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ANNEX

Mid Term Review of the Country Strategy Paper (2007-2013)

for the Maldives

and

Multi-annual Indicative Programme 2011-2013

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PART I EXECUTIVE SUMMARY

Since signing the Country Strategy Paper in 2007, there have been significant changes in the Maldives. The government initiated a wide-ranging governance reform programme, which is still ongoing, to modernize its institutions in line with its middle income status. A new constitution was adopted in August 2008, followed by the first multiparty presidential election in October 2008, which was assessed by an EU Election Expert Mission and considered “free and fair” by the international observers. A new president –the first for 30 years, was elected. On 9 May 2009, the Maldives also held its first multi-party parliamentary elections. The results gave the largest opposition party of former president Abdul Gayoom and its coalition partner a slight majority in the Parliament. The need for cohabitation raises concerns as to whether this will increase instability amid concern about gradual spread of radical interpretations of Islam.

The Maldives have achieved solid growth over the past decade, but continue to face serious challenges due to their dependence on tourism and fishing, vulnerability to environmental shocks and dispersed population. High global commodity prices caused a spike in inflation and widened the current account deficit in 2008 and 2009, and the global economic slowdown hit tourist arrivals. The growing fiscal deficit is creating macroeconomic imbalances which not only threaten effective implementation of the new government’s policies, but also risk of undoing the impressive development the country has seen in recent decades. The Government’s ability to implement its development priorities will to a large extent depend on its success in addressing domestic and external imbalances.

In this context, the country is seeking external financial support to allow the country to make necessary structural changes to the economy: Hence, The International Monetary Fund, granted a loan worth US\$ 92.5 million, while the Asian Development Bank and the World Bank approved a loan and technical assistance package of US\$ 39.5 million and US\$ 16.5 million respectively to support the Maldivian Economic Recovery Program.

Although Maldives in 2009 achieved the highest HDI ranking in South Asia, it nonetheless continues to face a multitude of challenges that can imperil the development gains. Income, education, health and other disparities are growing between the capital Malé and the outer atolls, as well as between atolls. Moreover these are being compounded by new and longstanding social issues – lack of affordable housing, persistent child malnutrition, significant youth unemployment and drug abuse – so threatening the cohesive fabric of the country. All this is particularly critical given that the Maldives is scheduled to graduate from Least Developed Country to middle-income status in January 2011, which will entail a range of new challenges related to removal of development and trade preferences. Being an important actor in the context of international negotiations on climate change, the Maldives played an active role at the UN Climate Change Conference in Copenhagen in December 2009 by raising world attention to the challenges faced by the most vulnerable developing countries.

The EU Strategy Paper 2007-2013 allocated € 10 million for the period. The Multi-annual Indicative Programme provides for € 4 million for the 2007-2010 period and has four components: Safe Islands/Climate Change, Drugs, Trade and Governance. So far, no actions under the MIP have been undertaken to date due to political uncertainty and major institutional changes in the country which came after the Presidential elections in 2008. The new democratic government has substantially modified the structure of ministries. Institutions

which were to receive capacity building support were dissolved, such as the National Narcotics Board and the Ministry of Environment.

The current strategy is ambitious given the small amount of the allocation, and covers too many sectors. It cannot have the impact intended unless it is deployed in a more focused and concentrated manner, as part of an overall strategy in conjunction with other development partners, especially the World Bank and the UN. Thus, the analysis has been reviewed and updated taking into account the considerable changes in the country over the past years. The future orientation is to refocus the strategy into a single focal sector “Governance”, comprising assistance to any of the following areas of intervention: environment, drugs and public administration.

A minor change in the Annual Action Programme 2009 (AAP) had already been made in order to reflect the relatively greater importance within the focal sector “Governance” of drug control and environmental challenges. The amounts earmarked in the MIP 2007-2010 for “Support to Economic Development and Trade (€ 0.2 mio) and “Support to Good Governance and Democratisation” (€ 0.6 mio) have been shifted to these two areas.

There is a clear move towards new forms of donor cooperation, such as better use of Multi-Donor Trust Funds which will facilitate opportunities for better concentration and coherence. It would also allow greater flexibility for the EU to adapt to changes. In consequence, given the small amount of resources, assistance in the period up to 2013 should take the following form:

Under the MIP 2007-2010 an amount of € 1.3 million is assured for the support to national security/stability on **drugs** through UNODC, and € 2.7 million for the support to national security under **climate change** through the World Bank.

It is suggested that the **MIP 2011-2013 (total of € 6 million)** focuses on “**Governance**”, i.e. assistance on institutional questions (which need not to exclude trade or other economic regulation issues if the Government wishes to pursue them). Flexibility is required should the political and institutional instability in the Maldives continue. Possible follow-up to projects under the current MIP may be looked at in the framework of the MIP 2011-2013.

PART II MID-TERM REVIEW OF THE MALDIVES STRATEGY PAPER 2007-2013

1. Political, economic and social developments

The country context has changed considerably since the signing of the CSP in 2007. The Road Map for the Reform Agenda published by the Government in March 2006 expresses a strong commitment, to meet international standards for human rights protection. A referendum on the future system of government (presidential versus parliamentarian) was organized during summer 2007. The adoption, on 7 August 2008, of a new Constitution, implementing a presidential system and guaranteeing civil and political rights, represented a milestone in the democratic development of the country.

The Presidential elections held on October 2008 constituted the first multi-party elections in the country. Opposition candidate Mohamed Nasheed of the Maldivian Democratic Party (MDP) won by 54,21% of the votes in the second-runoff after the other opposition parties rallied round to support his candidacy. Nasheed was elected on a platform of good governance reforms and economic restructuring, with a promise of major infrastructure projects. A new coalition government led by the MDP has taken office with a completely new administration. The first ever multi-party parliamentary elections took place on 9 May 2009 under the new Constitution. The results gave the main opposition party, Dhivehi Rayyithunghe Party (of former President Gayoom) and its allies a slight majority in the Parliament. The biggest challenge the new President is facing is how to address the country's problems and at the same time keep his coalition partners engaged and satisfied.

The European Commission played a key role in the electoral process by deploying an EU Election Expert Mission (EU EEM) to the Maldives to assess the presidential and the parliamentary elections. A number of shortcomings were nevertheless identified, in particular regarding voter registration, election dispute resolution mechanisms, constituency delimitation and women's representation. The effective implementation of the findings and recommendations of the EU EEM will be a key prerequisite for the further political reform process.

Over the past three years, the Maldives have ratified numerous international human rights instruments¹. However, they have not ratified the Rome Statute of the International Criminal Court neither the Second Optional Protocol to the ICCPR, aiming at the abolition of the death penalty. The laws covering labour were overhauled in 2008 with the enactment of the new Constitution and the new Employment Act which recognizes the workers' right to strike and establish trade unions, for the first time. In December 2008, Maldives became a member of the International Labour Organization.

The Maldives is a small, open economy making it particularly vulnerable to extreme external shocks. Tourism receipts are the country's main export revenue and comprise over 30% of GDP. Europe and Asia are the two main regions where tourists originate and the recession in Europe and the sharp growth slowdown in Asia is already showing up in tourist arrivals data.

¹ These include the International Covenant on Civil and Political Rights (ICCPR), the Optional Protocol to the ICCPR, the International Covenant on Economic, Social and Cultural Rights (ICESCR), the Convention on the Elimination of all forms of Racial Discrimination (CERD), the UN Convention against Torture and Other Cruel, Inhuman and Degrading Treatment or Punishment (CAT), the Optional Protocol to the CAT, the Convention on the Elimination of all forms of Discrimination against Women (CEDAW), the Optional Protocol to the CEDAW.

Maldives is actively diversifying towards Russia, China and other Asian source markets. This is having an impact on the nature and extent of its diplomatic relationships with inter-alia Russia, India and China.

In view of the significant economic progress Maldives has made, it will graduate from the UN's LDC list in January 2011 and will no longer be eligible for special trade preferences for LDCs. However, there is a need to ensure a smooth transition, and the EU GSP Regulation foresees a transitional period of at least three years during which graduating countries may continue to benefit from the preferences. Thereafter, Maldives may be eligible for the Special Incentive Arrangement for Sustainable Development and Good Governance, also known as GSP+.

The importance of the fisheries sector in the livelihoods of the communities throughout the country has remained vital in terms of trade, employment and self - sustenance. The slowdown in tourism was the main cause for the fall in GDP growth to 5,7% in 2008 from 7.2% in 2007. Still, vulnerabilities remain. A trade deficit in the order of 70% of GDP in 2008, even if reduced to 40% according to more recent IMF data (2009) is clearly unsustainable. The same holds true for a current account deficit of 51% of GDP (2008) or 29% (2009). External debt almost doubled within 5 years (to 82% of GDP in 2009) and currency reserves cover only 3 months of imports. The fiscal deficit (-28,8% according to IMF data in 2009) is alarming. GDP growth sagged by almost 10 percentage points in 2009 to a negative growth of -4% according to IMF data.

When the new government took office in November 2008 there were serious issues arising with public finance deficits. In this context, the IMF has reached an agreement with the Maldivian authorities on an economic program that could be supported by Fund resources of about \$100 million under a requested 30-month Stand-By Arrangement. The GoM has put together a strong macroeconomic program, built on three key elements: reducing public spending through a restructuring of wages and reduction in the civil service, tightening monetary policy and strengthening the health of the financial sector. Also, the Government has began a strategic process of seeking out new donors to provide support to its fiscal budget challenge, and reinforcing the notion of South-South cooperation. Thus, India confirmed delivery of a USD \$ 100 million loan consisting of USD \$ 50 million balance of payment support and USD \$ 50 million tied import purchase facility.

In terms of Millennium Development Goals (MDGs), the Maldives is one of the most advanced countries in Asia and certainly the most advanced in South Asia. Mid-way to the target date, the country is generally on track in achieving the MDGs, although challenges remain to achieve the goals of gender and environment. While gender parity has been achieved in education and proportion of women in paying jobs is increasing, men still dominate decision-making. The impressive development gains are reflected in high average growth rates and improving human development indicators. In 2007, the HDI for Maldives is 0.771, which gives the country a rank of 95th out of 182 countries. Annual real GDP growth has averaged over 7% in the last 25 years contributing to an impressive reduction in poverty. Moreover, vulnerability and inequality are a concern, as a significant number of people have fallen back into poverty and the disparities between remote islands with small populations and the capital Malé region remain substantial.

2. Policy Agenda

The country's considerable environmental assets (marine biodiversity) have been and will remain the key source of growth for the economy. Recognizing the economic significance of

its fragile environment, sustainability has remained an important development priority in the Maldives; indeed, the Maldives stands as a rare success story of a country that has judiciously managed its natural but limited resources to fuel prosperity and graduate to middle income status. However, adaptation to global climate change is a key challenge for the government going forward. Tourist resorts on low lying coral islands or located over lagoons are among the most vulnerable to sea level rise. The loss of these assets would have a devastating impact on economic prospects.

The Seventh National Development Plan (7NDP) and the new government's manifesto aim to realize these opportunities and respond to the challenges. The new government's development plan builds on key elements set out in the 7NDP for the period 2006-2010: "Creating New Opportunities". This is also the strategic policy framework for achieving the objectives of Vision 2020, which are to reach the upper-middle income status, to ensure more equitable access to services and opportunities through urbanization and to improve governance (ensure better service delivery, facilitate economic diversification, promote gender equality, and support better environmental practices to sustain growth and adapt to global climate change.)

At the Third Maldives Partners Forum held in March 2009, the new government outlined its priorities: it reaffirmed its commitment to go carbon neutral by 2019 and recognized that environmental issues, in particular waste management, and drug abuse remain the two major national problems. Since vocational and skills training are underdeveloped, high youth unemployment and heavy reliance on expatriate workers are a consequence. Public ownership is widespread in every sector of the economy except tourism. The Government of Maldives (GoM) has prioritized privatization. Income disparities between Malé and the atolls are large and widening. Thus, the GoM also aims to prioritize decentralization, shifting focus of economic development from Malé, creating economic and social infrastructure away from the capital.

3. Developments in EU Policies

Since the adoption of the CSP 2007-2013, a number of EU policies have either been adopted or updated. None of them fundamentally alters the content of the EC Strategy to Maldives, which, to a large extent, already takes into account new policy concerns. Where appropriate, new and existing programmes will be adapted so as to incorporate the most recent developments.

Climate change is acquiring increasing importance in the EU's external action. In the last two years, the EU has adopted the Energy and Climate Change package (2007), the Global Climate Change Alliance (GCCA 2007), Global Energy Efficiency and Renewable Energy Programme (2008). The Maldives, among the most vulnerable and least defensible countries to the projected impacts of climate change and associated sea level rise, will require substantial support in the coming years and hence, has been selected as one of the first recipient nations to benefit from the GCCA funds, a priority funding mechanism under the EU policy on climate change. Maldives is an important actor in the context of international negotiations on climate change and plays a leading role in the Alliance of Small Island States (AOSIS) group. Renewed interest has been raised with the President's pledge to make the Maldives a carbon neutral country before 2019. In this context, the GoM launched a campaign to adopt by the United Nations Economic and Social Council (ECOSOC) a resolution calling for a root-and-branch review of the structure and effectiveness of UN support for Small Island Developing States (SIDS). Furthermore, the Maldives secured the adoption of a key UN Resolution on Human Rights and Climate Change asserting that global warming undermines

the human rights of millions of people around the world calls strongly for all States to persevere in their duty to pursue international cooperation to mitigate and adapt to climate change.

The EU **Drugs** Action Plan for 2005-2008 and 2009-2012 endorsed by the Council in December 2008, gave emphasis to improving cooperation and assisting third countries in becoming more effective in both drug demand and drug supply reduction. In particular, it address drug-related concerns in producer countries and those along (emerging) trafficking routes through projects aimed at reducing the demand for and supply of drugs and preventing the diversion of drug precursors. The CSP 2007-2013 specifically identifies support to the GoM efforts to address drug abuse among the young in the context of the National Drug Control Master Plan. Also, the Government's anti-drug policy is aimed at stopping precursor chemicals from entering the country. Thus, assistance to the Maldives Police and Customs Service for the control of precursors which will complement the planned programme with UNODC should be addressed with, possibly, additional funds from instruments other than DCI.

In 2007, the European Commission adopted a Communication on Aid for **Trade**, which was followed by Council Conclusions². Whereas the Strategy Paper for the Maldives argues that the economic development and the trade-related assistance is a non-focal sector for EU cooperation to ease the country's transit from LDC status, the GoM has not yet indicated a wish to prioritise trade. As such, this element can be removed from the programme. However, should the Maldives become eligible to apply for GSP+ in the coming years, the possibility should be left open to support implementation of legislation on labour rights under the governance umbrella within the next MIP (2011-2013).

In the field of **human rights**, the EU has updated its Guidelines on the death penalty³, torture⁴, human rights defenders⁵ and gender⁶. The Maldives are one of the rare Asian countries to have ratified both the Optional Protocol to the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (OPCAT) and to have established the National Preventive Mechanism ("NPM") required therein. From 10 to 17 December 2007, the UN Subcommittee on the Prevention of Torture ("SPT") visited the Maldives. On 23 February 2009, the GoM published the SPT report, which contains nearly 100 recommendations pertaining to the legal and institutional framework, the police, prisons and youth rehabilitation centres. The GoM has made strong commitments to address the prevalence of torture and ill-treatment in the country and have requested EC assistance to help implement the SPT recommendations as part of their penal reform efforts. Possibilities should be considered to respond to the GoM request to support the effective follow-up on Recommendations of the SPT, including the strengthening of the Human Rights Commission which has been designated as the NPM.

² Council Conclusions of 15 October 2007

³ EU Guidelines on the Death Penalty.

⁴ EU Guidelines on torture and other cruel, inhuman or degrading treatment or punishment

⁵ Ensuring protection – European Union Guidelines on Human Rights Defenders

⁶ EU Guidelines on violence against women and girls and combating all forms of discrimination against them (2008).

The EU's Regional Strategy Paper promotes **regional cooperation** in the SAARC area, South Asia being one of the least integrated regions in the world. In view of major challenges common to all countries in the area in such fields as climate change, security and migration, the EU will continue to support, to extent possible, regional cooperation both in South and South East Asia.

A reinforced **gender** focus is also enshrined in the 2007 EU Strategy on Gender Equality and Women Empowerment in Development Cooperation, which refers to the need to refocus specific actions for women's empowerment in the field of governance and political participation.

4. Performance and lessons learnt

Only a few donors are active in Male and fewer still have an established presence there (UN and World Bank). The key role in the coordination process is played by the UN and to a lesser extent by the World Bank. The EU Delegation in Sri Lanka actively participates in donor coordination and information meetings on the Maldives that are held regularly in Colombo. The Delegation also continuously participates in coordination and follow-up meetings in Male in the context of Post-Tsunami Recovery and Reconstruction or to keep abreast of developments in the Governance sector. The Delegation participates in the Annual Partnership Forum in Male. Since very few Member States or other donors are active in the country, the most effective way of ensuring harmonization and coordination is by supporting large-scale multi-donor schemes. Channeling funds through the World Bank or UN agencies ensures harmonization of procedures and thereby lowers the administrative burden of the Government. Moreover, the EU is financing the Integrated Framework (IF) Facilitator and generally plays a prominent role in assisting GoM to develop its National Trade Policy.

Maldives has been able to implement, in a moderately satisfactory manner, most of the actions foreseen under the post *Tsunami Rehabilitation Trust Fund* (TRTF - € 14 million) with the World Bank in three areas of health, education and economic governance. However, actions under the TRTF to support solid waste management implemented by UNDP and World Bank have not altogether satisfactory for various reasons, *inter alia*, lack of community involvement and awareness raising for behavioral change among islanders (a necessary pre-condition for proper management). Furthermore, at the technical ministries and agencies level, capacities to develop strategy and policies, enforce regulations and monitor the environment are weak. The very few graduates in environment and related disciplines, work for either the private sector or international institutions. The TRTF ends on March 31, 2010. Some restructuring to the sector has been planned to ensure coherence with pipeline funds on climate change, government policies and challenges. A related ALA financed post-tsunami *Immediate Livelihoods Rehabilitation Programme* (€ 2 million) was completed through the UNDP in 2007. Its performance was satisfactory.

So far, there has been no progress or result from the CSP implementation to date due to political uncertainty and major institutional changes in the country following the Presidential elections in 2008. The new democratic government has substantially modified the structure of ministries. Institutions which were to receive capacity building support were dissolved, such as the National Narcotics Board and the Ministry of Environment, and some more changes are foreseen following the parliamentary and provincial elections in the course of 2009.

Therefore, the new programme proposed on climate change and drugs will draw on the lessons of past projects and will seek to involve communities. This will not only encourage

greater ownership but also build capacity within a weak civil society. The pipeline programme will also work closely with GoM counterparts in order to build much needed capacity in ministries/agencies. Both the climate change and drugs project will come under the Vice President's (VP) office, which has overall authority for the two sectors, namely climate change and drugs. Importantly, as the VP has a 5 year mandate, the programme will be somewhat impervious to political and institutional flux due to further political transition, which was the root cause for delay of the implementation of the CSP. Moreover, the VP's office will have the authority to bring all stakeholders, including international donors, together and influence policy level changes across the board while aligning all other projects and drawing upon synergies.

The projects will be implemented through the World Bank (WB) and the United Nations Office for Drugs and Crimes (UNODC). Thus, the proposed action addresses the need for continuity and long term engagement with the GoM while working with the long term partners already implementing key actions. To ensure local ownership, alignment with country systems, division of labour and joint programming, a tripartite MoU will be signed with GoM, UNODC/WB and EU Delegation prior to the implementation of the proposed projects and a Project Steering Committee co chaired by the VP/Minister and EU Delegation consisting of all stakeholders will be established.

Moreover, there have been excellent results, visibility and goodwill built through governance actions outside the CSP such as the technical assistance provided to the Elections Commission of Maldives and Legal Reform Ministry prior to the presidential elections in 2008 and the legislative elections in 2009.

5. Quality improvements

The response strategy is adequate for the environment sector, provided that other sources of EU funding, such as GCCA, complement the MIP funds. For most donors, climate change has become a high priority intervention area. Climate change is not the only environmental issue highlighted in the NAPA. Waste management is considered as one of the most important and urgent – being an important factor for the reduction of the country's resilience to climate change. Most of the goods sold in the Maldives, including food, are imported and thus with growing prosperity and buoyant tourism, the quantities of solid waste generated exceed disposal and treatment capacity. As far as mitigation is concerned, waste is also one of the main GHG source of the Maldives through waste burning and methane emissions of disposal sites. Therefore, the GoM is keen to improve waste management systems. This complements their carbon neutrality commitments.

Maldives is geographically well located as a strategic transshipment point for heroin and cannabis derivatives. **Drugs** from Afghanistan arrive in huge quantities and are off-loaded on the domestic market. Furthermore, in order to maintain its tourist-friendly image, security in the Maldives is light, while an abysmal lack of capacity within the police, coastal guards and intelligence services prevents the GoM from impeding supply. Maldives risks ultimately becoming an embryonic *narco*-state. The rapid spread of drug use, especially among youth, has led to a rising crime rate, a spate of anti-social behaviour and the marginalisation of an increasing section of the country's young population.

Repressed under the previous regime, a nascent civil society exists in Maldives which lacks capacity and access to external funding. However, consensus has emerged among donors and the new GoM, on the need to strengthen the activities and capacities of these actors. Consultation with local civil society organisations affirmed that they are not only placed to

facilitate and increase meaningful interaction between atoll communities, emerging government structures and donor actions, but also eager to engage.

Institutional structures have seen much re-arrangement in the country, however, there is a need for continuity and long term engagement with the GoM while working with the long term partners already implementing key actions. As part of the government's efforts to prevent drug abuse and trafficking, a Narcotics Control Council has been established under the chairmanship of the Vice-President, thus impervious to ongoing political and institutional restructuring.

The focus of EU aid takes account of the principal activities of donors. Government and international financial institutions have focused on the larger investment projects (World Bank) as well as the overall macroeconomic framework (IMF). The Commission will continue to support democratization and good governance, where it has an added value in terms of expertise and where it can provide support to the reform agenda.

6. Conclusions

Taking these issues and lessons into account, and given the small resources at stake, the future orientation is to refocus the strategy into a single focal sector, "**Governance**", which would allow the EU's assistance to be directed towards environment, the fight against drugs and public administration. Climate change will be addressed through the Global Climate Change Alliance funds which will complement the MIP funds.

There will be no requirement to increase the total amount of the envelope over the period 2007-2010. A minor change in the Annual Action Programme 2009 (AAP) had already been made in order to reflect the relatively greater importance within the focal sector "Governance" of drug control and environmental challenges. The amounts earmarked in the MIP 2007-2010 for "Support to Economic Development and Trade (€ 0.2 mio) and "Support to Good Governance and Democratisation" (€ 0.6 mio) have been shifted to these two areas. Governance/civil society and trade related actions will be integrated within the framework of the two main sectors.

Ongoing support to democratization in Maldives will continue through thematic budget lines. Regarding Human Rights, the MIP 2011-2013 will include possibilities of support for the effective follow-up on Recommendations of the UN Subcommittee on the Prevention of Torture. Support should help improve expertise and capacity building, especially in the prison system. This assistance should be additional to the funds which might be provided through other thematic lines.

The risks of further institutional restructuring following political upheavals will be mitigated through working with the Vice-President's Office as the two core areas of intervention, environment/climate change and drugs (remaining priorities of the GoM), are unlikely to be affected by the elections. Both now fall within the Vice-President's purview, the latter having a 5 year mandate.

PART III MALDIVES MULTI-ANNUAL INDICATIVE PROGRAMME 2011-2013

Taking into account the considerable changes in the political sphere in the Maldives and the new government's priorities, the Multi-annual Indicative Programme (MIP) 2011-2013 will refocus the strategy into a single focal sector "**Governance**" assistance to any or all of the following areas of intervention: environment, drugs and public administration.

The total envelope for the **MIP 2011-2013** is **€ 6 million** Actions financed under the CSP 2005-2006 and the MIP 2007-2010 as well as interventions under various Community budget lines (such as EIDHR, Non State Actors, GCCA) not covered by this CSP complement the activities of the current MIP, and actions continuing to be implemented after 2011 will mutually reinforce each other.

1. Strategy context/justification

1.1. Environment/Climate Change

As an archipelago of low-lying islands, the Maldives is especially vulnerable to climate change. The National Adaptation Programme of Action (NAPA) underlines sea level rise as an issue of paramount importance, as eighty percent of the islands are less than one meter above sea level. When designing adaptation action the opportunities of ecosystem-based adaptation should be explored. Particular attention should be attributed to the proactive stewardship of the natural environment such as the role of coral reef as a natural defence of the coastline (notably during extreme weather events).

Ecosystem protection and restoration should be part of the solution as healthy ecosystems are much more resilient to climate change impacts than degraded ecosystems. In addition to their potential role in adapting to climate change, the impact of both sea level and sea temperature on coral reefs is also preoccupying, as reefs are intricately linked to Maldives' two-sector economy, tourism and fisheries, both based on a healthy and, so far, exceptionally well preserved environment. Tourist resorts on low lying coral islands or located over lagoons are among the most vulnerable to sea level rise. The loss of these assets would have a devastating impact on economic prospects.

Recognizing the economic significance of its fragile environment, sustainability has remained an important development priority in the Maldives. Indeed, the Maldives is a rare success story a country that has judiciously managed its natural but limited resources to fuel prosperity and graduate to middle income status. However, adaptation to global climate change is a crucial challenge for the government. The MIP should therefore assist the GoM to devise and implement a policy to reduce vulnerability to rising sea levels.

Among the environmental issues highlighted by the GoM in the NAPA, **waste management** is considered as one of the most important and urgent. With growing prosperity, most goods – including food – are imported. Thus Maldives produces a huge amount of domestic waste. The problem is aggravated by the high consumption of tourist resorts. The GoM highlighted waste management as a priority concern at the third Maldives Partnership Forum in March 2009 and this complements their carbon neutrality concerns.

1.2. Combat Against Drug Abuse

Maldives is geographically well located as a strategic transshipment point for heroin and cannabinoid derivatives. Drugs arrive in huge quantities the proceeds of which are believed to

finance groups such as the Taliban in Afghanistan and are off-loaded on the domestic market. Furthermore, in order to maintain its tourist-friendly image, the country is security light on the one hand, while an abysmal lack of capacity within the police, coastal guards and intelligence services at curtailing supply, is apparent on the other. The rapid spread of drug use has led to a rising crime rate, a spate of anti-social behaviour and the marginalisation of an increasing section of the country's young population. No national survey exists, thus it is difficult to gauge the extent or depth of Maldives' drug problem. Based on police records it is estimated that 25 – 30% of addicts are minors with some first users being as young as 9 years of age and 80% of prison inmates are addicts. Thus both security and social sustainability are threatened.

The CSP 2007-2013 specifically identifies support to the GoM efforts to address drug abuse among the young in the context of the National Drug Control Master Plan. The Government's anti-drug policy is also aimed at stopping precursor chemicals from entering the country. Thus, assistance to the Maldives Police and Customs Service for the control of precursors which will complement the planned programme with United Nations Office for Drugs and Crimes (UNODC) should be addressed as well as further assistance to government structures and civil society to build capacity to fight this problem. Possible additional funds from instruments other than DCI will also be explored.

1.3. Public Administration

As Maldives takes its first steps in democratic transition, good governance continues to be high on the agenda of the new government. The GoM faces serious issues arising with public finance deficits and corruption is a serious problem that the new government has vowed to fight. There are significant regional disparities in living conditions as many of the more remote, poorer island communities have little or no access to basic social amenities. Excessive migration to the capital city island of Malé' with its higher standard of living and strong sea defences has caused overcrowding and a strain on the island's resources.

In 1998, the GoM established a policy of regional development and decentralisation to ensure services are delivered in a cost-effective manner to the population in the outer atolls and to reduce the drift of people towards Malé. However, there is now an urgent need to develop centres of growth in the atolls to improve the standard of living and to encourage people to remain there. Consequently, the GoM has given priority to its regional development strategy to develop larger, safer and more sustainable islands in the atolls where people can live more comfortably with improved job opportunities. A primary goal targeted is to introduce local governance through decentralization of all regions in the country. It is intended to decentralize most of the service delivery functions to Regional Councils, which in turn will commit to transfer authority to the people's representatives at atoll and island levels.

The new government's development plan builds on key elements set out in the Seventh National Development Plan for the period 2006-2010: "Creating New Opportunities". This is also the strategic policy framework for achieving the objectives of Vision 2020 which is to reach the upper-middle income status, ensure more equitable access to services and opportunities through urbanization and improve service delivery, facilitate economic diversification, promote gender equality, and support better environmental practices to sustain growth and adapt to global climate change.

Based on the recommendations made in the report of the UN Subcommittee on the Prevention of Torture ("SPT") and the GoM's request to support the effective follow-up to these

Recommendations, support will be given to help improve expertise and capacity building, especially in the prison system. This assistance should be additional to the funds which might be provided through other thematic lines, as well as to strengthen the National Human Rights Commission, notably in carrying out its mandate as the National Torture Preventive Mechanism (“NPM”). This assistance should be additional to the funds which might be provided through other thematic lines.

2. Activities

2.1. Objectives

The overall objective is to:

- To support the country's regional development through focus on its environmental challenges (which are also economic challenges) and public administration, strengthen the national response on drug abuse thereby contribute to the Government's National Development Plan and reduce regional disparities.

The specific objectives are to contribute to:

- strengthening local ownership and capacity to deal with the challenges of climate change, anti-drug response and regional disparities thereby boosting sustainability of the Maldives by ensuring a secure, durable environment and enhanced economic prospects for the local community.
- supporting national efforts to improve the human rights situation, including detention conditions.

2.2. Expected results

a) Climate Change

- GoM’s capacity to engage in high level policy dialogue on international environmental issues and to formulate, develop and implement sustainable regional development and environmental policies is strengthened
- Vulnerability of islands to sea level rise is reduced through sustainable environmental planning and environmentally sound sea defences as well as mitigation and adaptation measures taken at national and local level.

b) Combat Against Drug Abuse

- National response on drug use, prevention and treatment is strengthened, and the risk of HIV through related drug use is minimised

c) Public Administration

- Economic and administrative governance structures is strengthened, including local and central government capacities, thus enhancing rule of law and good governance.
- Conditions of detention are improved in line with the recommendations by the UN Subcommittee on the Prevention of Torture
- The independence and effectiveness of the national Human Rights framework, including the National Torture Preventive Mechanism, are strengthened.

2.3. Main Indicators

a) Climate Change

- Number and type of pilot actions/community level climate change adaptation projects carried out
- Number of improved delivery of environment services
- Evolution of a national waste management strategy and reduced dependence on imports
- Enhanced community awareness on climate change at local and national levels.

b) Combat Against Drug Abuse

- Number of treatment and type of drug prevention and aftercare services developed
- Number and type of revision/review of national drug-related legislative initiatives.

c) Public Administration

- Number of projects carried out and technical assistance provided to strengthen administrative governance structures
- Improved capacity of civil society to contribute to broader policy discussions and choices.

2.4. Activities

The European Commission will contribute to the GoM's focus on regional development which is an enhanced version of the regional development strategy adopted in 1998 and "safe islands" strategy in 2004. The programme will provide wider redevelopment options for the population and will improve upon facilities and ensure environmental sustainability.

Activities will be defined after an identification mission, which should assess needs and identify the funding gaps. Activities will ensure complementarity with other on-going and future EU-funded activities and those of other donors. Particular attention will be given to enhancing capacity and improving quality of services in the environment, drug and public administration sectors.

2.5. Implementation

Implementation should take into account the lessons learnt from the Commission's funding of 'focus'/'safe' islands in post tsunami and other actions on climate change, drugs and good governance. Identification process will examine possible alternatives including collaboration with member states, joint management with UN and World Bank

2.6. Cross-cutting issues

The strategy foreseen focuses directly on environment and good governance. The focus on drugs aims to minimize the potential threat it poses to national security and stability. Through the strengthening of GoM capacities to address this threat using a coordinated approach, it will contribute to good governance. Furthermore, it will also directly involve and protect the most vulnerable groups, children and women and thus contribute to strengthen human rights. Gender equality is of particular significance at the level of both beneficiary and target organisations. All partner organisations (notably through calls for proposals with CSOs), will be requested to ensure that women and men are adequately represented in their staff and target

groups, and to use gender-disaggregated indicators when measuring the achievements of their interventions.

The project will encourage involvement and protection of the most vulnerable groups, such as women and youth. Environmental aspects will follow the guidelines for reconstruction established by UNEP at the Cairo Conference of February 2005. Activities will include specific environmental projects and support the GoM's efforts to explore sustainable sources of renewable energy. Environmental Impact Assessments (for projects) and Strategic Environmental Assessments (for programmes) will also be included in the design of the assistance.

2.7. Risks & assumptions

Assumptions:

The GoM continues its regional development strategy as planned.

Risks:

Costs in the Maldives could be prohibitive as everything has to be imported and the cost of the limited transport available increases due to rising fuel prices.

Another major risk could be that the regional development approach is not convincing enough to attract people from vulnerable lower-lying islands or to prevent them migrating into Male'. (This risk has been substantially reduced by the experience of the tsunami where the population saw first-hand the danger of continuing to live on outlying islands).

Continued commitment of GoM to the stated objectives and availability of adequate staff as technical counterparts for the proposed interventions are fundamental assumptions for all programme components. Sustainability will be ensured through the project's focus on strengthening local civil society as well as strengthening national legislation and structures.

Risk of political instability that could negatively affect the programme will be mitigated by the establishment of Project Steering Committee comprised by all stakeholders including civil society and private sector representatives. It will be co-chaired by the GoM and EU and will drive the action. Moreover, risks of failure to implement the proposed action due to ongoing political and institutional flux is mitigated since the action will be closely coordinated with the Vice President's office and is in charge of both climate change and the anti-drug issue. The Vice President has a five year mandate and it is assumed that his office will not be affected by further restructuring.

2.8. Coordination

The precise amounts to be divided among the sectors indicated under this priority will be determined during the identification and appraisal process.

The main contribution to coordination with Member States and other donors will be achieved by channeling Commission funds via the GoM TRRF. This will ensure a *de facto* coordination between the Commission, Member States and other donors. The EU will also participate fully in donor coordination meetings.

The EU Delegation in Sri Lanka is an active participant in donor coordination and information meetings on the Maldives hosted by the British High Commission. Since very

few Member States or other donors are active in the country, the most effective way of ensuring harmonization and coordination is by supporting large-scale multi-donor schemes. Channeling funds through the World Bank and UN ensures harmonization of procedures and thereby lowers the administrative burden of the Government.

ANNEXES

- Annex 1:** List of abbreviations
- Annex 2:** Summary of focal/non-focal areas and financial
- Annex 3:** Country at a glance
- Annex 4:** Donor matrix
- Annex 5:** Mid Perm Review consultations
- Annex 6:** Country Environmental Profile

List of abbreviations

AAP	Annual Action Programme
AOSIS	Alliance of Small Island States
CSO	Civil Society Organization
CSP	Country Strategy Paper
DCI	Development Cooperation Instrument
EC	European Commission
ECOSOC	United Nations Economic and Social Council
EEM	Election Expert Mission
EU	European Union
GCCA	Global Climate Change Alliance
GDP	Gross Domestic Product
GoM	Government of Maldives
GSP	Generalised System of Preferences
HDI	Human Development Index
IF	Integrated Framework
ILO	International Labour Organization
LDC	Least Developed Country
IMF	International Monetary Fund
MDG	Millenium Development Goals
MDP	Maldivian Democratic Party
MIP	Multi-annual Indicative Programme
MTR	Mid-Term Review
NAPA	National Adaptation Plan of Action
NDP	National Development Plan
NGO	Non Governmental organization
NIP	National Indicative Programme
NMA	Maldives Monetary Authority
NSA	Non State Actor
SAARC	South Asia Association for Regional Cooperation
SIDS	Small Island Developing States
SIP	Safe Island Policy
TRTF	Tsunami Rehabilitation Trust Fund
TRRF	Tsunami Relief and Reconstruction Fund
UN	United Nations
UNDP	United Nations Development Programme
UNODC	United Nations Office for Drugs and Crimes
VP	Vice President
WB	World Bank

Revised MIP 2007-10 and MIP 2011-13 - MALDIVES (indicative allocations)

Revised MIP 2007-2010: € 4 million		Planned allocation in MIP 2007-2010		Revised MIP 2007-2010		Allocation in MIP 07-10	
Sector	Interventions	in € M	in %	in € M	in %	in %	in € M
FS1	Support to climate change adaptation and mitigation	2,2	55,0	2,7	67,5	67,5	2,7
FS1	Support to the Maldives to combat drug abuse	1,0	25,0	1,3	32,5	32,5	1,3
NFS1	Support to Economic Development & Trade	0,2	5,0	0,0	0,0	0,0	0,0
NFS2	Support on Good governance and Democratisation	0,6	15,0	0,0	0,0	0,0	0,0
Total		4,0	100,0	4,0	0,0	100,0	4,0

FS1 : Regional development & Sustainable environment

NFS1: Trade-related technical assistance to enhance trade capacity

NFS2: Democratisation and good governance

MIP 2011-2013: € 6 million		Planned (in € M)		
Sector	Interventions	2011-2013	Total	in %
FS1	GOVERNANCE	6,0	6,0	100%
	- environment, drugs, public administration			

a) Country at a glance - macro-indicators (Maldives)

	2005	2006	2007	2008
Basic data				
Population (in million) ¹	0,289	0,298	0,31	0,32
- annual change in %	1,7	1,7	1,7	1,6
Nominal GDP (in million US \$) ²	750	915	1054	1261
- Nominal GDP Growth (%)	3,4	23,9	13	14,7
Nominal GDP per capita (in US \$)	2552	3051	3458	4072
- annual change in %	-0,5	19,5	13,4	17,7
Real GDP (annual change in %) ³	-4,6	19,1	6,6	9,5
Gross fixed capital formation (in % of GDP)	61.3	-	-	-
International transactions				
Exports of goods and services (in % of GDP)	161,6	225,2	228	330,5
- of which RMG (in % of GDP)	-	-	-	-
Trade Balance (in % of GDP)	-66	-65	-70	-70
Current account balance (in % of GDP)	-35,9	-33	-41,7	-51,9
Net inflows of FDI (in % of GDP)	9	14	15	-
External debt (in % of GDP)	53	62,7	79,7	77,4
Service of external debt (in % of exports of goods and non-factor services)	10,1	6,3	9,1	11,9
Foreign exchange reserves (in months of imports of goods and non-factor services)	2,1	2,3	2,4	2,5
Government				
Revenues (in % of GDP)	48	61,4	59,6	46,9
- of which: grants (in % of GDP)	8,6	7,4	8,8	4,7
Expenditure (in % of GDP)	58,9	68,5	86,9	61,3
- of which: capital expenditure (in % of GDP)	11,8	12,4	14,4	16,6
Deficit (in % of GDP) including grants	11	7	28	14
Deficit (in % of GDP) excluding grants	-19,5	-14,2	-16,6	-14,3
Debt (in % of GDP)	44,1	40,7	38,9	41,7

- of which: external (in % of total public debt)	34	32,4	39	38
Other				
Consumer price inflation (annual average change in %)	3,3	3,5	7,4	12,3
Interest rate (for money, annual rate in %)	10,3	10,3	10,3	10,3
Exchange rate (annual average of BDT per €1)	16,15	15,94	17,32	18,14
Unemployment (in % of labour force)	-	14	-	-
Employment in agriculture (in % of total employment)	-	22	-	-

¹ Source: World Bank

² Source: Maldivian Ministry of Planning and National Development - anomalies subject to currency conversion from Rufiyaa to Euros may prevail.

³ All other data obtained from: Maldivian Ministry of Planning and National Development.

DONOR MATRIX
(in USD)

Sectors by DAC code																				
Donors	Education	Health	Population Policies	Water supply & Sanitation	Government & Civil Society	Other Social Infrastructure & Services	Transport & Storage	Communications	Energy	Banking & Financial Services	Business & other services	Agriculture, Forestry & Fishing	Industry, Mineral Resources & Mining, Construction	Trade & Tourism	Multi-Sector/ Cross cutting Commodity Aid & General Programme Assistance	Action related to Debt	Emergency Assistance & Reconstruction	Support to NGOs	Unallocated/Unspecified	Total by donor
All present EU Donors																				
Cyprus																		140,856		140,856.00
Finland																	332,800			332,800.00
British Red cross																	36,722,910			36,722,910
Britin SGS	74,459	19,421																		93,880
French Red Cross																	26,419,753			26,419,753
Germany Red Cross																	7,275,553			7,275,553
Netherlands																	22,945,232			22,945,232
Greece																		204,498		204,498
Norway																		120,398		120,398
UK																		712,016		712,016
EC					1,539,005									545,300			19,683,188			21,767,493
EC+MSs	74,459	19,424			1,539,005									545,300			113,578,783		1,177,768	116,934,739
Major Non- EU Donors																				
Canada Fund																	199,347			199,347
China																	29,513,192			29,513,192
American Red Cross																	18,677,049			18,677,049
Canadian Red Cross						9,843,096														9,843,096
Australian Red Cross												50,000					5,127,061			5,177,061
Brunei																	60,827			60,827
Bangladesh																		1000,000		1,000,000
Bhutan																		100,000		100,000
Japan																	37,854,973			37,854,973

Mid-Term Review Consultation of the Maldives Country Strategy Paper 2007-2013

As part of the Mid-Term Review exercise of the Maldives Strategy Paper 2007-2013, the EC Delegation in Sri Lanka has completed a series of consultation meetings with civil society, government departments and agencies and other development partners (notably the World Bank, UN agencies) during the month of March 2009. Discussions took place during the Maldives Development Forum held on March 2009 and which provides a platform for discussion between the Government of Maldives and its development partners on key national development objectives and challenges.

At the Forum, various ministries and government agencies presented the state of play of the development policies and main challenges ahead. The new government outlined its priorities: it reaffirmed its commitment to go carbon neutral by 2020 and recognized that environmental issues, in particular waste management, and drug abuse remain the two major national problems.

Discussions with representatives of government agencies and others development partners highlighted that the greatest constraint to implementation of environmental policies is the lack of technical and managerial capacity. Meeting with the Vice-President emphasized the importance of governance in the two areas of EC intervention, environment/climate change and drugs.

The Commission met in Malé with some 35 civil Civil Society Organisations (CSOs) , of which one was a federation representing some 50 CBOs (Community Based Organisations). Prior to the consultation, preparatory documentation (CSP 2007-2013 and MIP 2007-2010) was emailed to Maldivian CSOs relevant to the Mid Term Review. This documentation included key questions for discussion. The discussion was introduced with a PowerPoint presentation, featuring the current CSP and MIP and the role of the Mid-Term Review. This was followed by a Q&A session and exchange of views on the relevance of the current CSP and potential need for adjustments.

The meeting was very useful. Despite their extremely embryonic nature they were clearly eager to engage and were already active in many fields including environment and drugs. The civil society sector is short of capacity with NGOs having limited organisational viability and weak internal management systems. Support from international NGOs appears important to strengthen and professionalise the local NGOs.

There was general interest in EC support to strengthen the role of CSOs at the local level. The participants highlighted the regional economic and social disparities within the country, and drew attention to specific issues such as living with disabilities, recovery from drug abuse, or the impact of climate change, waste disposal and sea dumping. With regard to selection of beneficiaries, concerns were raised that areas outside Malé should not be forgotten. Participants generally endorsed the proposal to focus on environment/climate change and drug issues. This consultation affirmed that they are well placed to facilitate and increase meaningful interaction between atoll communities, emerging structures and donor actions.

The Commission Delegation has participated in meetings with other stakeholders such as human rights organisations. Since no Member States are represented in the country, no specific information meeting took place for the preparation of this MTR. The conclusions were drafted on the basis of the discussions held in the Maldives .

Maldives Country Environmental Profile

State of the environment

Maldives is the sixth smallest sovereign state in terms of land area estimated to be approximately 235km². This land is divided over 1192 coral islands and 96 per cent of the islands are less than 1km² in area. Only 10 islands are more than 2.5km². The largest island Laamu Gan, has an area of 6.1km². The small size of the islands forces people to live next to the sea.⁷ The population of about 300,000 are thus concentrated on relatively few islands within the 26 major atolls. Distance between atolls and inhabited islands are great and transport costs high. The atolls are ringed by coral reefs that are the seventh largest in the world and among the richest in terms of species diversity and aesthetic appeal. The reefs host over 1900 species of fish, 187 coral species and 250 crustaceans.

The tropical island environment and the marine biological diversity of the Maldives have proved to be unique marketable assets, in a country, which is devoid of any other commercially exploitable resources, resulting in a two-sector economy – tourism and fisheries. Revenues from these sectors have been channelled to fund other public investments in education, health and infrastructure, creating an economy that is graduating to middle-income status. The tsunami of 2004 severely affected the inhabited islands mainly with regard to local population livelihoods. While loss of life was fortunately low, physical damage on many islands was great. Severe damage was caused to houses, tourist resorts, boats and other fishing equipment, schools, health facilities, transport and communication equipment, water and sanitation, and electricity infrastructure. There was high environmental damage and substantial soil erosion on many affected islands which to a great extent rely on agriculture and home based market gardening for their livelihoods. Moreover, revenues from tourism severely decreased for several consecutive months. Such a degree of vulnerability, associated with low level of economic diversification, means that structurally the Maldives will still face several economical and environmental challenges. This has been evidenced with the onset of the global financial crisis and a decrease in holiday travel coupled with internal change within the government, Maldives has been severely affected on its economic front.

Given that nature-based tourism is the primary driver of the economy, the economic and social well being of the population depends on maintaining a high level of environmental integrity. Sound environmental management in the Maldives is, therefore of paramount importance to ensure continued growth and development. Environment plays a key role in national development under the 7th NDP goals. The Maldives National Strategy for Sustainable Development (NSSD) developed in April 2009 serves as a comprehensive framework used by the Government to ensure environmental protection and sustainable development in the Maldives and is an update the National Environmental Action Plan (NEAP) and National Adaptation Programme of Action (NAPA). It also recognizes the importance of strengthening policy coherence and coordination. Maldives has become a key voice at international Climate Change fora and an active participant within the AOSIS group. Within this backdrop has come the President's ambitious declaration to become carbon neutral by 2020.

Key environmental challenges

Maldives faces many challenges. Primarily, the effects of global warming are a major concern and will lead to submersion of low lying islands (80 percent being less than 1 metre above sea level), food

⁷ Maldives National Strategy for Sustainable Development – April 2009
<http://www.biodiversity.mv/documents/docs/Reports/National%20Sustainable%20Development%20Strategy/NSDS.pdf>

insecurity, loss of lives, creation of environmental refugees, intrusion of salinity and the destruction of coral reefs and bio-diversity the backbone of the economy.

Coral reefs stand as the first line of defence for the islands against storm surges which are projected to increase in velocity and depth with climate change. Thus Maldives will be subject to frequent natural disasters that will erode the unique natural advantages currently enjoyed by the country in the long run. Vulnerability to climate change hazards has been magnified by the damage to coral reefs that has impaired their protective functions. Rising sea temperatures also threaten coral reefs and cause bleaching and death with the most severe damage in areas that are stressed by pollutants, or damaged by physical disturbance. Marine biodiversity is threatened by coastal development activities, including harbour development, land reclamation and coastal protection, increased demand of natural resources due to population expansion and rapid economic development. Land clearance for housing endangers the sparse terrestrial biodiversity of many islands particularly the densely populated islands as nearly 300,000 inhabitants have to share 300 square km of islands. Unless the emission of greenhouse gas decreases keeping global warming below 2 degrees C, there will be dramatic impact through climate change. The increase in sea temperature too is a major threat to the coral reefs and indeed to the survival of Maldives.

In certain islands people live in extreme poverty. Malnutrition is present in many inhabited islands due to a lack of a diversified alimentation. Inhabitants of isolated islands do not have access to hospitals and basic social services. Energy and food security are key challenges for an import dependent nation. The geographic dispersal of the inhabited islands and tourist resorts makes efficient transport a daily basic necessity. Transport represents 40% of any governmental project cost. Changing lifestyles and environmental pressures are adding to the disease burden of the population, while solid waste management is fast becoming a visible risk to the country's reputation as a tropical paradise. An estimated 248,000 tons of solid waste was generated in the Maldives in 2007, and this figure is predicted to rise over the next five years to 324,000 tons, a 30 per cent increase.

The economic foundation of the country is very narrow, as well as its human resources are developed insufficiently to sustain a dynamic, knowledge-based economy. Fisheries producers are exposed to periodic constraints of earning linked to external price fluctuations. A decline in either the tourism or the fisheries industry has a serious impact on the cost and the standard of living, development activities, provision of public services, level of domestic economic activity and employment in the Maldives. The underemployment level is high as people are poorly trained for medium level jobs. There is a general lack of qualified personnel in various sectors of the economy. Secondary terminal examinations also show poor results. The low quality of education is the result of 40 percent of the teachers being untrained, lack of teaching/learning facilities and lack of an adequate national system to manage, monitor and supervise education process. The expansion of secondary school curricula to include more studies on the specific environmental issues of the Maldives should be undertaken as well as research to establish sound foundations for environmental education should be fostered. Special efforts should be undertaken to enhance environmental education in the training of the teachers. Qualified Maldivian personnel are particularly reluctant to accept jobs in remote islands.

Unsafe waste disposals and non-adapted sewerage systems represent a continuous threat for the health of the population. The country is highly dependent on fossil energy as alternative energy sources are poorly developed. Despite the fact that the country has also joint a number of international environmental agreements, there is still a great need of regulation enforcement, monitoring and inspection capacity.

Conclusions

While the Maldives economy is highly dependant on 2 sectors directly linked to natural resources, the country faces a lack of natural resources to improve the welfare of its population. Many of the communities among the 200 inhabited islands are subjected to extreme hardships and vulnerability, because of high population density or environmental problems such as land erosion, desertification and fresh water depletion. Food products (except fish), fossil energy and construction materials such

as wood have to be imported. Inadequate access to good quality health care and education also contributes to the poverty in the Maldives, particularly in the Atolls. Poverty is also further aggravated by lack of access to adequate transport and communication services, drinking water, electricity and essential consumer goods.

Though possible adaptation strategies to climate change are identified, the country lacks the capacity to adapt both financially and technically. Human resources capacity building in all major sectors is identified as a critical component in order to successfully respond to the impacts of climate change.

The ever-increasing consumption of imported fuel for electricity generation and in sectors such as fisheries, tourism, and transport is an issue of concern. Although the country' equatorial exposure to sunlight would seem to make the country especially conducive to solar power, this clean, renewable and abundant source has scarcely been tapped to date.

In order to enable the people of the Maldives to achieve continuing improvement in their quality of life both now and in the future - promoting both intra- and inter-generational equity the GoM promotes sustainable development. This will be achieved through the maintenance of the critical capital assets and continuous investment in expansion of the national wealth base. GoM recognizes the role of economic development in facilitating the transition to a more sustainable society. Investments in human, social, natural and produced capital as well as technological innovation are the prerequisites for long-term competitiveness and economic prosperity, social cohesion, quality employment and better environmental protection. The NSSD sees as its main challenge current development patterns and the non-integrated approach to policy-making. The NSSD is the result of wide consultation and sets out an approach to better policy-making based on the principle that sustainable development is to be integrated into policy-making at all levels. This requires all levels of government to support, and to cooperate with, each other, taking into account the different organizational settings and strategic objectives.

Recommendations for future EC assistance

The following recommendations are related to possible EC projects for the CSP period 2010-2013 according to its priority to support the GoM meet its challenges.

Maldives is a country facing high environmental stress. Livelihood development through the sustainable management of its natural resources will provide its population with new types of income generating activities and also train them to live in closer positive relations with the environment. Environment must be regarded more as a vulnerable friend rather than a menacing enemy. Environment should be more related to creation of employment as most of the state revenue depends on the sustainable management of natural resources. It should be necessary to increase the environmental standards for any human related activities that could have a negative environmental impact.

Despite government commitment and past efforts, mounting environmental pressures far outpace the country's ability to manage its key environmental assets. The greatest constraint to implementation of environmental policies is the lack of technical and managerial capacity. It is recommended to support climate change mitigation and adaptation actions through targeting at strengthening Maldives' voice internationally as well as its domestic capacity to formulate, develop and implement sustainable regional development and environmental policies while strengthening local ownership. The EC has already been active through its tsunami programme in waste management. However further involvement in this area is required given the scope of the problem and will consolidate previous actions, adding to their sustainability. Emphasis has to be made on expanding higher education opportunities, facilitating private sector participation, establishment of good governance is also needed through community-based system for sustainable management of solid waste, reducing dependence on imported fuel through alternative renewable energy source and thereby support to Maldives to face its

challenges of carbon neutrality. Furthermore, EC will also complement its MIP action through the Global Climate Change Alliance Funds to support climate change adaptation and mitigation.