

57. ***Population consolidation and the creation of safer islands are part of the solution to climate change, as discussed in the 7NDP.*** The need for such a policy is widely promoted and accepted within the government, and was supported during discussions with the Bank by three out of the five registered political parties. There is a consensus that, in the long-term and as the sea level rises, it will be impossible to protect widely dispersed populations. In addition, the provision of increasingly sophisticated social services is becoming prohibitively expensive on a large number of islands with small populations. Population consolidation therefore produces benefits from lower costs of service delivery, as well as being part of a strategy for adaptation to climate change. The location of these safe islands needs to be based on detailed scientific assessments of climate risks. In the absence of scientific data, current decisions do not appear to have been guided by risk assessments.

58. ***The capacity to manage growing environmental pressures does not match the needs of a vulnerable, resource dependent economy that is transiting to middle income status.*** There is insufficient technical, financial and human capacity to either deliver the required environmental infrastructure or monitor and control environmental impacts.²⁰ There is also inadequate baseline information on the status of habitats and limited experience in scientific management methods, despite the importance of marine assets in fueling economic growth. Monitoring and enforcement of the myriad environmental regulations is uneven, particularly in remote islands where financial resources are limited. All of this suggests an urgent need to strengthen the information base of environmental management and the mechanism for implementing and enforcing environmental policies to assure sustained growth and prosperity. It is in this context that environmental sustainability has been identified as a key pillar of the Bank's assistance to Maldives.

III. THE GOVERNMENT'S DEVELOPMENT PLAN

59. ***The government has set out its vision and strategy in the 7NDP for the period 2006-2010: "Creating New Opportunities".*** This is also the strategic policy framework for achieving the objectives of Vision 2020. The national vision is to achieve upper-middle income status, ensure more equitable access to services and opportunities through urbanization and improved service delivery, facilitate economic diversification, promote gender equality, and support better environmental practices to sustain growth and adapt to global climate change.

60. ***The 7NDP was compiled through a consultative process involving the government, NGOs, and various private sector organizations and individuals.*** The broad objectives and key development opportunities and challenges outlined in the 7NDP are presented in Box 1. In short, the eight key principles underpinning the 7NDP are: (1) national ownership, (2) enhanced trust and confidence, (3) economic opportunity for all, (4) gender equality, (5) environmental sustainability, (6) human rights, (7) civil society participation, and (8) results focus. The 7NDP elaborates specific goals with performance targets across four key areas: economic, spatial, social and governance.

²⁰ As an example the Ministry of Energy, Environment and Water receive between 60-70 Environmental Impact Assessment reports each year, that need to be reviewed and cleared within a month. But with only four graduates in the Ministry, there is little capacity to evaluate and assess the reports in the desired depth and detail.

Box 1: The Government's 7NDP

- The 7NDP sets out the development agenda for the Maldives for the five year timeframe 2006-2010. The strategy was based on a national consultation process involving government ministries, Atoll and island communities and the private sector.
- There are eight key principles underpinning the strategy: (1) national ownership, (2) enhanced trust and confidence, (3) economic opportunity for all, (4) gender equality, (5) environmental sustainability, (6) human rights, (7) civil society participation and (8) results focus.

The document presents a frank assessment of the country's opportunities and challenges:

Opportunities

- Unique natural capital
- Strategic location
- Robust growth and macro-stability
- Young population
- Quality capital & infrastructure
- Cohesive society
- Stronger institutions for democratic governance

Challenges

- Devastation of the tsunami
 - Environmental vulnerability
 - Small island economies
 - Over-reliance on tourism
 - Dependency on imported fuel
 - Income & access inequalities
 - Female & youth vulnerability
 - Drugs
 - Weak financial markets
 - Weak legal framework for development
 - Erosion of moral values
- As with the Sixth NDP, the 7NDP lays out the strategies to achieve the Vision 2020, elaborated by the President in July 1999. According to Vision 2020, the Maldives will achieve upper-middle income status within the two decades of the vision period. Other broad outcome indicators include more equitable access to services and opportunities through urbanization and improved service delivery; economic diversification, gender equality and better environmental practices to sustain growth and adapt to global climate change.
 - In order to achieve these broad goals the 7NDP elaborates specific goals with performance targets across four key areas: economic, spatial, social and governance.

61. ***Prioritization of the budgeting process will be key.*** In order to achieve the broad goals outlined in the 7NDP, it will be important for the government to prioritize and link specific initiatives to the budget. The 7NDP, for example, contains many policies, each with their own strategies. For example, the section on construction has eight policies and 34 strategies. Implementing these strategies will be a major task for the relevant institutions – as will monitoring the results. Still, the overall framework underpins the government's commitment to sustaining robust development in the Maldives.

62. ***The CAS Results Matrix (Annex I) is closely linked to the goals, policies and indicators used in the 7NDP.*** The staff of the Bank Group and IMF are submitting a Joint Staff Advisory Note (JSAN) to the Board in concurrence with this CAS. While broadly supporting the strategies noted in the 7NDP, including the emphasis on helping the poor and vulnerable, and fostering 'population and development consolidation' for greater economies of scale, the JSAN re-emphasizes the need for strengthened fiscal policy and a sound macroeconomic framework, without which many of the hard-won development gains are at risk. Effective implementation will also hinge on prioritizing institution and capacity building efforts in the areas of public expenditure and environmental management, as well as deepening the dialogue on population and development consolidation.