

MALDIVES

Looking forward to more partnerships with Japan

The Indian Ocean's wave of growth

The Republic of the Maldives is on the fast track to growth, utilizing its location, resources and clever planning to thrive

This year is an important one for the island nation of the Republic of the Maldives, which not only celebrates its 50th anniversary of independence, but also the strengthening of its 47-year relationship with another powerhouse island nation, Japan. 2015 will also see the Maldives embark on an ambitious development program that is set to see the country continue the rapid economic growth of the past few decades.

The relationship between Japan and the Maldives has been mutually beneficial since it began in 1967, initially as a tourist destination for Japanese travelers looking for tranquility and peace. Soon after, it developed into other areas of the economy, such as ICT, construction and fisheries.

Today, while the number of tourists has fallen slightly, commercial links between the two countries has continued to grow stronger with time, and the Maldives are looking once again toward the "Land of the Rising Sun" as a country to supply both the technology and all-important foreign direct investment (FDI) that will help to drive growth.

The Maldives needs investment in multiple areas of the economy, with infrastructure projects in particular set to boom as the government begins a number of mega-building projects that will bring more tourists, cargo vessels and FDI, and less imports in the form of oil, to the island.

The infrastructure projects cover a wide array of sectors that need improvement if they are to help the nation continue its

"For investors that are interested in acquiring land or islands for the development of tourism resorts, we can be their partner of choice."

Ibrahim Abdul Razzaq Haleem, CEO, MTCC

impressive growth, which hit 8 percent in 2014, and is projected to reach double digits this year. New Special Economic Zones (SEZs) are being opened up, where the bulk of the investments will end up, allowing the growth to be spread evenly throughout the country.

The projects are based around tourism development,

as well as transport infrastructure, housing, land reclamation and technology and ICT infrastructure.

The exciting projects will allow the country to keep pace with the solid economic performance seen over the past decades, encourage FDI and help the Maldives take full advantage of its geographical location at the meeting point for almost all the transcontinental sea traffic passing from Asia to Africa, the Middle East and

Europe, means focused mega-projects delivered by world-class contractors are paramount for growth in the middle of the Indian Ocean.

Abdulla Jihad, minister of finance and treasury, understands how vital it is for the government to allow for economic development, and that a liberal investment environment is key

in attaining the level of FDI needed.

"This increase in inward investment reduces the government's burden in paying subsidies on sugar and flour, and allows it to concentrate on funding social projects that have long-term positive effects for the entire population," he says. "Another challenge we would like to meet is increasing local production so that we don't have to depend on the imports that we buy with the few dollars and other foreign currencies we earn.

"We have to increase the competitiveness of our fisheries, our agriculture, and other services as well. We are thinking of developing an international financial center, like Dubai has done, and explore the Islamic finance and banking sectors. We have large infrastructure projects that will further drive the economy. Part of the International Airport is going to be financed by the Japanese government, and China is also an important investor. There are plenty of opportunities for Japanese businesses to invest in our SEZs, in areas such as tourism, transport, fish processing and infrastructure projects."

Expanding transport links

Projects such as the improvements to the INIA airport, which,



Ibrahim Abdul Razzaq Haleem, CEO, MTCC

with the help of Japanese partner Mitsui, will see the terminal extended, a second runway built, a new seaplane parking area and improved fuel storage facilities are quickly being realized.

The plan is to develop both domestic "green field" airports, and with local partner Maldives Transport and Contracting Company Plc. (MTCC), expand the network of ports and vessels available to ferry people and goods around this vast country.

MTCC, the first public company in the Maldives established in 1980, is the leading marine and land transport provider and civil and marine construction company. This year it celebrates its 35th anniversary with further expansion into dif-



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ferent markets, because, as CEO Ibrahim Abdul Razzaq Haleem explains, the company is the delivery service for government schemes in specific sectors. "MTCC's five year plan matches the government's agenda.

"We want to expand our reclamation projects within the next two years and hope to acquire a hopper dredger financed by Caterpillar and the Maldivian government at a cost of \$36 million that we can use for land

refill. "In the capital, Malé MTCC has been given various plots of land from the government and we want investors to join us to develop this land. In Hulhumalé we are interested in developing our docking facility as well as our own port in Thilafushi.

"For investors that are interested in acquiring land or islands for the development of tourism resorts, we can be their partner of choice that will assist them in doing so."

Mohamed Saeed, minister of economic development, points to the Hulhumalé Development as another exciting mega-project.

"Upon completion there will be an additional 240 hectares of land reclaimed inside the lagoon. With this project comes real estate development, turning Hulhumalé into a smart, modern, Youth City that encompasses entertainment and amusement parks, retail shopping and more," he says.

Pulling producers together to improve the country's economy

Prime real estate opportunities and increased ICT partnerships with Japan are seeing the Maldives move ahead at a fast pace

With rapid development comes rapid change to all aspects of society, and the Maldives has been on the fast track for many years now.

Always on the lookout for ways to increase investment opportunities for external partners while improving the prospects for the local population in terms of jobs and access to cutting-edge technology and infrastructure, the government has not rested on its laurels in recent years.

A huge stride for the country is the Hulhumalé Youth City residential district, a site which when complete will give the nation further space to expand

its housing capital, and improve the lives of its citizens through the introduction of technology.

The reclaimed space will give the Maldives a further 245 hectares of prime real estate, near the capital Malé, meaning major population centers are closer together and more efficient, from the cost of transportation to usage of energy, and improved job opportunities.

With 2020, the target date of completion for Phase I, the project is already ahead of schedule (Phase II has already begun), and there are still great opportunities for FDI. Mohamed Saiman, deputy managing direc-

tor of the Housing Development Corporation (HDC), the entity behind the project, says:

"Hulhumalé is wide open for investment. Everything is possible here. Almost all business models are open to negotiation and depending on the scale of the investment, incentives will be provided that include extended grace periods, progressive lease rent during investment recovery period and if needed HDC would also be prepared to enter into a joint venture."

As well as joint ventures with international partners, joint ventures between important Maldivian companies such as

HDC and MTCC allow the public and private sector to fully realize projects in a timely and well-planned way.

"HDC and MTCC have entered into a new agreement regarding the transportation links from the capital, Malé, to the new district of Hulhumalé," Saiman says.

This new agreement will see greater cooperation between two of the biggest and most important construction and transport companies in the Maldives, a sure sign of the strength of belief behind the governments plans, and a ringing endorsement of the possibilities Hulhumalé holds for both local businesses, and international investors.

However it is not only transport and housing that will receive a boost from the new city.

As a forward-looking country, the Maldives is importing the technology that will allow it to become as competitive in that sector as they are in tourism.

"We will also have a convention center to host festivals and an IT park to ensure young people can enhance their capabilities in the ICT sector," Saiman says.

"This is a growing industry that is also a focus point for the Maldivian government. We want to have an international ICT park for international investors to come and get the benefit of having different investment incentives."

Again, the agreement between the private and public sectors show a unified way of thinking about the Maldives, and how the country can continue to grow in a sustainable manner. Umar

Naseer, minister of home affairs, agrees the Maldives needs to look toward ICT as a sector that can offer the same kind of almost unparalleled growth to the

industry in the world, and I do not want Maldives to lack that," Naseer says.

"I want the Maldives to catch up with the industry, maybe

tourism destination.

"The pioneers of that industry have brought it to its current situation. I believe that the same success story can be applied to the ICT sector.

"Japan has actually contributed to the initial phase of the telecommunications sector in the Maldives.

"We are working with the Japanese government to convert Maldives to ISDB-T, which is the Japanese standard of digital broadcasting. The initial survey has been done and we are going to migrate to ISDB-T shortly."

By focusing on two growth sectors in the country—ICT and construction—the government and its partners can look to capitalize on 79,000 ships that pass through its territorial waters each year.

"We are working with the Japanese government to convert Maldives to ISDB-T, which is the Japanese standard of digital broadcasting."

Umar Naseer, Minister of Home Affairs

economy now, that the tourism sector has done since the late 1960s.

The possibilities the sector offers, specifically when taking the highly educated, generally multilingual population and the enviable location into consideration, are huge.

"ICT is the fastest growing

catch up with some players and for us to make our way into the ICT sector.

"If we develop a proper ICT sector, we will be able to attract more developers and technicians. When we started having a tourism sector around 40 years ago, we didn't know that we were going to become a world-class

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Renewable energy lights the way

The Maldives is improving its production methods to great success for businesses, and rapidly improving its international reputation

As a small Indian Ocean island confronting the challenge of climate change, the Maldives is looking to improve its infrastructure in order to create a sustainable energy supply and expel a dependence on oil and gas.

Minister of Environment and Energy Thoriq Ibrahim and his team are playing a pivotal role in lowering emissions, and working with renewable energy companies to reach their goal.

The Maldives has always been known as a luxury getaway, and as such, it is vitally important that the character of the islands is not lost but that the infrastructure is integrated.

"We already have the first solar-powered resort in the world, located in Gasfinolhu," Ibrahim says. Emissions are already much lower than other countries in the region but the objectives laid out by the government show exciting opportunities for investment. "All initiatives taken to build renewable energy equipment are duty free, and a feed-in tariff mechanism gives investors all the leverage to invest in the Maldives and all the guarantees needed."

"Over the next four years, our target is to have all 196 inhabited islands of our 1,200 islands supplied with daytime electrical needs from renewable energy sources, especially solar energy. We have already achieved this on three islands and next year will be a bigger year with Malé to be supplied with 4 megawatts of solar energy, and another 4 megawatts of solar energy for other islands. We have already

done all the studies, prepared the documentation and implemented financing schemes.

In four years from now, we have planned to achieve 40 megawatts from solar energy, thus achieving our target of 30 percent. What we would like to see is that the bigger emitters in the world help us achieve even more than that."

The Maldives is also taking a leading role in the climate change challenge on an international level.

"We look at climate change and the environment in a holistic way. We have taken the lead on these issues since 1997 when we were hit by a tidal wave that destroyed and flattened Malé. Since then, we have been very careful and are working hard on environmental issues."

"In 1999, the Maldives hosted the first meeting in the world on rising sea levels. We discussed many topics such as the formation of the Alliance of Small Island States (the AOSIS).

"In 2014, I was appointed chairman of the AOSIS, which represents a huge successful achievement for the country. We will sign a new agreement this year in Paris, as the Kyoto Protocol ends in 2020. Maldives will be spearheading all 44 AOSIS members, and we will raise our voice in name of all the countries for what we will have agreed on."

"We attended the Climate Change Conference of the United Nations Framework Convention on Climate Change (UNFCCC), where we want to see



Ibrahim Fazul Rasheed, MD
Malé Water & Sewerage Company

things happen.

"To protect our environment and the beautiful landscapes that our tourists enjoy, we have designated certain protected areas because they are sensitive. We drew the guidelines on how

"It is a huge task to maintain all these mini grids and to handle the logistics of supplying fuel."

Thoriq Ibrahim, Minister of Environment and Energy

this development can be done and cannot be done, following international norms. Likewise, all development issues are done through consultations, especially the environmental impact of any project and their negative effects. We do it with the Environmental Impact Assessment (EIA) as a basis.

"Sustainability is a key word too, but the Maldives also needs to be developed. What we are trying to do is to combine sustainability with the development

of the country. As can be read in the Intergovernmental Panel on Climate Change (IPCC) report, everybody now agrees that climate change is happening.

"Being a small island development state, we emit only 0.0003 percent of the world's greenhouse gases. Maldives is a low-lying country so we are in the forefront of climate change and we will be the most affected."

"We therefore raise our voices on the reduction of greenhouse gases and bring its impact on the temperature to the level already stated in the IPCC report: from 1.5 Celsius to 2 Celsius compared to pre-industrial standards."

The big challenge lies in the Maldives' geographic configuration. Malé and Villingili already have their own power station and fuel storage plants, and as the energy minister has explained, the inhabited islands will also have their own supplies in due course. There are also plans for

the 160 resorts to have their own power plants too.

"It is a huge task to maintain all these mini grids and to handle the logistics of supplying fuel. The generation of electricity is also very costly," Ibrahim says.

Making progress

The progress made so far in this area, as well as being down to strident government policies, is also due to local providers leading by example.

The Maldives Transport

and Contracting Company Plc. (MTCC) for example, has been looking into implementing renewable energy solutions by using LED lights on its premises.

"We have begun by being energy efficient within our company, using solar panels and introducing renewable solutions to our energy needs," says Ibrahim Abdul Razzaq Haleem.

"Given our interest in 'going green,'" he says, "We are open to collaborations for the introduction of new renewable energy products into the Maldivian market and being the first-ever government company, we will act as a reliable partner for all possible investors."

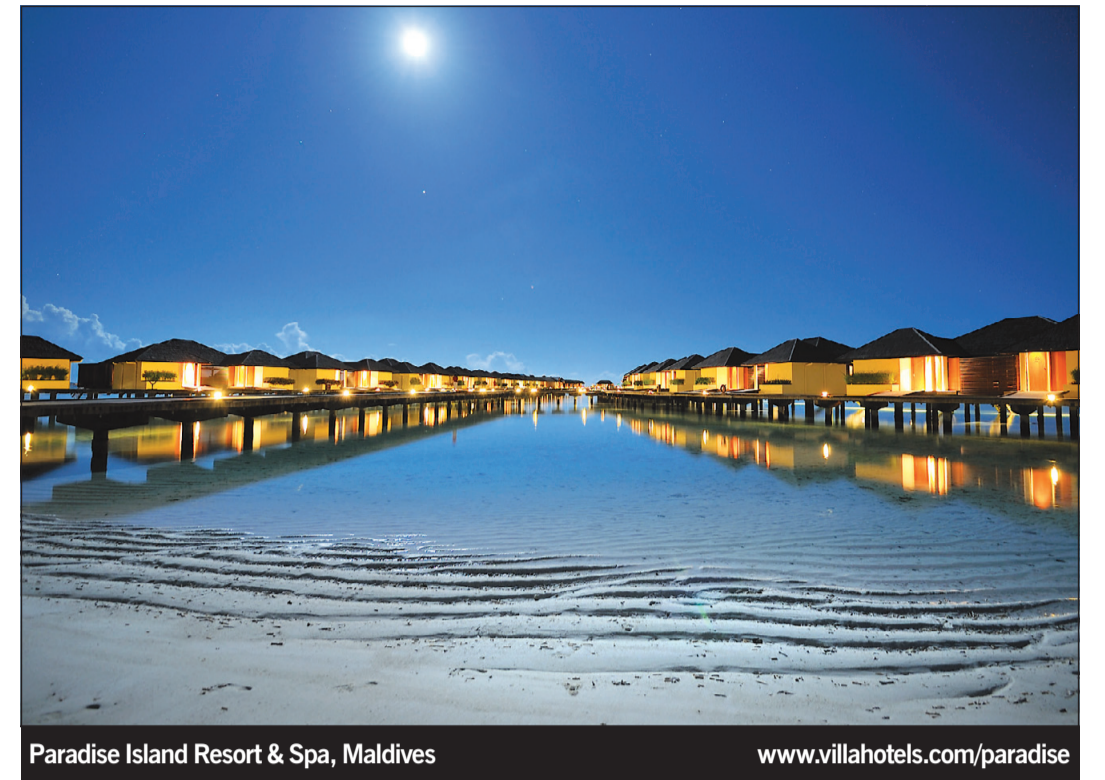
Solar energy lights the way

STELCO is another company working closely with the government to help it achieve its goals. As the emblematic company tasked with making the islands 100 percent solar-powered, with help from the Asian Development Bank and the World Bank, STELCO is building power stations across the islands. MD Abdul Shakoor says,

"We have developed over the last 40 years with a relatively small demand of about 180 kW to now a demand of about 46 megawatts. It has developed very fast with hard times for us in the future because of the decrease of demand with a rate of about 8 to 9 percent."

Minister Ibrahim says: "There are plenty of opportunities for the Japanese government and companies to invest in our country, especially in our projects of generating 40 megawatts of solar power in the coming years."

"The fully solar-powered resort and its model represent a lot of opportunities as well for



Paradise Island Resort & Spa, Maldives

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those willing to invest in our country.

"It is very attractive as an investment in the sense that the classical generators won't run all the time and will only be used as back-up solutions."

Around 26 Maldivian islands now enjoying sewerage systems, and green and clean energy lies in the heart of Malé Water and Sewerage Company Pvt. Ltd. (MWSC) operational sustainability. A high reliance on diesel for its production has exposed MWSC to the risks of fluctuating world market fuel prices in the past.

As Ibrahim Fazul Rasheed, managing director of MWSC says: "We have sought advanced technological solutions on renewable energy and continuously seek to improve through adopting new concepts."

"Among the remarkable green initiatives of MWSC, we have installed solar panels in our outer island operations and in Malé as our own investment. Our rainwater harvesting initiative has played a significant role in reducing our water production costs and contributed greatly to sustainability of operations."

"We have entered into a solar project with a European party, under which MWSC's industrial and office roof tops will be installed with solar panels and the power generated will be utilized for our production, the result of which will without doubt be minimize costs and increased returns."

Rasheed has high hopes for further Japanese investment.

"Japan is a very technologically advanced country and apart from the strategic benefits,

I believe that we have a good deal to learn from the Japanese. MWSC is a joint venture between the government of Maldives and Hitachi Ltd. of Japan.

We deeply value our partnership with the Japanese and anticipate growth in our relationship in the future.

"An alliance with the Japanese will without doubt benefit our nation as a whole and particularly those industries that require more efficient technology for sustainability such as the power sector."

"Renewable energy technologies and investments are vital for sustainability in the Maldives and MWSC is open for partnerships to undertake investments in this area. Training and development in this area especially for the youth is equally imperative for long term sustainability."

Tourism and fisheries ripe for investment

Local companies are taking their lead from the government and gearing up for more private sector investment to boost value

As well as construction and energy, sustainable development is also important for the fisheries and tourism sectors.

Accounting for more than 70 percent of the country's GDP, tourism is the pillar of the economy, with up to 1.4 million tourists expected to visit the paradisiacal islands this year, and more than 1.5 million arrivals in 2016. The government also plans to build 50 additional resorts over the next five years.

With an emphasis on diversifying the accommodation offering, and strengthening the tourism infrastructure in general, the Maldives is in the middle of a huge expansion of their tourist industry.

The number of beds available rose by a third from 2012 to 2013, with more resorts and guesthouses opening their doors than ever before. Recent moves to improve safety have included a special police unit being set up for those tourists visiting the capital, Malé, and a green tax

of \$6 a day from November this year. The money will be pumped into waste management from local resorts and other islands.

Ali Rasheed Adam, director of marketing and sales at Villa Hotels (part of the Villa Group), divulges more about the plan.

"Villa Hotels offers the largest number of beds in the Maldives. We currently operate five resorts which rank from three- to five-star accommodations. Our target market is European, but we also cater to the Asian segment."

"In fact, we rank first in catering to the Asian (especially Chinese) market. Japan used to be a very important market for us in the past. They are interested in staying in resorts with water bungalows and at one point we were controlling the Japanese tourism market in the Maldives, our Paradise Resort being very famous amongst this clientele."

"Our resorts are designed to cater to individual travelers as well as larger groups. Honeymooners and tourists

looking for a relaxing holiday are the key target groups, but we aim to fulfil everyone's needs."

"Families, honeymooners, lone travelers ... we have facilities and offer the best for all. Sun Island for example is a resort that is family-oriented and child-friendly, given its size and the plethora of facilities. Our other resorts are more for honeymooners as they are designed as a hideaway for an exclusive holiday. Others are designed for budget-clients like young travelers."

"We cater to the middle and upper markets, that is set to remain as our main operation. Our business plan is to provide affordable accommodation. We do not have a resort for the high-end markets."

"Villa Hotels does, however, own several islands that will be developed for the niche, higher end of the market. They are smaller islands that can accommodate a smaller number of beds. These are completely

new islands that are under the responsibility of the development unit of Villa Group. One or two of the smaller islands will be higher-end resorts with fewer beds (approximately 100).

"Guest houses target a totally different market segment, mainly students and young people. Resorts and guest houses have to be segregated in a way so as for resorts to not compete with the latter."

Resorts must ensure a certain quality, array of facilities and attributes for example. They are a lot less restrictive. In our resorts, tourists will have a pleasant environment, freedom and access to such services."

The Asia and Pacific Region accounts for 50 percent of all arrivals — China (31.8 percent), India (3.5 percent), Japan (3.1 percent) and Korea (2.7 percent) — so Adam is keen to boost the Japanese arrivals.

"The Japanese market is still very important and we cater for their needs. We have every facility that can satisfy Japanese travelers and they are welcome to come and enjoy our resorts. We have the same country, people, product and would like to see

more Japanese tourists visit us."

Meanwhile Shaun Dünhofen, general manager, LUX* Resorts & Hotels, LUX* Maldives says: "Maldives is one of the most popular touristic destinations in the world and LUX* Resorts & Hotels being island resort specialists, therefore the decision to venture our operations to Maldives was very obvious."

"Like our properties in Mauritius, we have successfully established ourselves as an international brand in this part of the world."

"Considering the success that we have achieved by having one property in Maldives, we are always on the lookout for expansion within the country."

"The biggest competitive advantage that we have is our people (team members) who are providing exceptional service for our guests from around the world. Furthermore, our unique guest experience which we call 'Reasons To Go LUX*' banishes the traditional patterns of providing service to our guests and adds fun and an element of surprise."

"We need to be bold and come out of the traditional system and create an experience where our guests are connected with our Team Members and our promise to help people celebrate life. This makes the LUX* brand very

unique and the Reasons To Go LUX* are found in all our properties worldwide."

So — how can LUX* meet the needs of Japanese holiday-makers and how attractive is the Japanese market for LUX* Maldives?

"Through experience and research we have identified the important needs of our Japanese guests and we continue to improve our service and

"We have applied for Marine Stewardship Council (MSC) certification, the highest recognized certificate for sustainable fishing."

Mohamed Shainee, Minister of Fisheries and Agriculture

product," Dünhofen says. "We have a wonderful Japanese Team who are dedicated to looking after our guests, providing once in a lifetime experiences with nature such as snorkeling with whale sharks or diving with manta rays and we maintain strong relationships with key tour operators and travel agents who are great ambassadors of the LUX* Resorts & Hotels brand."

Adding value in fisheries

After tourism, tuna fishing is Maldives second major source of income, and tuna is the nation's primary export, with

fresh, frozen and processed fish going to France (21 percent), Thailand (16 percent), the United Kingdom (12 percent), Italy (8.7 percent), and U.S. (8.5 percent); Japan comes in at the 12th position, with \$4,438,910.20 worth of exports, representing 2.1 percent of total Maldivian exports.

Mohamed Shainee, minister of fisheries and agriculture explains the current situation and his vision for the future.

"We have applied for Marine Stewardship Council (MSC) certification, the highest recognized certificate for sustainable fishing. We have been trying to have it for pole and line catch, and so far we have it for the skipjack tuna caught by hand and by pole and line."

"This is what we have done so far and now our objective is to have value addition in our industry and to diversify our market."

The Minister is also keen not to see any frozen fish going out of Maldives.

"All our fish goes in one way or another through some addition of value. All of them are converted into some kind of premium product. We have a premium product and a certified pole and line fishing, the most sustainable fishing in the world."

This report was produced by Global Insight and can also be read online at: www.japantimes.co.jp/international-reports

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STELCO, using sunshine to sustainably power the future of the Maldives

For over 65 years STELCO has been the leading electricity producer in the Maldives.

Today, STELCO is a state-owned enterprise that operates 32 independent power plants, with a total capacity of 90 MW, and through our distribution networks provides energy to over half the population.

Being an island nation, the Maldives are heavily dependent on fossil fuel imports, and as the largest producer of electricity, here at STELCO

we have been continuously working to integrate renewable energy into our power system, to make our power generation more sustainable for the future of the country.

Blessed with abundant sunshine, the Maldives are at the forefront of promoting solar power usage, and are interested in developing this sector with prospective partners. Our aim is provide safe, reliable and affordable power solutions in a sustainable way to all our customers.

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