

# Creating a real economy

INTERVIEW WITH MOHAMED RASHEED

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Small-and medium-sized companies are what make a real economy. This is how we can create a middle class

**The World Bank ranked Maldives in 2006 as top among South Asian countries for doing business. What now are your priorities taking into account this legacy?**

The Ministry of Economic Development was set up with a mandate to oversee all trade and business-related activities. These include the registration of intellectual property, businesses, investments, and companies. The mandate also includes the formulation and implementation of trade policy and law in accordance with local and international legislation. By including small-and medium-enterprises (SMEs) and large infrastructure projects as areas of development and promotion within our mandate, a balanced outlook can be applied to all businesses – regardless of their size.

**What are your main priorities?**

We will focus on reducing the gap between rich and the poor by providing more opportunities to SMEs. We will work towards increasing the role of SMEs in tourism, fishing and farming, as well as enhancing their role in newer industries such as transport. The ministry will also work towards the introduction of new and relevant technology and machinery that can assist SMEs.

Among the measures needed are the introduction of new products in the financial sector and to develop financing on a cost-sharing basis. We will also enhance credit programmes for SME lending assisted by external finance and the introduction of mobile phone banking. We also need to improve legal and enforcement capacity.

**The government says it wants to find a balance between major infrastructure projects involving large companies, while attracting investment into SMEs.**

Small-and medium-sized companies are what make a real economy. This is how we can create a middle class. But the challenges are substantial. Over the years this country has traditionally pursued big investors, rather than smaller investors. But this government wants to create an enterprise culture. However, we have to address the following problems: access to finance and the cost of borrowing. The lack of a strong legal framework has also been a major obstacle in attracting smaller investors.

**Can you point out a few salient issues on regional development within the Maldives?**

The new administration has embarked on a decentralisation and regionalisation process to strengthen good governance

and local democracy. It is envisioned that, in contrast to the highly centralised system that existed previously, many local-level economic and development related decisions will be taken at the regional level. This will lead to more efficient and equitable service delivery, in line with the needs of local people. The government's regional development plan will use the private sector to provide many local services. The government wants to create joint ventures with international strategic partners in areas such as real estate, integrated transport systems and utilities.

**What incentives are available to investors?**

We understand that many of these regional projects may not be highly profitable, so the government will consider negotiating with interested parties on incentives and parallel investment opportunities together with these specific core products. These incentives include commercial developments in existing urban centres and exclusive rights to market products.

**Can you tell us about the country's recently announced carbon-neutral policy?**

The Maldives aims to become carbon-neutral within a decade by switching completely to renewable energy sources like wind and solar power. The plan includes a new renewable electricity generation and transmission infrastructure with 155 large wind turbines, half a square kilometre of rooftop solar panels, and a biomass plant burning coconut husks. Battery banks would provide back-up storage for when neither wind nor solar energy is available. The clean electricity would power not only homes and businesses, but also vehicles.

**The government has been in office for eight months. Expectations are high. Can you meet them?**

We cannot afford not to meet them. We have a mandate to implement social change. We have a relatively small population, of just 300,000 people. And we must remember that everything this country has achieved has been through the efforts of its people. The government will be working to provide improved and affordable services to the people and accelerate economic development and industries. The government has also decided to provide health insurance to 100,000 people next year. Through these and other initiatives, we look forward to providing economic development that benefits all regions of Maldives – at a faster pace. **F**