.

The Bank is also assisting the Government of Maldives with non-lending technical assistance and analytical and advisory work, such as:

- * Preliminary poverty profile for use by the government in the preparation of the PRSP;
- * Support on restructuring pensions and social safety nets to reflect the changing needs of Maldivian society as it makes the transition to a modern middle-income economy;
- * Social Security Study to explore various options and provide input into the national debate on social security reform;
- * Country Economic Update: Sustaining Robust Development (completed May 2004) reviews recent economic developments, analyzes macroeconomic policy, and discusses key development issues;
- * Draft Policy Note for the government on land scarcity and population dispersion.

LOOKING TOWARDS THE FUTURE

In November 2000, the Bank developed a Country Assistance Strategy (CAS) that focuses on reducing poverty and regional disparities in access to social and infrastructure services. To achieve this objective, the strategy emphasizes shifting from sector-specific project lending to a more multisectoral and programmatic approach and increasing the frequency and scope of non-lending activities. In the near future, the Bank will prepare a new CAS to align Bank assistance to the country's PRSP.

All dollar figures are in US dollar equivalents.

Total Lending for the Maldives

Project Name	Amount	Project Status	Approved
Integrated Human Development Project	\$15.8 IDA	Active	7/6/04
Third Education Project	\$17.6 IDA	Active	3/16/00
Second Education and Training Project	\$13.4 IDA	Closed	4/11/95
Third Fisheries Project	\$10.0 IDA	Closed	1/7/92
Male Airport Upgrading Project	\$7.5 IDA	Closed	5/29/90
Education and Training Project	\$8.2 IDA	Closed	1/26/89
Second Fisheries Project	\$5.0 IDA	Closed	1/25/83
Fisheries Project	\$3.2 IDA	Closed	5/15/79

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