



Maldives

Moving up the development ladder

- *The Maldives was one of the 25 low-income economies accorded least developed country (LDC) status when the category was established in 1971. In January 2011, it became the third to graduate from the LDC list.**

Country profile

The Maldives is an archipelago in the Indian Ocean composed of 1191 islands, covering an area of 298 square kilometres. About one third of the country's 314 000 inhabitants live in the capital island, Male, with the remaining 62 per cent scattered

around the country's 200 inhabited islands. The Maldives is classified as a small island developing State.

Economic growth has brought significant social progress, particularly in the area of education. Since 2002, the Maldives's primary and lower secondary school enrolment rate has neared 100 per cent. Literacy rates are among the highest in the region, with 94 per cent of its population aged 15 years and older being able to read and write.

The Maldives was governed as an Islamic sultanate under Dutch and then British protection until 1965, when it gained independence. Three years later in 1968, it became a republic.

In 2009, gross domestic product (GDP) was estimated at USD 1.4 billion, or about USD 4600 per capita. Nevertheless, 16 per cent of the population live below the poverty line.

The Maldives is a service-based economy, with services contributing 77 per cent of GDP, of which 27 per cent comes from

* This article is largely based on the report "The Role of ICT in Advancing Growth in Least Developed Countries: Trends, Challenges and Opportunities".

tourism and tourism-related activities. Fishing, a traditional economic activity of the country, contributes 7 per cent of GDP. The scarcity of arable land and water shortages mean that agriculture contributes just 2 per cent of GDP. Most food staples have to be imported. An ambitious tourism expansion plan has fuelled construction, and contributed to the deployment of telecommunication and transport infrastructure.

There is clearly a need for economic diversification. Dependency on tourism makes the economy of the Maldives particularly vulnerable to the effects of climate change, especially to the rise of sea water levels. The Maldives is prone to floods — 80 per cent of the territory is one metre or less above sea level. In 2004, a tsunami in the Indian Ocean devastated many islands, critically damaging the country's tourism, housing and fishing infrastructure.

Unsurprisingly, the government has been active at international discussions on climate change, attracting financial aid from the United States and other development partners to help it mitigate the consequences of global warming. The Alliance Manifesto, which guides President Mohamed Nasheed's administration, lists ICT and the environment as essential areas for achieving sustainable economic development. In 2010, the President's commitment to environmental protection was recognized by the United Nations with the "Champions of the Earth" environment award.

LDC status and factors contributing to graduation

The United Nations Committee for Development Policy (CDP) originally scheduled the Maldives to graduate from LDC status in December 2007. But just a few months after that decision, a tsunami devastated the island nation. The General Assembly recommended that the Maldives should be given time to recover

from the economic impact of the tsunami, and postponed graduation until December 2010.

The Maldives engaged in a period of reconstruction, using the relief assistance provided by diverse development partners. Its tourism industry made a remarkable recovery. The recent financial and economic crisis, however, reduced the country's flow of tourism and related investments, as well as other net capital flows and exports. As a result, the economy shrunk by 3 per cent, and inflation rose to 4 per cent in 2009.

To deal with the increasing trade deficit and fiscal imbalances, the International Monetary Fund approved a USD 93 million loan for the Maldives, recommending a reduction in public expenditure. The government has committed to privatizing several State-owned enterprises, including telecommunications, electricity and water. The IMF expects that proceeds from privatization will help finance the deficit in the short term, while public finances recover.

To supplement the IMF support, the World Bank has invested more than USD 103 million in tourism, telecommunications and the financial sector, under its Country Assistance Strategy. The United States is also providing financial aid to address the effects of climate change and to improve the economy.

Connectivity now and then

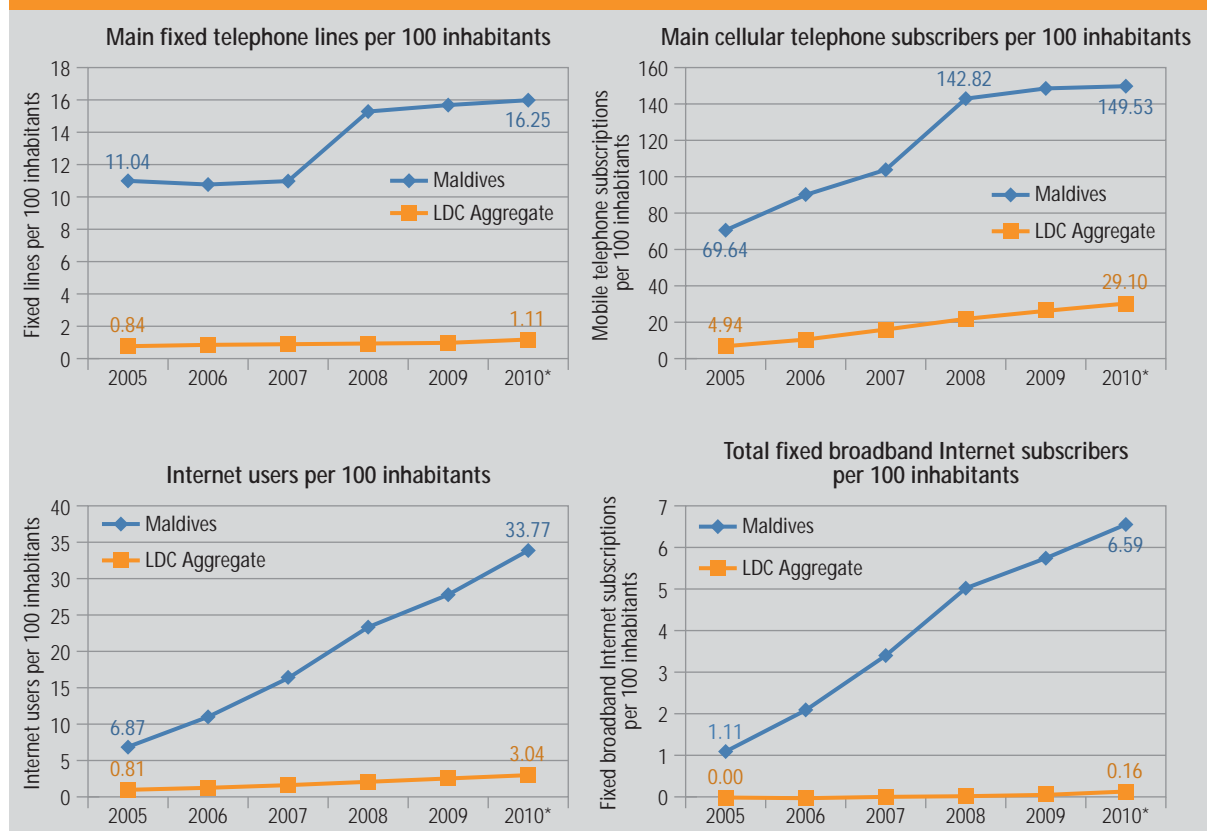
Success in improving connectivity has made the Maldives an outlier in the LDC group of countries. This island nation first connected to the Internet in 1996, and Internet access was the first market segment to be liberalized. Following a tender, Focus InfoCom entered the market as a second Internet service provider in 2002. In 2004, the mobile market was opened to partial competition with the licensing of the mobile operator Wataniya Telecom, which started operations in 2006.

By 2007, the penetration of mobile cellular subscriptions in the Maldives had reached saturation and, just one year later, it was more than 140 per cent. This rapid growth largely results from the launch of prepaid subscriptions in 2001, the introduction of free SMS connections in 2002, competition in the sector, and growing per capita income. In 2007, an estimated 91 per cent of mobile cellular subscriptions were prepaid. By 2009,

Wataniya had gained 27 per cent of the market. Both operators (Focus InfoCom and Wataniya) are now competing in the provision of 3G services.

Dhiraagu, the incumbent fixed telephone operator, used to be jointly owned by the government (55 per cent) and Cable & Wireless (45 per cent). In October 2009, the government sold

Comparison of key connectivity indicators, Maldives and LDC aggregate, 2005–2010*



*Data for 2010 are estimates.

Source: ITU World Telecommunication/ICT Indicators database.

A special vessel drops a submarine cable to the bottom of the sea off Sri Lanka's capital Colombo as part of a USD 20 million project linking Sri Lanka and the neighbouring Maldives. The cable, spanning 850 kilometres, provides the two countries with high-speed data and voice capabilities



AFP

some of its shares to Cable & Wireless, reducing its holding to 48 per cent.

The charts (see page 24) show that penetration and usage rates for telecommunication services in the Maldives have surpassed average rates for all other LDCs. Cheaper mobile cellular services have also boosted penetration. According to the ITU ICT Price Index, the cost of ICT services decreased between 2008 and 2009 by 12 per cent as a percentage of gross national income per capita. Even the relative price of fixed broadband services has decreased since 2008. This has contributed to a rapid increase in the number of Internet users — about one third of the population is now online.

Domestic connectivity across the atolls is provided via microwave and undersea cable links, while international communications take advantage of the Maldives' satellite links, the submarine cable Fiber-Optic Link Around the Globe (FLAG) and the Dhiraagu-SLT submarine cable system inaugurated in 2006 to link the Maldives and Sri Lanka. Dhiraagu was the only provider of leased line services until 2008, when Wataniya was granted permission to use its excess microwave capacity to provide leased line services.

Although the country does not have a universal access policy as such, Dhiraagu was obliged, as part of its licensing renewal process in 1995, to provide universal access to telephone services in the Maldives's 200 inhabited islands. This was understood to mean the installation of at least two payphones on each of these islands by 2000; Dhiraagu succeeded in achieving this goal in 1999.

Universal service obligations are funded through cross-subsidies between the operator's own services. The government has not established a specific universal access fund to support the advancement of universal access goals, but requires operators to provide mobile services and dial-up Internet connection at reduced rates for educational and health care activities.

The Telecom Authority of the Maldives was established in 2003 and regulates the sector under the Maldives Telecom Regulation of 2003. In 2006, the Ministry of Transport and Communications, the new policy-maker for the sector, introduced a policy seeking to limit dependence on satellite connectivity, and to promote connectivity through submarine cable and network development, the aim being to provide broadband services throughout the country.

President Nasheed has put priority on establishing “a national infrastructure capable of providing comprehensive telecommunication and ICT services throughout the country.” Major goals include: strengthening the regulatory framework; promoting private investment and the provision of services on a commercial basis, with greater participation from civil society; setting up affordable and non-discriminatory rates to encourage adoption of ICT in education, health and environmental protection; and establishing an e-governance service platform for the provision of online services.

Connectivity as a driver of socio-economic development

Promoting the adoption of ICT in government activities to improve service delivery has been a goal of the Maldives' National Development Plans for several years. The use of ICT within ministries is widespread, and most government office workers have IT and Internet access. The majority of government agencies in Male are connected through a local area network.

The government plans to connect all educational institutions in the atolls to a wide area network. The Information Technology Development Project seeks to implement e-government through the Government Network of the Maldives, which will connect government and parastatal agencies in Male and 20 atolls.

The adoption of ICT in health care and environmental protection, as well as in education, is essential for the sustainable development of the Maldives. With the financial support of a development partner, the country is now working on the implementation of a national early warning system to help it mitigate the impact of environmental shocks, such as the 2004 tsunami.

The health sector has also benefited from increased connectivity by introducing telemedicine projects among the islands. In December 2010, Dhiraagu announced the donation of a telemedicine system to the Ministry of Health and Family that will facilitate the provision of telemedicine services between remote islands and the central hospital in Male. The system will also be used for training medical personal in remote locations. To facilitate its use across the country, Dhiraagu will cover the expense of technical support, software licensing fees and broadband connectivity charges for one year.

Challenges and goals going forward

As a graduated LDC, the Maldives faces many challenges. Achieving sustainable development will depend largely on the country's ability to diversify the economy, reinforce the private sector and keep public finances in check, while continuing on the path of promoting increased social participation. These steps will help the country advance towards its goal of reducing poverty in its population.