Statement by Balmiki Prasad Singh  
Date of Meeting: December 12, 2000

MALDIVES - Country Assistance Strategy

We welcome the discussion on Maldives CAS and commend the staff members for producing this highly interesting and analytical document. We are happy to note that Maldives has made significant economic and social progress during the last two decades despite its tremendous disadvantages of a small island economy in the Indian Ocean zone. The Bank also needs to be complimented for its analytical and advisory work and focusing its attention on selected strategic areas maintaining the delicate balance between development and the fragile environment in Maldives. IDA has played a very positive role and contributed significantly for human development and tourism.

2. We, in general, agree with the proposed strategy of the Bank to concentrate on human development and knowledge transfer and leaving other key areas such as capacity building, social and physical infrastructure to ADB and Japan. We also agree that over a period of time the Bank should shift its lending program from sector-specific project approach to programmatic ones. This is more ideally suited for an economy like that of Maldives and is also in consonance with the CDF approach.

3. It is really gratifying to note that corruption is not a major issue. Another welcome aspect is that Maldivian women are among the most emancipated in South Asia and in the Islamic World. This may attract a number of donors but we need to be cautious since overloading this
fragile economy with a huge foreign assistance should not be counterproductive. Our efforts should encourage the people of Maldives to understand their strength and weaknesses and to enable them to stand on their own so that they are not subjected to unexpected external shocks and plan their economic pursuits in a manner that ensures sustainable development.

4. While we particularly agree with the proposed strategy we wish the Bank to get involved more in developing and protecting Maldives’ fragile environment. We are very sorry to note that no concrete proposal has come on this front. Maldives has rich coral wealth and the protection and conservation of these coral rich islands are very much essential not only for the survival of Maldives but for the regional environmental balance. The Global Environment Facility and the Bank should jointly carry out a study about the richness of the area and implement programs to protect and conserve.

5. Similarly, the role of IFC should not be limited only to development of resorts. We are not against them. Resorts developed on an eco-friendly basis which will encourage tourism and employment are very much needed. At the same time much more needs to be done in the private sector if we want to attack poverty directly. IFC should concentrate more on small and medium enterprises and in this task support of some local institutions and NGOs should be taken. In this connection we are against the recommendation made by the Bank to bring reputable international foreign banks to the country. We agree that the regulatory framework and the financial services to the poor needs to be strengthened. But this should be done either by reorganizing or reorienting the state owned Maldives Bank. Ownership is more important. Maldives is a very small economy, with a maximum population of only 70,000 in one island. We have to develop the local capacity and cannot force them to import foreign owned reforms and regulations.

6. Maldives needs to integrate its economy with the region and in this connection we welcome its membership with SAARC. It will lead to substantial benefits in terms of economic security and cultural integrity.

7. We also agree with the Evaluation Report that IDA should have done much more in developing and liberalising the fisheries sector. This is the main lifeline of many poor and middle income people of Maldives. This should be viewed with a sense of urgency. State monopoly will only strangulate growth. At the same time liberalization of fisheries sector should not be at the
cost of fragile environment. We have to develop a suitable policy to balance both these aspects. The fisheries sector report which is likely to be produced by the Bank shortly should address these issues and make specific recommendations.

8. We are happy to note some success in containing high growth rate of population through family planning campaign. But we are concerned about the risk of AIDS spreading among the locals due emphasis on tourism. Although there is no irreversible causal relationship between AIDS and tourism but based on experience gained elsewhere, caution needs to be exercised and the Government should take steps to create awareness among the potential adult population in this behalf.

9. Though we have done extremely well in developing human resources through our lending programs in education sector, the youth of Maldives still need a lot of improvement in their skills so that they can be competitive, compared to their counterparts in the region. We should make sure the information technology reaches these remote islands and extensively used in building up capacity and poverty reduction. We hope more specifics will come out in the P.R.S.P. document.

10. On the whole, we extend our support to the proposed strategy and the Bank’s programmatic approach for lending in the future.