

**REPORT**  
**of the**  
**MALDIVES PARTNERSHIP FORUM**  
**26 June 2006, Bandos Island Resort, the Maldives**

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## Introduction

The first Maldives Partnership Forum (MPF) was held in Bandos Island Resort, the Republic of Maldives, on 26 June 2006. Organized by the Department of External Resources of the Ministry of Foreign Affairs in collaboration of the United Nations Development Programme (UNDP), the Forum was attended by international development partners (donor countries, international organisations, and international financial institutions), representatives of national civil society, and private sector organizations. Local media participated in the opening and closing sessions of the Forum and were invited to attend all sessions on the agenda (see Annex for a complete list of participants).

The MPF is a key building block in the government's coordination efforts, establishing a platform for all key development partners (multilateral, bilateral, civil society, private sector) to discuss the nation's development objectives in an open and frank atmosphere. This newly inaugurated Forum provides a unique opportunity for the government to seek the support and advice of key international development partners, to promote public-private partnerships, and to encourage private sector-lead development.

The Forum program consisted of five sessions, each on a distinct thematic issue: Macroeconomic Perspective for the Medium Term; Investment Climate and Opportunities; the Seventh National Development Plan, 2006-2010; Building Back Better; and the Political Reform Agenda. Each session began with a brief presentation on behalf of the government and was followed by discussion. The country's Sixth National Development Plan, 2000-2005 and UNDP's Disaster Risk Profile were also made available to the participants as supporting documents.

Dr Hussain Niyaz, Executive Director of the Department of External Resources, delivered the Introduction and Welcoming Remarks. In his address, Dr. Niyaz noted that the MPF occurred on the eighteen-month anniversary of the tsunami, and that it provided an important opportunity to reflect on accomplishments to date and to assess the additional requirements for complete national recovery. Finally, recognizing that the Forum offered the government the chance to enhance relationships with its development partners, he expressed the hope that together they would identify clear and concrete recommendations regarding the issues presented in the background documents.

## Inaugural Address

H.E. President Maumoon Abdul Gayoom inaugurated the Forum, calling it "a window of opportunity" to establish long-term partnerships with key international development agencies. Speaking on the pace of development in the Maldives today, the President noted that economic and social progress over the past twenty years has taken the country to new horizons. He added that as a new phase of national development begins, various challenges and opportunities lay ahead and that it is important to focus on key vital areas.

The President emphasized that the first and most important area of focus is the post-tsunami National Recovery and Reconstruction Plan (NRRP) currently being implemented. The government, he explained, has been driving this programme forward with the help of the Maldivian people and the generous assistance of the international donor community. He stressed, however, that progress is being hampered by funding shortfalls, and he expressed confidence that the Forum would yield encouraging results in this respect.

Speaking further, President Gayoom noted that healthcare, education, and investing in human capital are high national priorities. Acknowledging the country's high dependence on its marine resources, he highlighted the importance of environmental preservation and expressed his gratitude to the donor community for past support directed towards protection of the environment.

Emphasising the fact that further development of the country hinges on the success of the current political and legal reforms, the President expressed his confidence that these reforms would usher in a modern democracy in the Maldives. The President also pointed out that as the Maldives will be graduating from Least Developed Country (LDC) status, the Forum can be used to develop the necessary dialogue to ensure a smooth transition to a Middle Income Country (MIC). He expressed his satisfaction that the Maldives Partnership Forum would be a permanent feature of dialogue with the country's development partners, and emphasized that through the Forum the donor community would get a clear opportunity to contribute to shaping the country's development progress.

In concluding his address, the President said that the Maldives today is a country with "new mindsets, new aspirations, and new horizons," and that he envisions a country where everyone is empowered to pursue their cherished dreams and goals. To achieve that vision, said President Gayoom, the Maldives needs a new social compact and a renewed international partnership.

## **Session I: Macroeconomic Perspectives for the Medium Term**

The first session of the Forum was Co-Chaired by the Hon. Qasim Ibrahim, Minister of Finance and Treasury, and Mr. Alastair McKechnie, World Bank Director for the Maldives. In his introductory remarks, Mr. McKechnie noted that the Tsunami had a devastating effect on the Maldives but added that implementation of the National Recovery and Reconstruction Plan could enable the country to make a healthy recovery. On the cautionary side, he noted that the Maldives' fiscal deficit, currently at 17 percent, is one of the worst in the world. Though a funding shortfall exists, management is partly to blame for the budget deficit, and he added that political reform is closely related to the government's expenditure policy.

Following these introductory remarks, Mr. Riluan Shareef, Deputy Minister of Finance and Treasury, made a presentation. Mr Shareef began by noting that the Maldives enjoyed sustainable economic progress between 2001 and 2004, but that the tsunami disaster severely contracted the economy when tourism declined and the fiscal deficit widened. He also outlined the country's medium-term fiscal strategy and economic objectives, adding that support from development partners is crucial (See Annex). According to Mr. Shareef, among the challenges to reaching those economic objectives are: promoting foreign direct investment and exports, developing a strong financial sector, greater fiscal discipline, and geographic population consolidation.

During the session several participants expressed satisfaction at the economic success that the Maldives had achieved prior to the tsunami, but they also noted the challenges that lie ahead as it prepares for its graduation from LDC status. Participants added that State Owned Enterprises need to strengthen their performance if economic development targets are to be met. Discussion turned to the existence of several structural challenges affecting the economic situation, including the widely dispersed island communities, the shortage of human resources, and the high level of product imports. Participants noted that due to its

dependence on foreign economies, the Maldivian economy is particularly susceptible to shocks in the global economy, and they emphasised that consideration should be given to global economic forecasts when developing economic plans and targets.

Some of the participants called for bold policies, fiscal discipline, transparency, and indications on range, measures, and timing of revenue enhancements and expenditures. Almost all the participants who spoke supported the view that external assistance is much needed by the government, but called for coordinated mechanisms to reduce the transaction costs involved and to maximize utility of the limited resources available.

## **Session II: Investment Climate and Opportunities**

The Forum's second session was Co-Chaired by the Hon. Mohamed Jaleel, Minister of Economic Development and Trade, and Mr. Richard W. Vokes, Officer-in-Charge, South Asia Regional Department of the Asian Development Bank.

In his introductory remarks, Mr. Vokes pointed out that investments and economic growth are important contributors to macroeconomic development. He added that lack of trade is a key problem facing private sector development in the Maldives, and he highlighted that the ADB places an emphasis on developing small and medium enterprises and spreading economic development to the outer atolls.

Mr. Yoosuf Riza, Deputy Director of the Foreign Investment Services Bureau of the Ministry of Economic Development and Trade, made the presentation. Although graduation from LDC to MIC status will be a huge achievement, said Mr. Riza, it could make the Maldives less attractive for Official Development Assistance (ODA) and lead to the loss of preferential trade arrangements. He added that the proposed expansion of tourism will increase the demand for, and require development of, airports; and he outlined plans for the establishment of a national airline to support tourism growth. Mr. Riza further added that there is lack of investment financing for non-tourism activities. He also noted that the government plans to open all sectors to foreign investment, allow complete ownership on large capital investments, and provide tax holiday incentives among other actions designed to promote foreign investment.

Participants suggested that, since the Maldives has a narrow resource base, the country should consider working on its comparative advantages in tourism and marine life and further develop the fisheries and tourism related industries. Some pointed out that the country's economic development relates highly to the environment and expressed concern over the impact of global warming on the economy. Everyone supported the enhancement of trade and investment in the country as it would widen economic growth. However, it was added that a legal and regulatory framework for investment needs to be developed, and that the investment climate should be supported by strengthening the financial sector. Specifically, some participants expressed concern over the government's plans for investing in a national airline.

Participants praised the development achievement of the Maldives as it prepares to graduate from LDC status, but concern was expressed if the assessment should be based purely upon the GDP figure or if it should also incorporate the geographical challenges facing the country since they represent a vulnerability factor. In addition, several participants expressed concern over the loss of market access and access to

concessional financing. These donors pledged to continue such support even if the Maldives were to graduate from LDC status, and they called upon other participants to continue such support as well.

The Japanese Ambassador H.E. Mr Akio Suda, expressed satisfaction that the Maldives is a country where Japanese aid has achieved the most. Ambassador Suda noted that Japan has pledged over US\$ 200 million for the country's social and economic development, notably for the construction of schools and electrification facilities. He further noted that the sea wall constructed around Male' under a Japanese grant provided the island with considerable protection from the tsunami. He added that the Maldives is embarking on a new stage with graduation from LDC status, but he cautioned that the country will continue to face development challenges

## **Session III: Seventh National Development Plan, 2006-2010**

The third session of the Forum was Co-Chaired by the Hon. Hamdhun Hameed, Minister of Planning and National Development, and Mr. Patrice Coeur-Bizot, UN Resident Coordinator/UNDP Resident Representative.

The session began with a presentation by Mr. Ahmed Mohamed, Director, Development Planning of the Ministry of Planning and National Development, in which he outlined the key targets and challenges in the Seventh National Development Plan (see Annex).

Mr. Mohamed said that in addition to the challenges outlined in previous sessions, regional inequality in earnings and services, youth and female unemployment, environmental sustainability, and achieving the Millennium Development Goals were some of the challenges that shadow the 7th NDP. He went on to articulate eight specific goals of the 7th NDP, the first of which included building back better and strengthening justice, human rights, and governance. He also identified the key sectors and priorities on which the plan will concentrate. (see annexed presentation on 7<sup>th</sup> NDP for further information).

Following the presentation, participants observed that the 7th NDP is the Poverty Reduction Strategy Paper of the Maldives. It was added that with small populations disbursed over many islands, there is obvious difficulty in creating equal employment opportunities. Thus, it was felt that speeding up the government's population consolidation plan will assist in reaching the targets set out in the development plans of the country. In addition, concerns were raised regarding the steeply increasing rate of drug abuse, and it was noted that the youth drug problem is a major social and economic challenge faced by the Maldives.

In his concluding remarks, Mr. Patrice Coeur-Bizot observed that the 7th NDP has adopted a human rights-based approach, has incorporated the MDGs, and has fully integrated the NRRP. He also pointed out the relationship between the United Nations Development Assistance Framework (UNDAF) exercise and the NDP, and gave assurance that the UN system in the Maldives is working in full collaboration with the government towards reaching the NDP goals.

## **Session IV: Building Back Better**

This session discussed the reconstruction and recovery efforts since the tsunami disaster of December 2004. The session was co-chaired by the Hon. Mohamed Mauroof Jameel, Minister of Construction and Public Infrastructure, and Mr. Jerry Talbot, the Head of Delegation, International Federation of the Red Cross and Red Crescent (IFRC).

In his introductory remarks, Mr. Talbot mentioned that 'Building Back Better' is a framework that outlines relief, recovery, reconstruction, and long-term development towards a secure future. He commended the National Disaster Management Centre on excellent coordination throughout the relief phase. He added that the recovery operation is shadowed by logistical challenges and capacity constraints and urged participants to assist the government in this respect.

The session included a presentation made by Ms. Najfa Shaheem Razee on behalf of the National Disaster Management Centre (see Annex). Ms. Razee said that although casualties were low, the country suffered severe economic and social damages, and that building back better is an opportunity to develop a strong and diverse economy that caters to the people's needs. Ms. Razee pointed out that reconstruction in some sectors is being slowed by funding shortages, and added that housing, internally displaced persons (IDPs), infrastructure, power and energy, and water and sanitation are all critically under-funded sectors. On the positive side, she highlighted that some sectors require limited or no additional funding.

The delegate from the Food and Agriculture Organization (FAO) mentioned that agricultural revival needed to be addressed and suggested that micro-credit schemes be further expanded, allowing small farmers and fishermen to recover quickly. Supplementary to this, delegates from the Republic of Korea articulated their interest in this area and extended their country's support to developing the fisheries sector.

Participants welcomed the availability of a new Development Assistance Database (DAD) and greatly appreciated the transparency that it afforded. The representative of the Ministry of Finance and Treasury pointed out that the internet-based DAD provides substantial information, including all contracts, details of ongoing projects, and existing funding gaps, if any.

Participants understood that difficulties existed in obtaining an initial estimate of the damage throughout the country, but they added that it is important to finalise the National Recovery and Reconstruction Plan. They added that building back better is an opportunity to integrate the NRRP into the NDP projects, and they welcomed this. Responding to issues of prioritization highlighted by the delegates, the government noted that housing and infrastructure, capacity building, increasing domestic revenue, and meeting the financial requirements for economic growth were its key priorities.

Issues pertaining to IDPs were addressed, and the IFRC informed the participants that over 8,000 people are still in need of permanent shelter. Further, access to some islands continues to be difficult as some infrastructure challenges exist. In general, the Forum emphasized the need for coordinating efforts, requesting more involvement from NGOs, and calling for additional technical assistance.

## **Session V: The Political Reform Agenda**

The Hon. Dr. Ahmed Shaheed, Minister of Foreign Affairs, and H.E. Mr. Avanindra Kumar Pandey, High Commissioner of India in the Maldives, co-chaired the fifth session.

The High Commissioner extended his support to the reform process and said that all parties must welcome the process and respect democracy and human rights. Further, he said that the parties should ensure that complaints and lack of provisions are addressed in line with the Constitution. He added that while the country is going through an enormous reform process, the Maldives should take historical processes into consideration. It is important to recognize the link between the country's geographic isolation and its development so as to better understand the impact of globalization on the Maldives.

Mr. Mohamed Hussain Shareef, Chief Government Spokesperson, then gave a presentation entitled "The Political Reform Agenda: A Mid-Term Progress Report" (see Annex). Mr Shareef said that the reform agenda paved the way for a 'new' Maldives and involves strengthening democracy and enhancing human rights. He clarified that the government has undertaken several democratisation processes and steps to augment respect for human rights. However, civic and voter education and building trust among differing political groups are some of the key issues deterring the political reform program.

Delegates welcomed the political reform process outlined by the government and appreciated its commitment to achieve a more democratic governance system. However, concern was expressed over the government's relationship with the opposition, and all parties were urged to engage in constructive debate to continue the reform process. The need for consensus and inclusiveness was also emphasized, and the delegates called for freedom of assembly and freedom of press in order to achieve a true democracy.

Speaking on human rights in the Maldives, the UN RC expressed satisfaction over the country having acceded to the Torture Convention and its Optional Protocol. The United Nations said it will continue its work with the authorities and highlighted the need for capacity building in key institution.

Participants added that the President's "Roadmap for the Reform Agenda" should also be integrated into the Seventh National Development Plan and the macroeconomic situation in as much as the government's expenditure policies work closely with political policies. This would enable the political system to progress without harming the economic development plans and would facilitate both systems to reach their targets.

In his concluding remarks, Dr. Shaheed said that the government is in the process of developing new legislation on the freedom of assembly and freedom of the press. He also added that pending legislation on the Human Rights Commission makes it compliant with the Paris Principles, and that the Bill is ready for a third reading by the People's Majlis. He assured the participants that the government wanted to widen the political process and would welcome the support of its partners in the process.

## **Closing Session**

The forum ended with the review of the Final Communiqué. The organizers highlighted that the Maldives Partnership Forum had been about dialogue, engagement, and partnership between the Government of Maldives and its development partners.

Dr. Shaheed emphasized that the country's development goals were clearly discussed and that the Forum covered various key aspects. He commended the participants for the rich and comprehensive discussions and said all statements had been extremely valuable and supportive. He added that the first Forum should



not be considered a stand alone event but that it should be seen as a permanent platform that will assist development and strengthen interest and support for the Maldives.

## Conclusion

The Maldives Partnership Forum of 26 June 2006 was the first of its kind, and its organisers worked tirelessly to ensure that it ran smoothly and was well presented. Nonetheless, the organisers take this opportunity to reflect on the strengths and weaknesses of the first Forum so that future Forums might prove even more successful and productive.

### *I. Participation*

The Forum proved a success both in terms of numbers and the level of participation. It is noted with gratitude that the Forum was attended by high-level dignitaries, including the heads of the resident missions. This was a clear indication of the interest and support generated towards the Maldives. A total of 116 delegates attended the Forum. The table below shows a summary of participants classified by category of development partner.

The organisers add that all four political parties in the Maldives were invited to the Forum. However, party participation was low and the organisers hope for more participation in future sittings of the Forum.

Participant Type		Number of Delegations	Number of Delegates
Bilateral		23	35
Multilateral	UN	5	13
	Non-UN	6	10
Red Cross and Red Crescent		8	10
Private/NGO		10	11
Political Parties		1	1
Government of Maldives		10	37
Total		63	116

### *II. Agenda*

An important consideration during the planning of the Forum was that the agenda should be introductory and broadly themed, given that it was to be the inaugural session. Consequently, the organisers felt that it was important to present the delegates with an update on all sectors of development in the Maldives. To that end, five topics were selected based on social and economic development and political reform areas that are considered vital to the country's overall progress. This allowed for sessions averaging less than an hour, with each session consisting of a brief presentation and a discussion period. In hindsight, however, there is a question as to whether the time allocated for each session was sufficient.

The organisers felt that while four of the topics were intentionally broad, the second session—Opportunities for Investments and Economic Growth—was relatively limited and sector specific. This session generated

explicit discussion and addressed precise issues and opinions, such as the views expressed on investing in a national airline. However, the remaining sessions covered a wider area, such as the session on the 'Macroeconomic Situation', which presented issues on contraction of the economy and budget deficits among other economic challenges. This session was based largely on economic terms, and upon reflection the organisers wonder if the discussion could have engaged more participants had it been on the social consequences of economic decisions.

Reviewing the topics selected, the organisers considered anew if all five topics harmonised well and complemented each other. For example, the session on macroeconomics was chosen as preparation for the session on the 7th NDP, which was to be a discussion of the country's vision for development as expressed in the plan. It was also thought that discussion of the 7th NDP would be integrated with discussion of the NRRP, but the organizers have concluded this would have been more effective had there been a stated deadline for the NRRP—especially given that a large number of participants specifically requested incorporation of the two plans.

In conclusion, the agenda for the first MPF succeeded in formulating and modelling to a large extent the social and economic development situation of the Maldives. In upcoming assemblies of the MPF, the organisers wish to follow a more sector-specific approach with the aim of addressing precise issues and fabricating more constructive discussions towards reaching development targets.

### ***III. Follow-up***

As mentioned in the concept note, the objective of the Forum was dialogue and engagement between the Government of Maldives and its development partners. At its first session, the Forum generated comprehensive discussions that will assist in developing longer-term partnerships. While the session achieved its primary goals, areas for future concentration remain rather vague. Difficulty exists in establishing a work plan since the only available grounds for such a plan are the government's pledges towards development.

At this critical time in the history of the Maldives there is an urgent need to establish long-term relationships with the country's development partners and to overcome the constraints hindering further development. It is generally agreed that an MPF that combines pledging and dialogue would greatly assist the country's development progress and its preparation for graduation from an LDC to an MIC. Thus, in future the agenda for all MPFs will include a projects portfolio that defines the pipeline projects, lists its details, and provides an opportunity for donors to aid in these projects. In this way, future Forums will be more efficient and have even more favourable outcomes.

## **Annexes**

# AGENDA

## 25 June 2006

09:00 – 17:00      **Field visit**

There will be a field visit organized for the participants of the forum on 25 June 2006.

On the visit the participants will be taken to Thulusdhoo, Huraa, and Hulhumale' to witness tsunami recovery, housing and shelter reconstruction, infrastructure (harbour and jetties), water and sanitation, waste disposal, environmental challenges on accessibility related to health, education & employment, economic development and possibilities for long term private sector development.

19:30 – 21:30      Welcome reception hosted by Hon. Dr Ahmed Shaheed, Minister of Foreign Affairs at Bandos Island Resort

## 26 June 2006

09:30 – 09:35      Recitation of Holy Quraan

09:35 – 09:45      Introduction and welcome remarks  
*Dr. Hussain Niyaz, Executive Director, Department of External Resources*

09:45 – 10:15      Inaugural Address  
*His Excellency Mr. Maumoon Abdul Gayoom, President of the Republic of Maldives*

10:15 – 10:35      Coffee/Tea

### **Maldives moving from an LDC towards an MIC: Challenges, Constraints and Opportunities**

10:35 – 11:15      Macro-Economic Situation

- *Co-Chaired by Hon. Qasim Ibrahim, Minister of Finance and Treasury, & Mr. Alastair McKechnie, the World Bank Country Director for the Maldives*
- *Presentation by Mr. Riluwan Shareef, Deputy Minister of Finance and Treasury, followed by discussions*

11:15 – 12:00      Opportunities for Investments and Economic Growth in Maldives

- *Co-Chaired by Hon. Mohamed Jaleel, Minister of Economic Development & Trade and Mr. Richard W. Vokes, Officer-in-Charge, South Asia Regional Department of the Asian Development Bank.*
- *Presentation by Mr. Yoosuf Riza, Deputy Director, followed by discussions*

- 12:00 – 12:15 Coffee/Tea
- 12:15 – 13:00 The 7<sup>th</sup> National Development Plan 2006-2010 – key priorities and sectors
- *Co-Chaired by Hon. Hamdun Hameed, Minister of Planning and National Development and Mr. Patrice Coeur-Bizot, UN Resident Coordinator / UNDP Resident Representative*
  - *Presentation by Mr. Ahmed Mohamed, Director, Development Planning, followed by discussions*
- 13:00 – 14:00 Lunch hosted by UN Resident Coordinator/UNDP Resident Representative at the main restaurant, Bandos Island Resort

### **Build Back Better – tsunami recovery**

- 14:00 – 15:00 Building Back Better – progress on tsunami recovery and reconstruction and addressing the challenges ahead
- *Co-Chaired by Hon. Mohamed Mauroof Jameel, Minister of Construction and Public Infrastructure and Mr. Jerry Talbot, IFRC Head of Delegation*
  - *Presentation by Ministry of Planning and National Development, followed by discussions*

### **Governance and democratic reform**

- 15:00 – 16:30 Political reform progress
- *Co-Chaired by Hon. Dr Ahmed Shaheed, Minister of Foreign Affairs and H.E. Mr. Avanindra Kumar Pandey, the High Commissioner of India*
  - *Presentation by Mr. Mohamed Hussain Shareef, Chief Government Spokesman, followed by discussions*
- 16:30 – 17:00 Break
- 17:00 – 17:30 Wrap-up with conclusion and final communiqué to be issued –
- 17:30 – 18:00 Press Conference

# The Maldives Partnership Forum (MPF) – Concept Note

The Maldives Partnership Forum (MPF) provides a platform for discussion between the Government of Maldives and its development partners on the development objectives of the Maldives. As the Maldives is progressing forward from a Least Developed Country to a Middle Income Country, the country is looking for partners to sustain this new position and to ensure that the national economy can contribute to such a new situation by private sector development, public private partnerships and enhanced economic growth. The MPF is also an invitation from the Government of Maldives to its partners to engage and discuss in an open manner ways and means to reach the fulfilment of the Millennium Development Goals, and other important development benchmarks.

Dialogue, engagement, partnerships and joint responsibility are key words for the Government of Maldives when inviting its development partners to work hand in hand to fully meet the country's development goals on improving trade, industrial development, export of goods, economic growth in order to fully eradicating poverty. One key aspect of the changes happening in Maldives is the on-going political reform process and the Government of Maldives will welcome a dialogue on this also. The MPF will be convened on a regular basis by the Government of Maldives, in collaboration with the United Nations Development Programme.

## ***Overall Goals and Objectives***

Creating a forum for discussions between the Government and its key development partners, (bilateral partners, UN, IFIs, NGOs and civil society organisations (CSOs) and the private sector) on prioritizing national development activities in terms of the immediate needs rebuilding the country after the tsunami, the medium term needs as being outlined in the 7<sup>th</sup> National Development Plan covering 2006-2010 and the longer term ambitions on creating a well functioning multi-party democracy. All of this will be seen in connection with the overall resource envelope available for Maldives in terms of domestic resources as well as external assistance in the form of grants and loans.

### *What the Government of Maldives wishes to accomplish via the MPF mechanism*

- Establish long term partnerships with key international development agencies with a view to harmonize and align on-going and future development assistance with the national development objectives;
- Seek support and advice of key development partners on the development challenges identified and prioritized by the Government and report to the Government and make recommendations on matters concerning the financing and prioritization of national development activities;
- Promote public private partnerships and seek to further develop the private sector; promote a better investment climate; and establish improved export regulations to facilitate the government to withdraw from its current policies on subsidization, and promote private sector led growth.
- Link with international forums concerned with aid effectiveness, development financing, and global programmes.
- Jointly identify means of financing for major national development priorities identified in the 7<sup>th</sup> NDP and the Roadmap for Political Reform.

### *The MPF in June 2006 will be focusing on*

1. Presentation and discussion on the over all macro-economic situation
2. Medium term priorities and development activities as outlined in the 7<sup>th</sup> NDP; and

3. Discussion of the tsunami recovery and reconstruction programme, prioritization of sectors and addressing needs in terms of funding shortfalls in line with the “Build Back Better” policy adopted;
4. The Governments road map for democratic governance.

### ***Format for Maldives Partnership Forum***

MPF will be held on a regular basis – expected to be semi-annually - allowing enough time for adequate preparation as well as implementation and follow-up on conclusions and decisions taken in previous meetings, but timing will also be determined by need and availability of development partners. For the inaugural MPF resident and non-resident development partners from bilateral organization, IFIs, multilateral organizations, private sector companies, media, chambers of commerce and civil society organizations have been invited. As the MPF becomes more institutionalized and regular meetings are being arranged, it will be possible to determine participants, but it is expected that representation will be broad with the above mentioned sectors taking an active part in the policy and development issues of Maldives. Format is based on free and frank discussions facilitated by background papers, presentations at the meeting and a round table style discussion. There will be limited focus on prepared statements and more emphasis on exchange of views with a view to move forward.

To better facilitate communication with participants, the media and the population at large, distribution of advance documentation will be made available on-line in a timely fashion at [www.maldivespartnershipforum.gov.mv](http://www.maldivespartnershipforum.gov.mv). At this website documentation prepared for previous meetings, relevant background documentation and minutes/aid communiqués will also be made available.

### ***Participation of MPF***

#### **Government of Maldives**

- (i) Minister of Foreign Affairs
- (ii) Minister of Finance and Treasury
- (iii) Minister of Planning and National Development
- (iv) Minister of Economic Development and Trade
- (v) The Chief Coordinator of NDMC
- (vi) Ministers of line ministries as necessary

#### **National Partners**

- (xv) Representatives of CSOs and private sector

#### **Development Partners – Resident**

- (vii) UN Resident Coordinator
- (viii) UN heads of agencies
- (ix) World Bank Special Representative
- (x) Asian Development Bank Representative
- (xi) Senior IFRC officials

#### **Development Partners – non-resident**

- (xii) Bilateral development agencies
- (xiii) Private sector
- (xiv) IFIs





## **Maldives Partnership Forum, 26 June 2006, Final Communiqué**

1. The first Maldives Partnership Forum was held in Bandos, the Republic of Maldives on 26 June 2006. Participants included the Government of Maldives, international development partners, representatives of private sector organizations and political parties, and civil society. As all of the political parties did not attend the inaugural meeting, the Forum expressed the hope that there would be greater engagement of all political parties in the future.
2. His Excellency Mr. Maumoon Abdul Gayoom, the President of the Maldives, inaugurated the Forum. In his keynote Address, he highlighted the importance of the Forum as an occasion for national and international stakeholders to discuss the significant challenges facing the Maldives at this historical moment of political, social and economic reform. He noted that while the country continues to encounter major obstacles eighteen months following the tsunami, it is also preparing to graduate from Least Developed Country to Middle Income Country status. Among the issues that are critical to the future of the Maldives are healthcare, education, human resource capacity constraints, and environmental protection. The President underscored the need to establish the Forum as a mechanism for permanent dialogue.
3. The Forum acknowledged the significant impact of the tsunami on the socio-economic fabric of the Maldives. It noted that the country suffered economic losses equivalent to 62% of Gross Domestic Product (GDP) and, in the year following the tsunami, experienced negative growth for the first time in recent history. The tsunami had a profound impact on the environment, directly affected one-third of the population and in particular women, and left 10% of all Maldivians homeless. The tsunami also critically affected businesses and small entrepreneurs and led to widespread loss of livelihoods.
4. The Forum acknowledged the considerable progress that the Maldives has achieved in the recovery and reconstruction process with the help of its development partners. The Forum also recognized that significant challenges remain in fulfilling the objectives of the National Recovery and Reconstruction Plan (NRRP), including in particular in the areas of housing and shelter, harbours and jetties, power and energy, and internally displaced persons.
5. The Forum highlighted the need to ensure equitable distribution of recovery activities throughout the affected atolls and, in particular, to focus on restoring women's livelihoods, rehabilitating the agricultural and fisheries sectors, and addressing the environmental impact of tsunami recovery activities. It also recognized the need to integrate the NRRP into the long-term development agenda. The Forum encouraged strengthened links with civil society and better communication with beneficiaries regarding recovery activities. It also called upon development partners to help bridge the US\$80 million funding gap and to provide more technical expertise to help the Government address its capacity constraints. The Forum noted that the Development Assistance Database has been an important instrument to ensure transparency, better coordination, and the sharing of information on project selection and contract awards.
6. The Forum commended the Government for addressing many of the country's macro-economic challenges, taking into consideration the need for new revenue-generating measures, and mobilizing additional development assistance. The Forum acknowledged the Government's efforts to diversify the economy and to create a more transparent regulatory framework to encourage greater domestic and foreign investment in the country.

7. The Forum recognized the Government's commitment to balancing the budget and stabilizing GDP growth by 2010. It recommended tight fiscal discipline to ensure economic stability and a more open and accountable budget process, and it cautioned the Government to avoid increases in public expenditure in the run-up to the elections in 2008. The Forum also urged strengthened coordination among Government agencies to ensure better prioritization of Government expenditures.
8. The Forum recognized the importance of reforming trade policy to maximize benefits from the international trade regime. It also encouraged the Government to continue its efforts to restructure and privatize the State Owned Enterprises and to provide a greater role for the private sector in the formulation and implementation of economic, trade and investment policies. The Forum also encouraged the international community to provide concessional loans and continue to accord preferential trade preferences to the Maldives following the country's transition to Middle Income Country status.
9. The Forum welcomed the 7th National Development Plan 2006-2010, which is more focused and results-oriented than previous plans. The Forum noted the Government's strategy to address the unique geographical challenges of the country through its Population and Development Consolidation programme. It also urged the Government to clarify how the programme will be implemented across the atolls and, in particular, how it will address the needs of the most vulnerable groups, including the issues of job security and income distribution. It also stressed the importance of engaging all key parties and sectors of society in the process. The Forum, while recognizing that inter-island transportation will remain a continuing development challenge for the country, called for the establishment of a viable transportation network
10. The Forum stressed the importance of setting clear investment priorities and compiling a portfolio of prioritized projects for engagement of development partners. It urged the Government and donors to work together to ensure that development activities in the Maldives are undertaken in line with the Paris Declaration on Aid Effectiveness.
11. The Forum commended the Maldives for its significant progress towards, and commitment to, meeting the Millennium Development Goals (MDG). It encouraged the Government to strengthen its focus on achieving the gender equality and environmental sustainability objectives of the MDGs. The Forum expressed concern at the escalating drug abuse among Maldivian youths and encouraged the Government to continue its efforts to address this endemic problem.
12. The Forum welcomed the political reform process outlined by the Government of Maldives in the Roadmap for the Reform Agenda of 27 March 2006, which seeks to achieve a more democratic system of governance and greater respect for human rights. The Forum acknowledged the convening of the People's Special Majlis to amend the Constitution, the introduction of political parties, the establishment of the Human Rights Commission, and the introduction of a Penal Code and Bill on the Human Rights Commission to the People's Majlis. The Forum also noted that many challenges remain in fully meeting the objectives of the reform process, including capacity building of key institutions to take the process forward.
13. The Forum recognized that the reform agenda is premised on creating an open society and polity in the Maldives. In this regard, the Forum acknowledged the steps taken towards safeguarding freedom of expression, including ensuring a freer and more diversified media, and the decision to enact a bill on strengthening the right of assembly and the need for more accommodation in these areas.
14. The Forum expressed concern over the lack of broader community participation in the political reform process, alleged human rights violations, and the high level of polarization of the political process. The Forum encouraged all stakeholders, including civil society and political parties, to engage in the reform

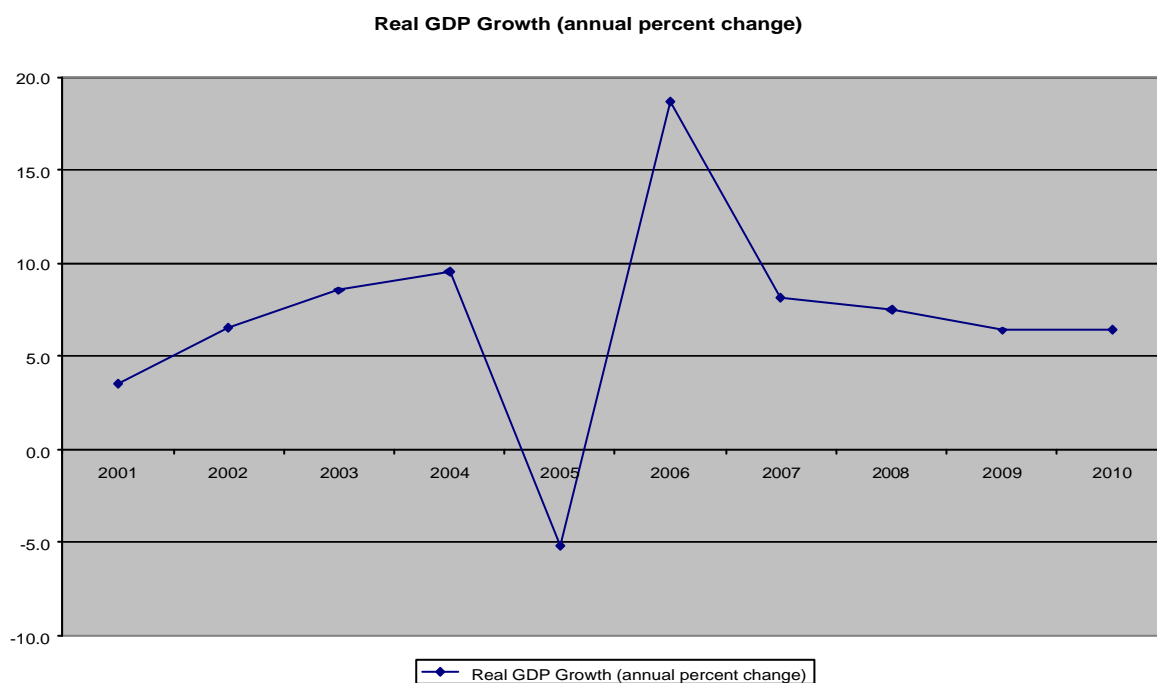
process through constructive dialogue and through existing parliamentary and constitutional mechanisms. The Forum welcomed the Government's engagement of the international community in the reform process and its standing invitation to all Special Procedures Rapporteurs of the United Nations Human Rights Commission to visit the Maldives.

15. The Forum underscored the importance of civic education programmes and activities to raise public awareness of both democracy and human rights issues.
16. The Forum also welcomed the accession of the Government to the Torture Convention and to the Convention on Elimination of Discrimination Against Women and the ratification of the Optional Protocols to both the Conventions. It further noted the decision to accede to the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights in 2006.
17. The Forum welcomed President Gayoom's call for a social compact and continued engagement with the international community in pursuing development and democracy.
18. The Maldives Partnership Forum underscored the importance of reconvening on a regular basis to review implementation of the recommendations and to continue dialogue among all the partners.

## Maldives Macroeconomic Perspectives for the Medium Term

*A background paper prepared by the Ministry of Finance and Treasury  
of the Maldives for the Maldives Partnership Forum  
to be held in the Maldives on 26 June 2006*

The Maldives achieved remarkable economic growth over the past two decades, with a sustained average Gross Domestic Product (GDP) growth rate of approximately 8 percent over the last fifteen years. Per capita income rose from US\$ 192 in 1974 to US\$ 2,514 in 2004. Poverty levels declined from 23 percent in 1997 to 8 percent in 2004. These outstanding economic and social advances were achieved with a narrow resource base, relying heavily on exports, primarily tourism, making the Maldivian economy highly vulnerable to external shocks.



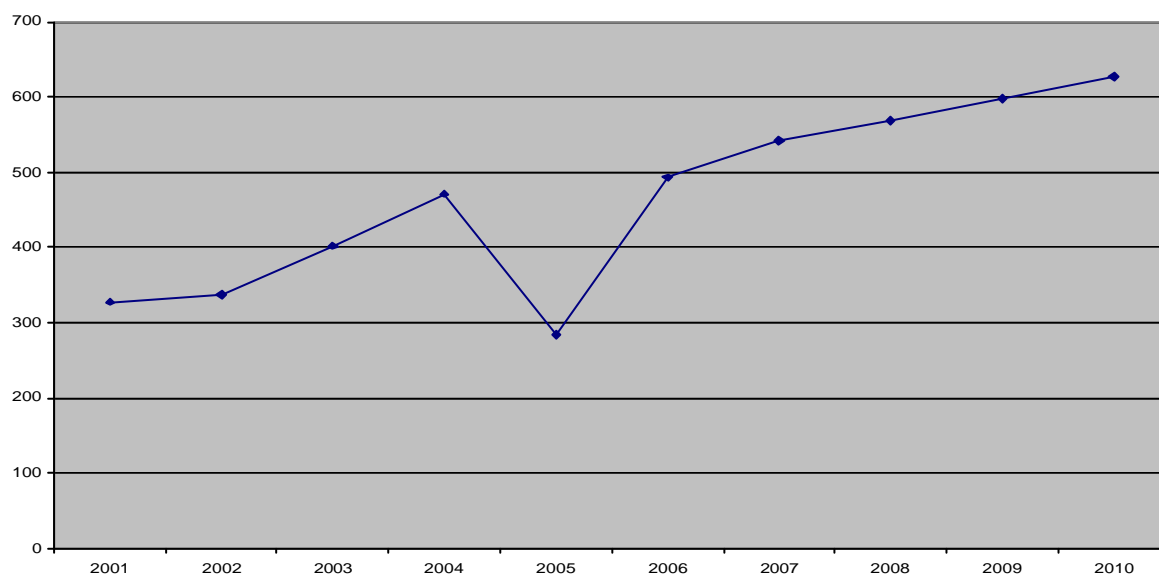
The Asian tsunami of December 2004 has been estimated to have destroyed 62 percent of the country's GDP, making the Maldives the most affected country in relative terms by far. In 2005 the country recorded negative economic growth of 5.2 percent, the first negative growth in recent history. Output from the tourism sector, which accounts for about a third of the nation's GDP, contracted by 33 percent in the same year.

Fuelled by reconstruction activities and the strong pick up in tourist arrivals in late 2005, the country's growth performance looks robust in the medium term, with the GDP projected to grow by close to 19 percent in 2006 and to stabilize to more normal levels of around 7 percent in the years 2007-2010. These very positive growth rates are based on growth estimates in the tourism, construction, and fisheries sectors of 50.7 percent, 22.4 percent, and 6.1 percent respectively.

The current account deficit is likely to remain high at about 40 percent of the GDP in 2006 and is expected to widen further in 2007. This is largely attributable to the significant increase in imports projected for both years due to post-tsunami construction and the development of 46 new resorts as well as record high fuel costs. However, a substantial part of the current account deficit will be financed by private capital flows and concessional loans; and only about 5 percent of GDP is expected to be financed from the net foreign assets of the banking system, more specifically by the commercial banks. Hence, it is expected that the gross international reserves will increase slightly in 2006 and 2007 to cover around 2.5 months of imports of goods.

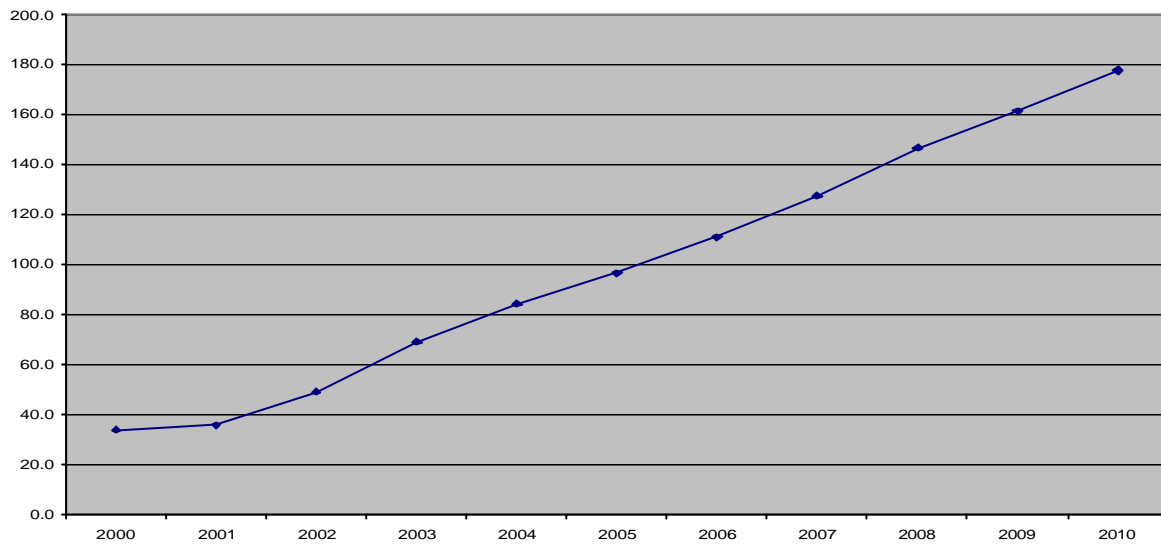
The fiscal outcome of the first five months of 2006 was actually better than the initial budget forecasts. This was mainly on account of additional revenue generated from higher tourism tax receipts and import duty with the better than anticipated tourist arrivals and higher imports into the country. At the same time, expenditure was less than forecasts, mainly due to lower than expected expenditures in all recurrent categories as well as in capital spending. In addition, the rapid increase in tourism development planned for the immediate and medium term, including a vast expansion of the number of tourist resorts from the current 87 to an expected 133 by the end of 2008, is expected to generate considerably higher revenue both in 2006 and the following years. Similarly, the economy is expected to benefit from a broadening of fishery activities with greater participation of the private sector.

**Tourism receipts (US\$ millions) 2001 - 2010 (estimates)**



Revenue from the tourism sector for 2006 is estimated at slightly less than US\$ 50 million and this is projected to increase to almost US\$ 75 million by 2010. Given these developments and the strong commitment of the government to work towards a more prudent and sustainable fiscal policy, the fiscal deficit—which is expected to be about 16 percent of GDP in 2006—is targeted to decrease considerably during the next few years, with a zero balance target for 2010. In close consultation with the World Bank, the Asian Development Bank, and the International Monetary Fund, and with the exercise of greater fiscal discipline, the Government of Maldives believes that the outlook is somewhat favourable and that these figures are achievable.

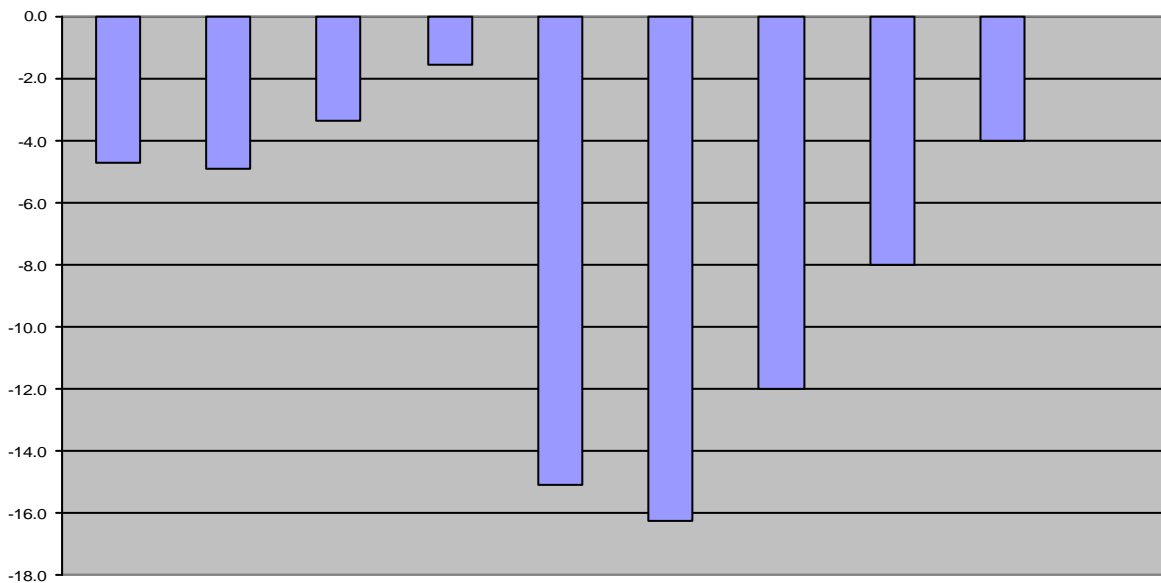
**Total Fish Exports (US\$ million) 2001 - 2010 (estimates)**



The government is conscious of the fact that such ambitious deficit reduction may not be attainable with fiscal adjustments alone. Proposed new revenue measures, such as the introduction of a business profit tax in 2008, the development of a trans-shipment port in the northern part of Maldives, restructuring or privatization of ailing state-owned enterprises, and the development of a banking sector, amongst others, need to be aggressively pursued.

As regards the total government debt, external borrowing is expected to decline in the next few years with some net repayments by 2010, while domestic debt is expected to subside considerably after peaking in 2008. The government is also currently setting the stage for the introduction of treasury bills, which will cease automatic financing of fiscal deficits by the Maldives Monetary Authority.

**Fiscal Targets, 2001 - 2010, percentage of GDP**



Although the government is putting in place several measures to increase the revenue side of the budget, it is also necessary to demonstrate tight fiscal discipline. Hence, the recurrent expenditure side of the budget must be reduced significantly by 2010 if the targeted deficit projections are to be met. Wages and salaries have to be rationalized; investment should target growth in exports and economic development; and public sector spending must be prioritized. The path of targeted deficits means significant declines in expenditure over the coming years with reduction of spending by 5 percent in 2007, over 10 percent in 2008 and 2009, and further reductions in 2010

Capital investments currently taking place or in the pipeline with secured financing, either via grants or loans, are included in the budget estimates and projections, but any new public capital expenditures must necessarily be subject to stringent prioritization. The overall resource envelope available for the implementation of the 7th National Development Plan will therefore have an impact on new development activities. The current short-term approach on financing the budget through borrowings from the central bank needs to be scaled back and discontinued. A continuation of the present approach – in effect a monetization of the economy – can in a worst case scenario lead to a potential devaluation of the Maldivian rufiyaa.

The government is working closely with the World Bank and the Asian Development Bank to monitor the macroeconomic developments in the country. On the recommendation of the World Bank and the macroeconomic team in the Maldives, a Macroeconomic Coordination Committee (MECC) was formed in February 2006, comprising the Ministry of Finance and Treasury, Ministry of Planning and National Development, and the Maldives Monetary Authority, to monitor macroeconomic and fiscal developments more closely as well as to develop and implement a Medium Term Fiscal Framework. The MECC convenes monthly to scrutinize the macroeconomic developments in the country and to recommend short, medium, and long-term policy changes, if warranted.

With enhanced revenues through a more market-based approach to national development, improved fiscal management and fiscal discipline, the firm commitment of the government to curbing expenditure growth, coupled with other structural reforms, the Maldives can return to the sound macroeconomic footing of the years preceding the tsunami. Well coordinated investment in close consultation with development partners will enable the Maldives to achieve the UN's Millennium Development Goals, to graduate from Lesser Developed Country status, and to become a middle-income country.

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15 June 2006

# Opportunities for Economic Growth and Investment in the Maldives

*A background paper prepared by the Ministry of Economic Development and Trade (MEDT), and the Foreign Investment Services Bureau (FISB) for the Maldives Partnership Forum to be held in the Maldives on 26 June 2006*

## ***Introduction***

The Maldives has a small open economy largely driven by its buoyant tourism and fishery industries. Despite the limited endowment of resources, the Maldives has enjoyed consistently high economic growth over the two decades preceding the tsunami, averaging about 8 percent per annum. The size of the economy coupled with its narrow industrial base makes the Maldives one of the most economically vulnerable small states in the world today. This vulnerability is further exacerbated by the fiercely competitive nature of the international tourism and fishery markets, both of which are highly susceptible to external shocks.

The nation's modern economic history is both triumphant and tragic. While the United Nations currently lists the Maldives as a Least Developed Country (LDC), the world organization had been prepared to promote the Maldives to a Middle Income Country (MIC) in December 2004 in recognition of the remarkable strides that had been achieved in both the social and economic spheres. However, the tsunami of 26 December 2004 intervened on the very eve of that action; and the consequent impact on the economy has led to a decision to postpone the nation's economic elevation until 2011.

## ***Key Challenges***

Today the country faces a number of major challenges that need to be carefully managed if the Maldives is to continue to enjoy the economic growth of the past two decades and at the same time alleviate poverty and reduce income inequality. Foremost amongst these is, of course, the economy's ability to address the post-tsunami recovery as well as the proposed elevation of the nation's status in 2011.

The tsunami has called for major investments in reconstruction and infrastructure development, especially in the outer atolls, straining the already tight fiscal situation and resulting in a record budget deficit in 2005 and an even higher expected deficit in 2006. In the medium term the proposed elevation to MIC status is expected to have significant effects on the economy. For instance, on the one hand it will reduce the country's ability to draw international donor assistance, which is currently significant for the Maldives. On the other hand, the new status will have far reaching implications on the preferential trade arrangements that the country now enjoys as an LDC. For instance, the European Union's Everything But Arms (EBA) initiative, which offers zero import duty for all exports from the Maldives, provides a very valuable market access opportunity for the country's fish exporters



The limited financial resources available for investment and development are another key issue facing the country, and are considered a major impediment to economic growth. The government, having acknowledged these limitations, has been pro-active in developing policies and institutions aimed at enhancing such resources—notably the introduction of capital markets aimed at mobilizing private savings for productive investments. In addition, the government is strongly committed to instilling corporate governance practices in the country, which is expected to increase investor confidence. Furthermore, having recognized the importance of foreign direct investments, the government has always welcomed foreign investors in all major economic activities.

Another key challenge facing the Maldives in its quest for private-sector led growth relates to the limitation of the country's key trade facilitating infrastructure, notably the Male' port and airport. The proposed expansion of the tourism sector through the release of an additional 35 islands for development and the government's push towards greater liberalization of the fishery sector, combined with the expected increase in foreign direct investment (FDI) in other sectors due to the proposed relaxation of foreign investment policy, are expected to significantly increase the level of investment in the country. Given that the Male' International Airport currently operates at or above capacity during peak hours, often resulting in long delays, the projected growth in tourism is expected to tax the system even further. This could lead to a decline in service levels, which would in turn undermine the tourism sector itself. Similarly, the commercial port in Male' is currently operating above its intended capacity, leading to serious economic inefficiencies. The future growth of the economy is therefore critically linked to the development of these infrastructures, and the government is actively seeking prospective investors for these two infrastructure projects.

### ***Current investment policy and environment***

The Maldives' consistently high economic growth over the 20 years preceding the tsunami can largely be attributed to the country's relative political stability over the period and the dynamism of the private sector. Investments in the key sectors of tourism and fishery have been largely driven by the private sector, the latter sector being liberalized just a few years ago. While the government has traditionally played a dominant role in business, its current strategic direction is to gradually reduce its direct involvement in the economy, providing greater opportunities for private investors.

Foreign investments have been an integral part of the Maldives economy for a considerable time. In fact, Maldives is one of the most open economies in South Asia for foreign investments according to a recent Investment Climate Assessment Survey conducted by the World Bank. Foreign investments in the country are governed by the Foreign Investment Law (Law no: 25/79) under which foreign investments in the tourism sector are required to be registered with the Ministry of Tourism and Civil Aviation while all non-tourism foreign investments are required to be registered with the FISB. Under current procedures all non-tourism foreign investments are granted approval by the FISB on the recommendation of the Foreign Investment Board. While foreigners are welcomed to enter and operate in all sectors of the economy except for a limited number of businesses such as wholesale and retail trading, the approval procedure is cumbersome and often involves considerable time.

### ***Proposed changes to the foreign investment policy***

In preparation for the more competitive investment and trading environment in which the Maldives will operate following its MIC status in 2011, and given the need for additional financial resources for investment and growth in the wake of the tsunami, the government is increasingly recognizing that foreign investments will have to play an important role in the future economic development of the country. Thus the government is currently reviewing the foreign investment regime, which, as noted above, is already one of the most liberal amongst the South-Asian countries.

Current laws, regulations, and procedures on foreign investments are seen as lacking clarity and transparency. In addition, the entry and approval process facing foreign investors is cumbersome and often long. The new review has two primary objectives: first, to eliminate all unnecessary red-tape and to introduce greater transparency and predictability in the regulatory environment facing foreign investors; second and more importantly, to further liberalize foreign investments, thereby enabling the economy to tap foreign financial resources to fuel growth. Taken together, it is hoped that these changes will further increase the flow of FDI and will encourage joint ventures between local businessmen and foreign investors for years to come.

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# Key Priorities and Sectors in the Seventh National Development Plan 2006-2010

*A background paper prepared by the Ministry of Planning and  
National Development of the Maldives  
for the Maldives Partnership Forum  
to be held in the Maldives on 26 June 2006*

## Contextual Analysis

The Maldives is a low-lying archipelago consisting of approximately 1,190 islands, located in the Indian Ocean, to the southwest of Sri Lanka. About 290,000 people populate nearly 200 islands dispersed in 26 geographical atolls and organised in 20 regional administrative units. Apart from Male', the capital, a third of the inhabited islands have a population of less than 500 inhabitants and the rest a population of less than 1,000. These demographics, coupled with the dispersion of small populations over a wide geographical area, limit market opportunities and incur high transportation costs, which must be compensated for by other factors in order not to diminish the competitiveness of the Maldivian economy.

The Maldives is an independent sovereign nation governed under an executive-style government, with a democratically elected president and legislature. Each atoll is represented in the legislature. Currently, the government is taking additional steps in establishing democratic good governance. A Human Rights Commission has been established and the human rights law is being debated in Parliament.

Over the years the Maldivian economy has been sound, driven mainly by the tourism and fisheries sectors. The government has pursued sound public finance policies, resulting in a stable and secure macroeconomic environment. The fiscal deficit has been of manageable proportions, resulting in moderate rates of inflation. However, the devastating effects of the 2004 tsunami resulted in a deceleration of economic activity. The nation's economic and social infrastructures were destroyed, including the massive loss of livelihoods, housing units, and physical infrastructure.

Currently, the Maldives is confronted with key challenges that could inhibit development if not properly addressed. Briefly, these key challenges are centred on the following:

- Tsunami recovery and reconstruction
- Vulnerable low-lying islands and fragile reef environment
- Small remote and widely dispersed island communities
- Narrow economic base and openness of the Maldivian economy
- Regional income inequalities and restricted access to social and physical infrastructure and services
- Youth and female unemployment
- The dynamics of globalisation as well as international, regional, and sub-regional agreements

## **The 7th National Development Plan, 2006-2010**

The following guiding principles provide the foundation of the 7th National Development Plan (7NDP):

- National ownership
- Build back better
- Poverty reduction and equity
- Gender equality
- Environmental sustainability
- Citizen-centred and human rights promotion
- Good governance
- Partnership with private sector and civil society

The 7NDP is a medium-term plan with a timeframe of five years, 2006-2010. It envisions a sustainable development path anchored on economic growth, social equity, environment protection, and good governance. It builds on the strengths of the 6NDP as well as lessons learned from its weaknesses, and will re-launch the policy framework for the realization of the long-term goals of the President's Vision 2020, the UN Millennium Development Goals, and the government's governance reform agenda.

The Vision 2020 is encapsulated in the following:

- The Maldives will strive to become one of the top-ranking middle-income nations in less than two decades.
- Maldivians will continue to enjoy justice, equality, the rule of law, and peace and security under stable democratic governance.
- The Maldives will become a more urbanized and equitable society with a highly educated population engaged in an increasingly diverse range of productive activities, which will also enjoy satisfactory living conditions and employment opportunities for all, particularly youths.
- The country will have a more diversified economy with export-oriented trade in services and industrial products and will become a hub of regional free trade.
- Gender equality will be achieved.
- Good quality medical care and 10 years of basic formal education will be available to all. The Maldivian society will be a more caring one, laying the foundations for increased social capital, with even stronger familial ties.
- Protective measures will be taken to combat global environmental threats, and environmentally-friendly lifestyles will be adopted.

The Maldives has already achieved the Millennium Development Goals (MDGs) of reducing extreme poverty by 50 percent and providing universal primary education. The country is also on track to achieve the MDG targets of reducing child mortality and improving maternal health. Nevertheless, ensuring environmental sustainability and achieving gender equality still remain challenges. The Maldives is fully committed to ensure that all MDG targets are met across all the atolls. As a response to policies and targets in the 7NDP, public investments have been scaled up and geared towards attaining the MDGs by 2015.

## **Goals of the 7th National Development Plan**

The main thrust of the 7th National Development Plan is to eliminate poverty and raise the standard of living of all Maldivians. Achievement of this objective is underpinned by the following eight goals:

**Goal 1: Build back better**

- Build and repair 7,659 houses.
- Dramatically increase the number of people that receive loans to restore their livelihoods.

**Goal 2: Eliminate extreme poverty, increase equity, and promote gender equality**

- Reduce the proportion of people in the atolls who earn less than 15 Rufiyaa a day to 14 percent.
- Establish an effective safety net to protect chronically and transitorily poor households from sudden shortfalls in income.
- Provide a safety net for all elderly citizens.
- Eliminate gender disparity in tertiary education.

**Goal 3: A stronger diversified economy**

- Maintain an annual economic growth rate of 7 percent.
- Create 10,000 new high quality, highly rewarding jobs in the atolls.
- Ensure sound fiscal management by having a balanced budget by the end of the Plan period.
- Service debt to ensure external debt remains below 40 percent of GDP.
- Create an enabling environment that will increase the competitiveness of Maldivian businesses.

**Goal 4: Improved access and expanded opportunity**

- Ensure basic medicines are available in all the inhabited islands.
- Develop access and harbours in all inhabited islands.
- Provide the entire population with access to at least 12 hours of electricity daily.
- Extend mobile phone coverage to all inhabited islands.

**Goal 5: More effective and affordable education and health care**

- Provide universal access to 10 years of basic education.
- Maintain net enrolment in early childhood care and development at over 85 percent.
- Increase the percentage of trained Maldivian teachers from 20 percent to 50 percent.

- Train midwifery personnel and provide reproductive health facilities on every island.
- Reduce the peri-natal mortality rate to below 16 per 1,000 live births.
- Increase the percentage of population consuming fruits and vegetables daily to 80 percent.
- Increase medical insurance to over 75 percent of the population.

**Goal 6: Stronger families and communities**

- Prepare the nation's youth to be responsible and productive by the provision of skills training.
- Enhance youth productivity by halving youth unemployment from 2005 levels.
- Increase the number of people who actively volunteer for community service to 40 percent.

**Goal 7: Protecting the environment and making people and property safer**

- Provide 100 percent of the atoll population with access to safe drinking water.
- Ensure that 75 percent of all inhabited islands have adequate solid waste management facilities.
- Provide protected status to 5 percent of the nation's coral reef areas.
- Establish tertiary level sewage and wastewater treatment facilities in all regional focus islands.

**Goal 8: Justice, Human Rights, and Governance**

- Increase public confidence in the judiciary by 50 percent from 2005 levels.
- Maintain public confidence in the electoral process at over 95 percent.
- Increase public confidence in the transparency and accountability of the activities of government officials by 50 percent from 2005 levels.

The 7th National Development is comprised of four strategic roadmaps:

- *Economic development*, comprising the macroeconomic sub-sectors: trade and investment, employment, tourism, fisheries and agriculture.
- *Infrastructure development and environment management*, including the sub-sectors: civil aviation, land and sea transportation, land development, environment management, natural disaster preparedness and mitigation, water resource management, regional development, and population consolidation.
- *Social development*, inclusive of: education, health, housing, youth development, gender, child protection and family services, arts, culture, and religious affairs.

- *Governance*, comprising of: the rule of law and access to justice, democratisation, transparency and accountability, national security and border control, strengthening the role and participation of the Maldives in the international arena.

## **Key Strategies**

Based on the policy focus of the plan, strategies have been elaborated for each of the four roadmaps of the 7th National Development Plan. All the policy regimes of the four sectors are strategically focused, based on the following rudiments:

### **Strengthening good governance**

There is a very high level of commitment to achieve broad-based development goals in the Maldives, and the leadership is determined to improve governance of the country. The government believes in good governance as a key factor in promoting human well being in the Maldives, and to this end investments will be targeted in the following areas:

- Promoting the rule of law and access to justice.
- Promoting democratisation and political rights.
- Promoting human rights.
- Enhancing transparency, accountability, and efficiency in public administration.
- Strengthening Maldives' participation and role in international relations.

### **Population and development consolidation**

It is evident that it is becoming increasingly difficult to justify the high costs of providing and maintaining infrastructure and services to a highly dispersed population—a process that is inconsistent with the tenets of promoting economically, socially, and environmentally sustainable development. Since 2002 the government has promoted a programme of providing incentives for voluntary migration to larger islands with the long-term objective of ultimately reducing the overall number of inhabited islands. The goals of the programme are to achieve economies in the provision of services, particularly transport, and to reduced isolation through the sharing of facilities.

### **Poverty Reduction and Income Distribution**

The Maldives has achieved considerable progress on human and social development over the years. However, the growing income disparities between Male' and the atolls—exacerbated by the Tsunami, which affected the livelihoods of a third of the population— are of increasing concern to the government.

Poverty is a dynamic problem in the Maldives. In both Male' and the atolls all income groups, from the poorest to the richest, are better off according to the 2004 Vulnerability and Poverty Assessment. Poverty has declined significantly in all regions of the country. For the atoll population in 2004, when travelling from north to south, incomes rose and poverty levels fell. However, the poor are not a static group. Between 1997

and 2004 the majority of those classified as “poor” on the islands escaped poverty, while over the same period a considerable proportion of the non-poor fell into poverty. Using a Rf .10 poverty line, two-thirds of those currently classified as “poor” were above the line; using a Rf .15 line, the proportion was around a third. According to the Vulnerability and Poverty Assessment, the most important determinant of escaping poverty is the level of education. In the case of falling into poverty, one of the most important factors is having a large number of household members, particularly young ones. Regional factors are also important: People are more likely to fall into poverty if they lived in the north or north-central regions.

Poverty reduction is a thematic issue and will be addressed as such in the 7NDP. Focus will be placed not only on economic activities, such as expanding the productive and service sectors in a bid to create more job opportunities, training, and capacity building, but also on providing greater access to and delivery of social services.

## **Youth Unemployment**

Maldives has a very young population. According to the Population and Housing Census of 2000, four out of every ten Maldivians was under 15 years of age. The youth population, which is on the increase, currently comprises 21 percent of the total population.

Despite impressive economic growth during the past three decades, there has been a growing concern that many of the increasing numbers entering into the working age group are not absorbed into the productive work force. Youth unemployment is a substantial and growing problem. The situation is more acute in Male’ where two out of five adolescents that are out of school and willing to work are unable to find jobs; for young adults, the proportion is one in six. The issue of unemployed or economically inactive youth is not only a structural problem but also one of gender inequalities, resulting from labour market rigidities and societal norms. Focusing on the economically inactive youth, the highest proportion is found in the southern region, which also has the largest population outside of Male’. Even among employed youth there is a significant proportion of under-employment; 34 percent reported an average of only sixteen hours of work per week.

Part of the problem as identified is to translate growth into jobs, and various policies and strategies have been included in the 7NDP that would remove labour market rigidities and generate greater youth employment. In general, the youth have a very positive perception of their opportunities for training and skills enhancement. Creating employment opportunities, particularly for school leavers, is a serious challenge. As well as improving the skills of young people, particular attention will be paid to job creation and to improving the work ethic of the youth. A considerable amount of resources have been invested in training and capacity building in recent years; this policy will continue under 7NDP with greater focus on youth employment.

## **Drug Abuse**

The trafficking and abuse of drugs is a relatively recent phenomenon in the Maldives and poses a major threat to the country. Although only a small minority of the community uses drugs, the related harm to the user in particular and society in general is significant. These effects are manifested in family and social difficulties, mental health issues, and an increase in crime. It is estimated that there are between 2,000 and 3,000 new drug addicts each year. The number of drug abuse cases reported by the police has more than tripled between 2000 and 2004, from 220 cases to 697 cases; most of the drug users fall between the ages of sixteen and twenty-four.



The Maldives lies at a potentially strategic location not too far from the Golden Triangle, with tourists arriving every day from Europe, the Middle East, and South and East Asia. It is well connected to the outside world by air and sea. Hence, the movement of drugs poses a potential threat to the people and image of the Maldives. Among the key economic, social, and cultural issues that are believed to have influenced the recent escalation in substance abuse are the rapidly changing values and norms in Maldivian society, resulting in a generation gap between parents/adults and young people; the lack of knowledge and skills needed to cope with challenges of the “global village”; and the severe lack of job opportunities.

Because of the threat posed by drug abuse to society and the image of the Maldives, the first National Drug Control Master Plan was drafted at the end of 2005. Key aspects of the Master Plan have been incorporated in the national development plan. The overall objectives of the Master Plan are to substantially improve the knowledge base to enhance the coordination and management of drug control activities in order to significantly limit the supply of, as well as the demand for, illicit drugs in the country.

## **Environmental management**

The Maldives is highly dependent on the fragile ecosystem of its coral reef islands. Being a small island state it is extremely vulnerable to environmental threats as amply demonstrated by the tsunami of December 2004. The low lying coastal island ecosystem is the base of the Maldivian economy and the livelihood of its people. At the same time, the coastal environment is very sensitive to changes in the coastal area from any development activity.

Beach erosion and inundation are among the environmental hazards confronting the Maldives. Almost all islands experience varying degrees of erosion. Coastal developments have to be carefully considered in order to avoid increasing vulnerability to flooding, high waves, and other natural and man-made hazards.

The “Environment Protection and Preservation Act,” was enacted in 1993; and an Environment Impact Assessment Guideline and Regulation has since been drafted. Since the formulation and adoption of the first National Environment Action Plan (NEAP), the context for economic development and management of the environment has changed significantly. Tourism, fisheries, and other sectors have evolved and expanded; the population has increased; and other demographic changes have increased potential threats to the environment.

Subsequent to the first NEAP, a second environmental plan was formulated, which identified the following issues that have to be addressed for proper environmental management:

- Climate change and sea level rise
- Coastal zone management
- Biological diversity conservation
- Integrated reef resources management
- Management of solid wastes and sewage
- Pollution control and hazardous wastes management
- Sustainable tourism development

The mitigation of environmental degradation is adequately addressed by specific policies and strategies in the 7<sup>th</sup> National Development Plan.

## **Urban and regional development**

The 7th National Development Plan will continue to support regional development through a framework that was initially implemented during the 6th National Development Plan. During the 6NDP period, the government established two development regions consisting of 13 atolls: the Northern Development Region (NDR), covering Haa Alifu, Haa Dhaal, and Shaviyani atolls; and the Southern Development Region (SDR), which includes Gaafu Alifu, Gaafu Dhaal, Gnaviyani, and Seenu atolls. The regional capital for the NDR is Kulhuduffushi in Haa Dhaalu Atoll and for the SDR is Hithadhoo of Seenu Atoll. The criteria for selection of islands to receive increased population are that there should be: (a) an already existing population of significant size; (b) land available for expansion, and; (c) reef space for reclamation and strategic security location.

The two regions were established during Phase I of the Regional Development Project, with the objective of increasing the standard of living in the designated regions by promoting economic development, provision of health care services, education, and infrastructure. Guided by the principle of sustainable development, the Project intended to: (i) increase employment and investment opportunities; (ii) ensure that infrastructure planning in all sectors was consistent with the government's policy of coordinating development priorities and initiatives; and (iii) improve social development and protection of the environment. During the 7NDP period the government will establish three new development regions to cover the remaining 13 atolls: the Northern Central Development Region (NCDR), Central Development Region (CDR), and the Southern Central Development Region (SCDR).

A sound and robust regional development agenda should be underpinned by: (i) careful land use planning; (ii) economic development and poverty alleviation; (iii) infrastructure development; (iv) improving access and transport linkages; (v) water resource management; (vi) improving sanitation facilities; and (vii) solid waste management. Infrastructure development alone will not promote regional development. Necessary incentives would have to be provided for people to relocate to regional growth centres. In addition, incentives would have to be offered to attract competent and motivated Maldivians to serve as technical staff and advisers to the regional growth centres.

With the advent of Phase II of the Regional Development Project scheduled to occur from 2006 to 2010, the government will use the lessons learned during the 6th National Development Plan and Phase I of the Regional Development Project to avoid repeating some of the factors that were responsible for slower than anticipated regional development and growth.

## **Safer islands strategy**

The recent tsunami disaster has illustrated clearly that the strategy of consolidating the population is in itself not sufficient to create the framework for sustainable development. It has become clear that not all islands are ecologically safe, and that it is critical to integrate safety considerations in planning the development of low lying islands. As such it has become necessary to develop a concept of "safe islands" that could be integrated into the overall atoll development strategy.

The concept of "safe islands" is to extend the population consolidation approach to incorporate the aspect of extreme vulnerability by developing measures to mitigate ecological disasters and enabling communities to sustain social and economic development in times of emergencies and disasters. It aims at providing ecologically safe zones principally to mitigate tsunami hazards and other disasters by establishing building and construction codes that would enable vertical evacuation if and when necessary; would provide all basic

services in an emergency, including particularly health, communication, and transport infrastructure; and would have a buffer stock of basic food stuffs and water.

The criteria for selecting safe islands include (i) easy access to an airport, (ii) sufficient space and potential for reclamation and/or the possibility for connection with another island, (iii) a viable economy and social services, (iv) sufficient space for subsequent population growth.

A total of 17 island communities had requested relocation prior to the 2004 tsunami and a further three communities are to be relocated under the post-tsunami reconstruction programme.

## **Fostering private sector participation**

It is a well recognized principle that private sector development is critical to achieving the levels of sustainable economic growth required to address the complex array of socio-economic issues facing emerging markets. In the context of the Maldives—and in particular the goal articulated in the President's Vision 2020 for the country to “be one of the top-ranking nations amongst middle-income developing countries”—it is especially important for the government and the private sector to be equal partners in this endeavour. This has not been the case to date and a radical shift in perceptions, attitudes, and approaches will be required by both the government and the private sector to ensure that a true partnership emerges during the period of the 7NDP.

Achieving sustainable economic growth will require releasing and utilising the full potential of the private sector in the Maldives. In broad terms, this will require:

- Formalizing the economy.
- Improving corporate governance and transparency.
- Promoting responsible business practices.
- Maximizing the potential of public-private partnerships, with a view to increasing private investment in the national economy and to providing opportunities for small and medium enterprises and small-scale entrepreneurs to participate in a more competitive environment.
- Developing linkages within the domestic and international private sectors to share knowledge, expertise, resources, and technology.

## **Supporting civil society participation**

Civil society has the right to express its views and to participate in the decision-making process. Special attention will be given in the 7NDP to support the participation of civil society in national development and to encourage them to participate in the implementation of public investment strategies.

The 5th and 6th national development plans had recognized the importance of making civil society organizations and the NGO sector effective agents for expediting socio-economic progress both at national and community levels. Their role, in particular, is crucial for improving equity in the distribution of development benefits. For success in these areas, it is necessary to engage them in all stages of the development cycle - from conceptualization to evaluation. Recognition of these concerns has led the government to give NGOs more space to participate in the development process. The result is the emergence of more NGOs becoming active in development activities at national and atoll levels. Their participation in international forums has also increased in recent years.

Replacement of the general law on the formation of Association with a more comprehensive Act in 2003 was a crucial milestone in the development of civil society. Until the introduction of the NGO Act (Law No. 1/2003), all NGOs faced the problem of legitimacy due to the lack of specific recognition as a distinct legal entity under the previous legislation concerning the formation of associations. This inadequacy prevented them from seeking formal credit from the banking sector. The new Act has addressed this issue along with many other concerns identified by the local NGO community. However, more efforts are needed for the creation of an enabling environment for the progressive development of the NGO sector. In particular, the law has to be enforceable and limitations to civil society involvement need to be identified and addressed in consultation with NGOs.

The new regulations developed under the NGO Act demand formal approval from the government prior to the submission of a project proposal to a foreign donor. NGOs express scepticism over this mandatory requirement because of the delay in processing the approval, mainly caused by an avoidable consultation process among concerned government agencies following every application. Island-based NGOs are constrained by an informal procedure that requires them to seek approval from both island and atoll offices. Such procedures and practices need to be reviewed and modified to expedite the approval of funding for NGOs. Since one of the crucial aspects of NGO engagement in development is their potential ability to expedite progress and speed up programme implementation, all barriers preventing them from achieving their optimal potential need to be removed progressively.

## **Capacity building at national and island level**

The primary challenge of the 7NDP lies in financing and implementing the policy interventions. This challenge is founded on the sheer number of policy interventions that should be implemented simultaneously and the need to reach out to almost 200 island communities. A key strategy of the 7NDP will be to invest in building long-term capacity to deliver basic services to the entire population. Specific investments will be targeted at the national and island level to build capacity in public management, human resources, and infrastructure.

Expanding the nation's capacity to deliver services requires up-front investments in public sector management such as training, office space, information/communication technology, and salaries for civil service. It also requires building and renovating infrastructure such as hospitals, health centres, schools, and harbours. There is also an immediate need to train and retain a critical number of doctors, teachers, community health workers, and social workers. A massive build-up of human resource capacity is a key strategy of the 7NDP.

## **Financing the 7th National Development Plan**

Because of the many challenges facing the government, especially after the tsunami and its concomitant effects, the budget came under severe strain and the resultant expansionary policies that are being pursued threaten economic stability and sustainability. Because of budgetary commitments to the recovery process and other current developmental initiatives, maintaining sound public finance management was severely tested.

According to the medium-term expenditure framework (MTEF), government revenue is projected as follows:

### **Total Government Revenue (Rf. million)**

	2005	2006	2007	2008	2009	2010
Total Government Revenue	3,379.20	5,064.70	5,011.40	5,094.50	5,088.60	5,299.30

Accordingly, this is the resource envelope the government has to work within to finance its entire operations, development as well as recurrent. Implicitly, the quantum of resources available for the financing plan implementation may be restrictive. To this end, financing of the 7th National Development Plan will be based on national and sectoral priorities, consistent with the objectives and targets as elaborated in the Plan.

## **Conclusion**

In general, the government has carried out a sound economic and fiscal policy regime over the years, which has established the Maldives as a stable and secure economy. The economic system is relatively open and barriers to trade and investment are minimal, with reforms still being undertaken so as to create the enabling environment to further increase the partnership among the government, the private sector, and civil society. Through this medium, local entrepreneurship will be developed and foreign direct investment flows to the Maldives will increase.

Graduation from least developed country status will be achieved during the final year of the plan. To this end, the government has embarked on economic and trade liberalization, which would cushion some of the effects of graduation, such as the loss of privileges and preferences the Maldives currently enjoys under the multilateral trading system. At the same time, it will also take advantage of the trade opportunities created, especially in areas where there is comparative advantage. To meet those challenges it is hoped that, with the partnership of donors and other stakeholders, the 7th National Development Plan will be successfully implemented, achieving the goals and targets that have been set.

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15 June 2006

# **Building Back Better**

## ***A Review of the National Recovery and Reconstruction Plan***

*A background paper prepared by the Government of the Maldives  
for the Maldives Partnership Forum  
to be held in the Maldives on 26 June 2006*

### ***Introduction and overview***

The ambitious concept of “Building Back Better”—a phrase first used by former US President Bill Clinton in his role as UN Special Envoy for Tsunami Recovery— has been a guiding force in the reconstruction of the Maldives following the devastating tsunami of December 2004. Building Back Better not only addresses the urgent issues of the day, but it envisions the kind of society that the people of the Maldives will enjoy in five, ten, even fifteen years from now.

In the Maldives the Asian tsunami caused nationwide destruction. Over a third of the country’s 290,000 people were directly affected, and some 29,000 —fully 10 percent—had to leave their homes, which were either damaged or destroyed. Nationally, the disaster wiped out an extraordinary 62 percent of the country’s Gross Domestic Product (GDP), as compared to 3 to 5 percent GDP in other tsunami-affected nations. With such a level of destruction came the need for massive humanitarian assistance, relief, recovery, and reconstruction. But with recovery and reconstruction came also a unique opportunity.

Building Back Better in the Maldives is over and above creating tsunami-proof housing for this and coming generations, and more than developing harbours and jetties that will sustain tidal surges. Building Back Better is also about developing a stronger and more diversified economy; about having a nationwide health system that will be able to respond to the needs of all the people; about creating an education system that meets and exceeds international standards; about providing enhanced water and sanitation systems that set new standards for waste management and, thereby, about continuously including environmental issues in development. And finally, Building Back Better is about laying the foundation for democratic reform.

### ***Taking stock***

Today, 18 months after the tsunami, the Maldives has made considerable progress, but it continues to face significant challenges in recovery and reconstruction. A number of important milestones have been achieved in reviving livelihoods and providing social services, but recovery in some sectors has been slowed by funding shortages and implementation difficulties. Housing, water and sanitation, and infrastructure

redevelopment programmes are unfortunately progressing slower than had been expected. Also of concern is the fact that such delays inevitably lead to increased costs, which further affects the funding shortfall. Therefore, it is crucial that international development partners work hand in hand with the Government of Maldives to address these issues jointly and to ensure that the recovery and reconstruction period is kept to an absolute minimum.

While the government has instituted mechanisms to replace lost assets through loan programmes and in-kind assistance, broad-based economic recovery programmes need to be further strengthened and accelerated. Despite the huge inflow of assistance to the Maldives, more is still needed if the key sectors are to be fully built back better. The Government of Maldives has made huge contributions towards these efforts, leading to a budget deficit of US\$ 93 million in 2005, and will spend even more in 2006. This budget deficit, representing nearly 15 percent of GDP, is not sustainable and therefore comes at great cost to the Government's efforts to support the nation.

The first three months immediately following the tsunami were managed extremely well by the government – today seen by many as a “best practice” with the establishment of the National Disaster Management Centre (NDMC). However, as the government returned to more normal working practices while at the same time continued to address tsunami needs, some coordination and decision making fell through. This, combined with certain capacity constraints on the part of the government, has contributed to delays in project implementation. For example, the gathering and analysing of data in a very short time and thereafter prioritizing the information to allocate resources from development partners has been one such capacity constraint.

Another closely related issue is the limited experience of the government to involve and mobilize communities in such major recovery and reconstruction efforts. While there has always been community involvement, the necessity of taking quick decisions involving many different sectors and stakeholders was completely new to the government, and this has understandably resulted in some criticism. However, with support from its partners in the international community, the government is now picking up very quickly, though certainly still with room for improvement. Finally, it must also be noted that differing approaches to recovery and reconstruction by the development partners have further contributed to the delays.

### ***Critically under-funded sectors***

- Housing/Shelter
- Internally Displaced Persons
- Infrastructure – harbours and jetties
- Power and Energy
- Water and Sanitation

### **Housing/Shelter**

Housing was one of the sectors most affected by the tsunami, with more than 5,500 houses damaged and more than 2,900 destroyed.]The waves broke boundary walls and facades and, by eroding land, caused some houses to collapse altogether. Though the challenges of the housing sector are not on the same scale as other tsunami affected countries, the sheer logistical challenges of the Maldives has made housing/shelter reconstruction a very complex problem. With some 195 inhabited islands spread out over 20 atolls and more than 600 kilometres, transportation alone is a major issue. In addition, there is limited or no access to many

affected islands due to lack of a navigable harbour or a safe jetty. Finally, there is a significant shortage of skilled labourers to perform the actual work that is needed.

For all the obstacles and difficulties, however, all partners are aggressively heeding the call to “build back better”. While there are minor differences in house designs and plot sizes, all agencies have agreed that new construction must be able to withstand whatever the weather might bring, and that these homes must be safe for generations to come, not just the short term. Above all, of course, they should be tsunami-proof. In the past, concrete was mixed badly, foundations were weak, and it was not uncommon for cracks to appear in a matter of months. Indeed, much of the tsunami damage could have been avoided had the houses been better built to start with. Today all that has changed. Foundations are being dug deeper and built wider, reinforced with the addition of light steel to evenly distribute the weight. In addition, some community buildings are being designed with two stories, others with tsunami platforms, and still others are being built on reclaimed land raised above any future tidal surges.

Fresh water is another essential staple of island life. Consequently, household rain water harvesting and storage systems are provided to each new house. Rain water overflow from household systems is diverted to wells to recharge the ground water; and water-tight septic tanks at each house are linked to a small-bore effluent discharge system. To avoid the growing problem of ground-water contamination, final discharge is to deep water off-shore. With an ever greater concern for the nation’s ecosystem, the use of coral for wall materials and aggregate is discontinued, and imported river sand and aggregates are specified for wall and concrete construction.

The Joint Needs Assessment prepared by the World Bank, Asian Development Bank, and the United Nations based the costs for the housing sector on 2bedroom units; but following community consultations the government decided to provide 3bedroom units, increasing the per unit cost from US\$ 19,500 to US\$ 23,400. This has since further increased due to increases in construction materials, oil, and related transportation costs. Cost per housing unit is today budgeted at US\$ 30,000 for reconstruction, with repairs averaging US\$ 4,470.

The overall funding needs in the housing sector have therefore increased substantially compared to the initial estimates. In addition, thorough surveys conducted in 2005 by the Ministry of Planning and National Development, Ministry of Construction and Public Infrastructure, and the United Nations Development Programme (UNDP) demonstrate that the number of houses in need of repair and reconstruction has also increased over and above the initial assessment. Today – 18 months after the tsunami – more than 600 houses have been repaired and another approximately 3,000 are in various stages of repair. The remaining houses are either completely un-funded or no repair work has started or they are in the very early stages of repair. In terms of reconstruction, nearly 100 houses have been fully reconstructed and more than 1,250 are currently being reconstructed. Of the remaining houses in need of reconstruction, 896 houses are unfunded with the expectation of financing these needs from loans. Total funding gap for the housing sector is estimated at US\$ 37.9 million. However, subtracting pipeline loans for the reconstruction efforts reduces the funding need to US\$ 11.3 million.

Housing/Shelter			
NRRP Requests	Revised Requests	Committed (1 June 2006)	Funding need
US\$ 93,471,000	US\$ 120,604,719	US\$ 83,224,719	US\$ 11,380,000

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## **Displaced Persons**

Closely related to the housing sector is the issue of internally displaced people (IDPs). Being displaced either on one's own island or on some other island is a totally new phenomenon in Maldives. As such, communities showed great sympathy and support towards those who had lost their property and homes in the disaster. However, as time went on, social pressures invariably began to build up with the loss of privacy and as host families bore the brunt of caring for large numbers of people.

To address these and other issues, IDP committees have been formed to discuss their needs and involve them in the decisions affecting their lives. An IDP register has been established, and community consultations on issues of housing, relocation, and formulation of Island Development Plans are underway. Programmes are being implemented to address the social needs of communities and vulnerable groups, such as women and children, including the establishment of Family Protection Units. Similarly, programmes to empower IDPs and their hosts in managing their own affairs are also being carried out. The UNDP played an important role in supporting the initial establishment and strengthening of the Unit for the Management of Internally Displaced Persons.

Some of the challenges in managing IDPs include the difficulties of communication and of ensuring the timely flow of information to and from displaced persons. It is therefore essential to set up mechanisms for information exchange and consultation, and establish an on-going tripartite dialogue among donors, communities, and the government in order to strengthen coordination and effectively engage the communities in the recovery process. Technical assistance is needed in capacity building for community negotiation and collective decision making to ensure active and meaningful participation of all relevant parties in reaching sustainable outcomes.

A major sector under the National Recovery and Reconstruction Plan (NRRP) that received very limited funding support was Administration. The bulk of the costs associated with this sector were to support logistical arrangements in providing food and water for the IDP group as well as emergency shelter. Since these activities could not be deferred to a later stage, the government had to bear the costs, significantly contributing to the record budget deficit of US\$ 93 million for 2005. Continued costs related to IDPs are projected at more than US\$ 23 million for 2006 and 2007.

## **Infrastructure – harbours and jetties**

Shortly after the tsunami a list was compiled of 104 islands that had sustained damages to their harbours and/or jetties. From this, a prioritized list of 40 islands was identified for dredging harbours to the required depth, replacing navigational aids, replacing or repairing damaged equipment, or for entire reconstruction. Currently, only 11 harbours benefit from funding from a number of different sources, mostly loans; and these are in various stages of progress/implementation, from the design stage to completion.

The government has obtained a variety of loans to support this important sector of the economy, which is essential for the fishing and tourist industries as well as a basic precondition for economic growth. However, given the slow progress of the past 18 months, many projects have increased in cost from their initial estimates. Furthermore, some harbours not initially deemed in need of repair/reconstruction have later proven to be very much in need of such repair. Costs differ from project to project depending on the scope of work involved, with one project priced at more than US\$ 20 million (as land reclamation is part of the overall project), while others need more basic repairs requiring a few hundred thousand dollars.

It was initially estimated that about US\$ 73 million would be required to rebuild the harbours in the Maldives as well as provide assistance for repair work at Male' International Airport. However, with changed needs – both in scope and numbers – the funding requirements are now estimated at being close to US\$ 80 million. To date, US\$ 37.6 has already been committed towards the sector and a number of loans are in the pipeline to further minimize the funding shortfall, but it is estimated that a total of US\$ 42.7 is still needed to fully meet all requirements.

Some of the features for building back better include utilization of pre-cast concrete elements for the quay walls that would replace the original structure made out of “gunny sacks”—basically burlap bags filled with dirt. As designed, the elements are pre-casted and hardened before being installed. A steel bar with a 45 millimetre diameter steel bar is tied to a concrete anchor block to make the element secured and firm. When completed, the structure is expected to be far more durable and stable than what it replaced. It will also entail less maintenance cost to the government.

Another aspect of building back better involves dredging the entire harbour basin to an average depth of about 3.0 metres below mean sea water level. This is expected to facilitate larger vessels and dhoanis (traditional wooden boats) with a total length of about 80 - 100 metres, which are the main transportation vessels for goods and services.

Transportation – harbours and jetties			
NRRP Requests	Revised Requests	Committed (1 June 2006)	Funding shortfall
US\$ 73,010,000	US\$ 80,410,494	US\$ 37,621,110	US\$ 42,789,384

## **Power and Energy**

The tsunami caused severe damage to the electrical infrastructure of the country—totally disrupting the power supply in at least 95 islands or nearly 50 percent of all islands with electricity. The extent of the damage varied from island to island, but in almost all instances it affected distribution networks, i.e., cables, distribution boxes, and household connections. In some islands powerhouses, generators, and switchboards were also damaged. The original estimate for repair was set at no more than US\$ 4.6 million. However, thorough assessments completed in August 2005 revised the funding need upwards to US\$ 21.4 million. The main reasons for such an increase were three-fold: the original estimate was based on the costs of the old systems, now outdated and inadequate; the extent of the damage was not properly assessed; and, in line with the build back better policy and in order to avoid a heavy reliance on diesel/oil, it has been suggested that the Maldives should take a more serious look at renewable energy, particularly solar and wind-generated power. For these reasons a more comprehensive energy policy is currently being drafted and is expected to be adopted later in 2006.

Currently, commitments towards the power and energy sector are just below US\$ 10 million, with an estimated funding gap of nearly US\$12 million. However, this funding can increase with about US\$5.4 million, which is the total of three power and energy projects being financed on Dhuvaafaru and Laamu Gan and not directly linked to the NRRP project activities. In addition, nearly US\$ 0.7 million is expected to be requested for Vilufushi. As with the infrastructure sector, it is essential for Maldives to have an adequate and reliable power supply if economic growth is to happen.

Power and Energy			
NRRP Requests	Revised Requests	Committed (1 June 2006)	Funding shortfall
US\$ 4,600,000	US\$ 21,400,000	US\$ 9,212,851	US\$ 2,187,149

## **Water and Sanitation**

Prior to the tsunami no island other than Male' was connected to a sewerage system. Toilets consisted of soak-pit septic tanks, though some islands discharged human waste through the highly porous soil directly into the ground water. At the time of the tsunami, many of the septic tanks were poorly maintained and were cracked and leaking. When the rushing sea water swept over these facilities it also mingled with the island's shallow wells and groundwater supplies, contaminating the freshwater systems.

To avoid similar problems in the future, reconstruction plans include the provision of clean water supplies, including rainwater harvesting tanks, appropriate septic systems, efficient effluent disposal, and the proper disposal of household waste and tsunami debris. NRRP requirements were stated as just over US\$ 45 million, and external assistance consisting of loans and grants account for more than US \$55 million. However, it has become clear that reconstruction efforts far exceed the resources available and that additional needs upwards of US\$ 65 million will be included in the 7th National Development Plan and undertaken as and when domestic and/or external resources become available.

### ***Sectors with limited or no additional funding requirements***

- Health
- Education
- Environment
- Disaster Risk Management
- Livelihoods—fisheries and agriculture

## **Health and Education**

While it can be very difficult to assess if a sector has received sufficient funding to meet all requirements, in terms of the nation's health and education sectors this is fortunately the case. In fact, the health sector has received commitments substantially over and above what was originally requested. However, these funds are not all allocated towards the original requests, and fortunately a lot of the funding made available can be used for long-term development and further capacity building. The education sector has received funding to meet original requirements, but to further expand and develop this important sector additional resources are needed under the 7th National Development Plan.

## **Environment**

While the environment sector received support for only one project (Disaster Waste Management) and in-kind contributions for three other projects identified immediately after the tsunami, the sector finds that what was not funded as part of the tsunami relief are either issues that are no longer relevant or that will be placed under the auspices of the 7th National Development Plan.

## Disaster Risk Management

The disaster risk management sector was originally forecasting funding requirements of US\$ 7.4 million but has attracted less than US\$ 4 million, seemingly with an outstanding funding requirement of US\$ 3.5 million. However, the sector now estimates that existing needs can be met in an adequate fashion with an additional US\$ 1.5 million. Under the disaster risk management sector, primary focus has been on support for a central early warning system and on strengthening emergency operation centres (one central/five regional). Support for communication equipment for the Police and National Security Services compliments these efforts by ensuring nationwide coverage.

## Livelihoods—fisheries and agriculture

Fisheries and agriculture have traditionally been the main livelihoods in Maldives, but with the emergence of the Maldives as a major tourist destination, attracting upwards of 500,000 people annually and with further increases projected, the two traditional sectors today accounts for less than 10 percent of GDP. However, more than 20 percent of the population depends on fisheries and agriculture as their primary source of income. Original funding estimates for the fishing sector have been revised significantly upwards, with an existing funding need of nearly US\$ 10 million. However, the bulk of these resources is needed for long-term development and will hence be part of the 7th National Development Plan. Financing will be mobilized under this heading. Other livelihoods activities, such as small and medium enterprises and micro-credit schemes, have been initiated since the tsunami and will also contribute to continued economic growth.

## Funding status as of 14 June 2006

The table below outlines the critically under-funded sectors as well as sectors with small funding needs. The funding need excludes pipeline loans for the reconstruction of houses.

Sector	NRRP Requests	Revised funding needs	Donor Commitments for NRRP(USD)	Funding need
New Host Islands	\$ 15,000,000.00	\$ 15,000,000.00	\$ 20,337,186.00	\$ -
Environment and Natural Resources	\$ 9,800,000.00	\$ 9,800,000.00	\$ 14,466,857.00	\$ -
Power & Energy	\$ 4,650,000.00	\$ 21,400,000.00	\$ 9,212,851.00	\$ 12,187,149.00
Administration	\$ 50,000,000.00	\$ 5,544,000.00	\$ 3,110,000.00	\$ 2,434,000.00
Transportation	\$ 73,008,000.00	\$ 80,410,494.00	\$ 37,621,110.00	\$ 42,789,384.00
Agriculture	\$ 11,140,000.00	\$ 12,870,000.00	\$ 10,115,000.00	\$ 1,025,000.00
Housing	\$ 93,468,000.00	\$121,804,719.00	\$ 83,224,719.00	\$ 11,700,000.00
Water Sanitation & Drainage	\$ 45,644,000.00	\$ 45,644,000.00	\$ 55,951,447.00	\$ -
Livelihoods	\$ 17,400,000.00	\$ 17,400,000.00	\$ 9,560,482.00	\$ -
Education	\$ 21,157,514.00	\$ 21,157,514.00	\$ 32,569,080.00	\$ -
Disaster Risk Management	\$ 7,400,000.00	\$ 7,400,000.00	\$ 3,834,827.00	\$ 1,500,000.00
Fisheries & Aquatic Resources	\$ 14,220,000.00	\$ 24,750,000.00	\$ 15,320,000.00	\$ 9,430,000.00
Health Nutrition & Social Protection	\$ 12,175,534.00	\$ 12,175,534.00	\$ 33,375,509.00	\$ -
<b>Total for NRRP</b>	<b>\$375,063,048.00</b>	<b>\$395,356,261.00</b>	<b>\$ 328,699,068.00</b>	<b>\$ 81,065,533.00</b>

## **The Political Reform Agenda**

***A Mid-Term Progress Report*** *A background paper prepared by the  
Government of the Maldives  
for the Maldives Partnership Forum  
to be held in the Maldives on 26 June 2006*

### ***The Context of Reform: Catching Up***

The Maldives is unique amongst the members of the Commonwealth in having emerged out of the colonial era without inheriting a political or legal system that had been modernised by the imperial powers. As a result of the relative isolation of the country, and its fleeting interaction with colonial powers, the Maldives entered the global society of the post-World War era with its own unique customs and traditions.

At independence in 1965, the country had retained its centuries old Sultanate, although the Sultan was subject to a written Constitution since 1932. Shortly after independence, the Maldives established the Second Republic in 1968, abolishing the Sultanate with a public referendum which voted in favour of a republic, just 14 years after the First Republic, which had lasted 7 months, was violently overthrown. Although the country had faced a few abortive coups in the 1970s, power was transferred from President Ibrahim Nasir to President Maumoon Abdul Gayoom peacefully and through the electoral process.

Elections to the Presidency, based on a parliamentary nomination and confirmation directly by the people, had been held regularly, as have parliamentary elections, based on dual member constituencies. A process of revising the Constitution was initiated in 1980, but was not completed until 1997, a period during which the Maldives had attained tremendous social and economic progress to qualify for graduation from the UN's list of least developed countries. The period also saw the country complete the first phase of a demographic transition, in which the population growth rate had peaked at 3.4% in 1985 before declining to 1.9% in 2000. The population today has tripled since independence in 1965 and doubled since 1978.

On the basis of these momentous changes in the country's demography, economy and society, the Government drew up a Maldives Vision 2020 which envisaged, within a 20 year time span a country that was not only economically even more prosperous and socially more advanced, but also politically more democratic and mature. On pure demographic situation alone, in the context of seeking a longer smooth transition period from LDC status, the government sought to raise the awareness of the international community, to the challenges of meeting the growing expectations of a burgeoning youth population for greater economic opportunity, political participation and social inclusion. Numerous measures of economic, social and political reform were identified through extensive national consultations that produced the Strategic Plan, published in October 2002, to implement the Vision 2020. By the end of the President Gayoom's fifth term of office, the government had identified the underdevelopment of the country's legal system as a major constraint to greater democracy, better human rights protection and faster development.

This was the backdrop, together with the prison disturbances and the ensuing riots in the capital in September 2003, to the announcement by President Gayoom, on taking office for a sixth term in November 2003, of a sweeping reform programme to bring wholesale change to the way the country was governed. He also pledged to accelerate plans for political and legal reform, increase transparency and responsiveness, and strengthen accountability mechanisms, in order to meet public expectations, ensure better governance, and strengthen human rights protection.

## ***The Reform Agenda: a 'New' Maldives***

The Reform Agenda covers both strengthening democracy and enhancing human rights protection. It includes making sweeping changes to the Constitution to strengthen the independence of the judiciary and provide for stronger checks and balances amongst powers of the State, overhauling the country's criminal justice system, creating independent oversight institutions, modernising the legal system, measuring up to international human rights standards, enhancing media freedom, developing a vibrant civil society, and carrying out civic education programmes. The objective of the agenda is to virtually create a new society and polity in the Maldives, and indeed, a 'new' Maldives. The main elements of the reform programme are covered in the following documents:

1. Inaugural Address of the President, 11 November 2003
2. The Criminal Justice Action Plan 2004 - 2008.
3. The President's Constitutional Reform Proposals of 9 June 2004
4. Ushering in a Modern Democracy: Roadmap for the Reform Agenda, 27 March 2006

The reform programme is being pursued with a high degree of transparency, openness and international engagement. Assistance is being sought from UNDP, Office of the UN High Commissioner for Human Rights, the Commonwealth Secretariat, and several bilateral partners and international NGOs.

## ***The Scorecard: A Work-in-Progress***

From the setting up of the Human Rights Commission of the Maldives on 10 December 2003 to the proclamation of a regulatory framework to protect the right to public assembly on 15 May 2006, a number of reforms have already been implemented.<sup>1</sup> These reforms have both enhanced democracy and improved human rights standards to levels hitherto unprecedented in the Maldives. Nevertheless, the challenges are numerous, and there are areas of concern as well. Some of the controversies even tend to overshadow significant changes that have been implemented under the reform programme.<sup>2</sup>

### **1. THE DEMOCRATISATION PROCESS**

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<sup>1</sup> See Attorney General's Office, *Through the Reforms of the 6<sup>th</sup> Presidential Term of President Maumoon Abdul Gayoom*, 2<sup>nd</sup> Ed, March 2006, Male'.

<sup>2</sup> For an independent assessment of some of the changes that have resulted from the reform programme over the past two years, please see, US Department of State, *Maldives: Country Reports on Human Rights Practices – 2005*, Bureau of Democracy, Human Rights and Labor, 8 March 2006

A central pillar of the reform agenda is to create a mature democratic framework, with a new Constitution that produces new arrangements in the distribution of powers, and a vibrant party system that increases political participation.

### ***a) Convening of the People's Special Majlis (Constitutional Assembly)***

Elections to the People's Special Majlis, the sole body with the power to amend the Constitution, were held in May 2004 and the Majlis was convened in July 2004. On 14 February 2005, the President presented to the Special Majlis his proposals for constitutional revision together with numerous proposals received from the public, including the Law Society and the Human Rights Commission of the Maldives. The President expressed his desire to see the work completed within a year. The Special Majlis took nearly one year to adopt its rules of procedure, and revised target date proposed in the Roadmap is end of May 2007. The debate on fundamental rights has been completed and the drafting committee, chaired by the former president of the MDP, would soon be reporting back to the chamber with a formal text on that chapter. The debate on the other main chapter, form of government, would be completed in June, and that would provide a major breakthrough in taking forward the work of the drafting committee. The government is seeking the help of international experts, at the request of the Special Majlis, to assist them in the drafting process.

### ***b) Formation of Political Parties***

One of the most significant achievements in the democratisation programme has been the introduction of political parties. In 2001, the parliament had resolved that political parties could not be registered in the Maldives prior to amending the Constitution to provide for a party system. However, in June 2005, on the basis of a revised Legal Opinion by the new Attorney-General, the parliament voted in favour of allowing the registration of parties. Accordingly, a provisional regulatory framework was established by decree, pending legislation by the parliament, to allow for the registration and functioning of political parties.

Since then four parties have been registered and are in operation today. These are the Dhivehi Raiyyathunge Party (DRP), Maldivian Democratic Party (MDP), Adhaalath Party, and Islamic Democratic Party (IDP). Members belonging to DRP and MDP hold seats in the parliament and the Special Majlis. Contrary to claims made in some quarters, these parties have been able to hold numerous public rallies, without requiring permission, and have freely been able to propagate their views through the printed and electronic media. Party activities are covered by the national TV and Radio on an equal basis. (Check policy of Information Ministry on this).

### ***c) Strengthening the Independence of the Judiciary***

A key element of the reform agenda is the strengthening of the independence of the judiciary. On 11 November 2005, the President announced the implementation of steps designed to bring about the separation of the executive and judiciary, the cornerstone of which was the establishment of a Judicial Service Commission. The Commission would oversee the appointment and dismissal of judges, and would act as a 'watchdog' to ensure that Judges upheld their own codes of conduct.

In addition, with the reforms implemented on 11 November 2005, the final stage of appeal, which had hitherto been carried out by a Presidential Advisory Council on Judicial Matters meeting in camera in the

President's Office, has been reorganised to be chaired by the Chief Justice, hold public hearings, and function outside the offices of the executive. Further, members of the Council are to be appointed by the President only on the advice of the Judicial Services Commission. The Council are to decide cases presented to it as per the majority of the Council, decisions are to be made available to members of the public, and full transparency to be maintained on its rules and procedures.

#### ***d) All Party Dialogue***

In November 2005, the President invited all the parties to a process of dialogue in order to speed up the implementation of the reform programme and to draw up a roadmap that would provide a matrix of reform measures and target dates. He also appointed a National Co-ordinator to formalise a dialogue process. The main Opposition parties declined to take up the offer, setting down a set of conditions that they wanted fulfilled as pre-requisites for a dialogue process. Intermittent feelers have been sent out informally from both sides, but there has been no formal breakthrough in the impasse yet.

#### ***e) The Commonwealth Special Envoy***

At the request of the Government, the Commonwealth Secretary-General deputed a Special Envoy, Tan Sri Musa Hitam, former Deputy Prime Minister of Malaysia and former Chairman of the Commonwealth Ministerial Action Group to facilitate the speedy implementation of the reform programme. The Commonwealth also deputed a constitutional expert, Tan Sri Anver, a former High Court judge of Malaysia, to assist the Maldives in the drafting of a new Constitution. Attempts by the Special Envoy to convene all party talks had failed due to the refusal of the main Opposition Party, MDP to meet either informally or formally with representatives of the DRP in the presence of the Special Envoy. However, in January this year, the Special Envoy held separate meetings with each of the parties and sought the positions of the parties on the proposed changes to the Constitution. The main obstacle cited by the MDP to agree for all party talks is the continued house arrest of its chairperson.

#### ***f) Glimmers of Hope: Dialogue in all but name***

Although the parties have not been able to meet formally in an all party setting, the political process is making significant progress through dialogue and discussion. The drafting committee of the Special Majlis, which includes members of both the Government and Opposition, has been established. Debate and discussion among members of the Government and the Opposition in the parliament are also advancing the legislation of key reform measures, such as bills on the human rights commission, media freedom, police powers, etc. The contribution made by the Opposition in these legislative bills is significant.

In recent weeks, international pressure on all parties to engage in a process of dialogue has increased, as has domestic public pressure for peaceful engagement in the political process. These augur well for the commencement of several tracks of dialogue, some of which could be on the record and transparent, while others could be informal, but with key stakeholder engagement.

#### ***g) Electoral Reform***



The Government has proposed the holding of the first multiparty elections in the period July-October 2008. It has also proposed that significant changes be brought to the electoral system in terms of achieving fair and full representation of constituency votes. In addition, the office of the Commissioner of Elections is to be made independent by subjecting his appointment and dismissal to approval by the parliament. A major part of electoral reform will include civic education programmes, some of which has already been begun by the Commissioner of Elections in June 2006. The government is seeking the assistance of the Government of India in strengthening the electoral system, including the introduction of electronic voting machines.

## **2. STRENGTHENING RESPECT FOR HUMAN RIGHTS**

The reform agenda covers not only a democratisation programme that would lead to multiparty elections, but also the pursuit of better human rights standards. The objective is not merely the attainment of a multiparty electoral democracy, but a genuine liberal democracy where there is both political pluralism and strong human rights safeguards. The measures identified below comprise key priorities in the pursuit of better human rights protection.

### ***a) Human Rights Commission***

The Human Rights Commission of the Maldives (HRCM) was established under presidential decree on 10 December 2003, with a commitment to make the body fully compliant with the Paris Principles through the provision of statutory powers. The Commission is now an independent statutory body following the coming into force of its statute on 18th August 2005.

The government's new bill to amend the HRCM Act was presented to the People's Majlis on 15 March 2006. The bill has completed its second reading and in its current form, the new bill will make the HRCM fully compliant with the Paris Principles. The government will nominate for endorsement by the parliament a full complement of members once the new bill is passed by the parliament.

### ***b) Prison Reform***

In January 2004, the Government introduced new regulations to ensure better prison conditions, following recommendations made by the Presidential Commission which looked into the disturbances in the Prison in September 2003. Among the measures adopted were the drawing up of a code of conduct for wardens and inmates, the construction of better physical facilities, and improvement of medical facilities, and the establishment of a Jail Oversight Committee of MPs and Judges. In addition, the Government also signed an agreement with the ICRC in October 2004 to facilitate prison visits. Moreover, the government has acceded to the UN Convention against Torture and ratified the Optional Protocol to the Convention against Torture. It has also provided access to prison to Amnesty International, and to fact-finding missions from international stakeholders.

The Government believes that the prison reforms have improved conditions for inmates and have reduced the scope for and incidence of abuse. Further reform of prison is being implemented through a UNDP funded project on custodial services, under which a bill on prisons and parole will be submitted to the parliament, and a superintendent from the Western Australian Department of Justice will advise the government from November 2005 to August 2006 on meeting international penitentiary standards.

### ***c) Police Reform***

On 1 September 2004, the Maldives Police Service was created, reporting to the Home Minister. Until then, the police had functioned as part of a paramilitary force within the National Security Services. The police were set up as a civilian outfit in order to modernise the police service and improve standards of 'democratic' policing. Resources are being invested in the training of police as a community service and to equip them with the skills necessary to gather evidence and crime through forensics and investigative skills.

Training programmes are being carried out with the assistance of development partners. A police and human rights training programme with the support of the Commonwealth is due to be started in August 2006. A Police Bill is before the parliament, tabled in February 2006 as part of the reform programme, and will provide a clear mandate to the police on how they may carry out their duties and will define the limits of their authority and power. Internal organisation within the police force has been strengthened to increase transparency and accountability. Continued police reform remains an urgent priority, especially in terms of providing adequate training to better sensitise the police to human rights and democratic policing.

### ***d) Engagement with international stakeholders***

The Government is pursuing the reform programme with a high degree of openness and engagement with the international community. As part of this process, the following developments are noteworthy:

#### **International Committee of the Red Cross (ICRC)**

The Government of Maldives signed a formal agreement with the International Committee for the Red Cross (ICRC) on 5 October 2004, under which ICRC was granted access to prisons in the country. ICRC conducted visits to prison in April and August 2005.

#### **Amnesty International (AI)**

From February 2004, the government has pursued a policy of engagement and constructive dialogue with Amnesty International. A fact-finding mission visited the Maldives in October 2004, and issued its report in February 2005. A number of the concerns raised in the report related to the detainees who, since the AI visit, had been released and pardoned by the New Year amnesty. As the AI report noted, some of the concerns raised by the AI fact-finding mission had been addressed by the time the report was issued.<sup>3</sup>

#### **International Commission of Jurists (ICJ)**

ICJ has been invited to observe the trial of MDP Chairperson Mr. Mohamed Nasheed and the appeal of Ms. Jennifer Latheef (MDP member). An Observer visited in October 2005 and in April, May and June 2006 to observe the trial proceedings.

#### **European Union (EU)/European Parliament (EP)**

A delegation of the European Parliament (EP) and an EU Fact Finding Mission visited the Maldives in August 2004 and in March 2005, to visit detention facilities and to meet with detainees and relevant officials. These visits were undertaken by those bodies and facilitated by the Government due to allegations of poor prison

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<sup>3</sup> Amnesty International, Human Rights Violations in the Context of Political Reform, AI Index: ASA 29/001/2005, London, 25 February 2005.

conditions and mistreatment of detainees. The outcome of these visits was generally to dispel many of the rumours but also identify areas for improvement.

### **United Nations Office of the High Commissioner for Human Rights (OHCHR)**

The Government of Maldives is also working with the United Nations Office of the High Commissioner for Human Rights (OHCHR) in obtaining their advice on the issue of making the Human Rights Commission compliant with the Paris Principles and also in assisting the Maldives in acceding to the ICCPR and the ICESCR. The Government has given a firm commitment to accede to these two covenants by 10 December 2006.

### **Engagement of the Commonwealth**

In addition to the services of a Special Envoy, the Commonwealth is also assisting the Maldives, through its Human Rights Division, in accelerating the work of acceding to the ICCPR and the ICESCR during the current year.

### ***e) Development of civil society***

Just as the absence of political parties had been a major shortcoming in the political arrangements in the country, the poor state of the civil society sector has been a major drawback in the advancement of human rights, especially in shifting the equation in favour of the individual in matters that relate to the State. However, under the revised regulatory framework, and with encouragement in the formation of civil society organisations, the number of NGOs registered has increased dramatically (the total figure now is 595) and the average time required for their registration has been just 5 days. Recently established NGOs include many with a specific commitment to the promotion of human rights, such as Hama Jamiyyaa, Network of Detainees, the Open Society Association, and the Maldives Centre for Human Rights and Democracy.

### ***f) The Space for Dissent***

The space for dissent had been very limited in the Maldives until recently, as evidenced by the prosecution of dissidents through the courts as late as just four years ago. Further, the penal code provision of criminal liability for defamation also inhibited the scope for dissent. However, in July 2004, the Attorney General gave a formal legal opinion asserting the right to dissent as a constitutional right, and set a prosecution bar to protect activities that expressed peaceful opposition to the government. Legal proceedings against a number of persons who had been arrested in mid-February 2004 for activities that opposed the government were stopped.

In fact, reflecting the new spirit, four dissidents who had been convicted **for sedition criminal defamation** just four years ago were pardoned and released in February this year.

The space for dissent has been further widened by the introduction of political parties.

The cases of Mr. Mohamed Nasheed and Ms. Jennifer Latheef are cited by critics of the government to argue that there is no real improvement in the space for dissent. The government's response is that both persons have been charged with clear criminal offences and not political offences. There is also a huge gap between the government and its critics with regard to the actual facts of the cases.

### ***g) Media Freedom***

The media is another area where self-censorship had been practiced by most journalists until recently. This was the result of the limited space for dissent and of the provision of criminal liability for defamation. A key priority of the reform programme is enhancing the role of the press and promoting the right to freedom of expression, through the enactment of necessary legislation including the Media Freedom Act, the Freedom of Information Act, and the Freedom of Registration of Newspapers and Magazines Act.

The following Bills were submitted to the Parliament on 19 February 2006, and are in various stages of the legislative process.

- Bill on Freedom of Information
- Bill on Freedom of the Press
- Bill on Media Council
- Bill on Registration of Print Media

To promote media freedom, it is also important to develop the professionalism of journalists. In collaboration with the country's development partners, the government is carrying out programmes to raise professionalism amongst journalists. Today there are five dailies, one of which is an opposition newspaper, and two others are owned by senior members of the government. The largest daily, *Haveeru*, frequently carries articles that are highly critical of the government. The newest daily, *Haama Daily*, professes to be an independent paper. In addition to dailies, there are also numerous weeklies, most of which are very critical of the government.

A survey carried out by *Haama Daily* in early May 2006 showed that 49.6% of the respondents believed there was substantial media freedom in the Maldives.

### ***h) Right to Assembly***

The right to assembly is guaranteed by the Constitution, except where it is limited by law in the interest of public order. The Maldives does not have a culture of peaceful street protests or of political rallies. Under the political parties regulation of 2005, parties were granted a protected right to hold public assemblies indoors without need for permission but with due notice. Over two hundred rallies and meetings have been held by the political parties over the past year.

The right to protest in the street was not covered in the political party regulation and until mid-May 2006, there was no guideline that the police could use in seeking to maintain general law and order when streets protests or marches were organized. As stated in the Roadmap, on 15 May 2006, the government introduced provisionally by a decree, a framework to protect the right to protest in streets and public places, with requirement for due notice, reasonable hours and routes. On 15 June 2006, the period for notification was reduced from 14 days to 7 days. A bill on public assembly has now been formulated and has been submitted to the political parties for their comments before submission to the parliament for enactment.

Protests undertaken for successive nights in violation of the reasonable hours provision resulted in a cumulative total of 127 arrests being made in mid-May. Most were released with only a caution, but 20 protestors were prosecuted.

### ***i) Accession to International Instruments***

Since April 2004, the Maldives has acceded to the “UN Convention against Torture and other Cruel, inhuman or Degrading Treatment or Punishment”. On 14 September 2005, the Maldives ratified the Optional Protocol to the Convention.

The Government has given a firm undertaking to accede to the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR) during 2006. It has also extended a standing invitation to all Special Procedures Rapporteurs of the United Nations Human Rights Commission to visit the Maldives.

### ***j) Strengthening the Criminal Justice System***

#### **Due Process**

Immense strides have been taken to ensure that the rights of detainees are safeguarded. In this context, measures taken to protect rights of detainees include, specification of arrestable and non-arrestable offences; where detained, informing the detainee the reason of detention; informing families of detainees' whereabouts; granting access to a lawyer during interrogation and at the trial; recording of interviews; establishment of regulations on the use of force, physical restraint, batons and handcuffs; and providing guidelines on the extension of period of arrest.

#### **New Penal Code**

The current Penal Code of the Maldives is outdated and the source of numerous concerns about the criminal justice system. A key component of the National Criminal Justice Action Plan, which was launched in December 2004 to overhaul the judicial system with a view to bring the national judicial system in line with international standards, is to modernise the Penal Code. A new Penal Code, which has been formulated by Professor Paul Robinson of Pennsylvania University under a UNDP funded project, is due to be tabled before the parliament by July 2006.

#### **Bail System**

The Government introduced a bail system in June 2005, which allows for the temporary release of an accused awaiting trial, when in police custody or during trial, depending on the nature of the alleged offence and perceived flight risk.

#### **Training of Judges**

On 2 May 2005, a total of eighteen students were sent to Malaysia to pursue higher education as judges at the International Islamic University of Malaysia. The batch included women who would become the country's first female judges. They would undergo judicial training during their course of studies, and upon graduation they would also undergo attachment programmes in judicial areas in either UK or Australia.

### ***The Challenges***

It is one thing to enact laws, and another task entirely to change mindsets. The Maldives is a young democracy, with traditions, dating back to centuries, favouring centralised authority. Nevertheless, these

traditions are coming under strain from the demographic structure of the country, rapid social and economic development, and increased exposure to international influences. Managing the scale and pace of change would have crucial implications to attaining a durable democracy.

The pace of change becomes highly important when the need for civic education is borne in mind. Unless extensive civic education programmes are carried out, the full benefits of the reform programme may not be realised by the general public. Indeed, without proper civic education, it would be difficult to create a new political order that has organic roots to the values and needs of the people.

As important as increasing public awareness is the task of building trust and confidence amongst differing political groups, and fostering a climate of tolerance. The study undertaken at the request of the Government of Maldives by the National Democratic Institute for International Affairs in October 2004 stressed the importance of building trust and confidence, especially given the lack of maturity in the political discourse in the country.

To make the reform agenda a resounding success, it would be important to foster a vibrant civil society, a professional and free press, and a culture of tolerance. At the same time, it would be very important to recognise that the reforms must also be accompanied by improvements in the quality of life of the people, in the political, economic, social and cultural spheres. Failure to make progress in any of these areas could increase pressures towards radicalisation.

The Maldives today has a unique opportunity to create a durable and modern liberal democracy. But it can only succeed in a climate of trust and confidence, and of tolerance and mutual respect, and where dialogue, debate and discussion give precedence to direct action and disruption.

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## List of Participants