

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

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## 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 liberation, 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