IF Trust Fund Project 2: Establishment of a Trade Information System in the Maldives

Project Duration:	2 years	**Budget:**	**US$ 288.712**
Implementing Partner:	**International Trade Centre**		
DTIS Recommendations:	**2: Trade Policy and Institutions**	**▪ Government**	-
	3: Business environment and private sector development		
Expected Outcomes:	**Increased access to market and trade policy information for all stakeholders in Maldives**	**▪ IF Trust Fund Window 2**	**US$ 288.712**
National counterpart:	**Ministry of Economic Development and Trade (MEDT)**	**▪ Other**	-

Section I

PART 1. SITUATION ANALYSIS

Based on the DTIS, the challenge for the Maldives is to put in place the necessary framework to enable it to take full advantage of its comparative advantage in the tourism and fisheries sectors and strong potential in other productive sectors.

For over 30 years, the tourism sector has been the driving force behind economic growth in the Maldives. The islands are an attractive tourist destination given their sandy white beaches and clear lagoons, bringing more than 600,000 tourist arrivals in 2004. However, the tourism sector still has weak linkages with the fisheries and other productive sectors in Maldives. In this context, although resort and catering industry chefs demand fresh reef fish, crustacean products and the more expensive tuna species such as yellow fin and bigeye for their clientele, supply has been uncertain and inconsistent, leading in some case to fish imports. Therefore, there is wide scope for forging stronger linkages between a rapidly growing tourism sector with other productive sectors of the Maldives, including fisheries.

Because of its geographical features, the Maldives faces great challenges to ensure a continuous and steady economic growth. The limited landmass is the first constraint limiting economic opportunities and market development, and putting pressure on the competitiveness of the economy. In addition, recent developments have had a negative impact on trade and economic performance. In particular, there has been a dramatic change in 2005 following the tsunami. This resulted in a downturn in the tourism sector which contributes substantially both to GDP and to foreign exchange earnings. In addition, the garment and apparel industry literally collapsed during 2004 as the end of the Multi-Fibre Agreement (MFA) quota system approached. Rising oil prices throughout 2005 and during the first half of 2006 has brought about a downward spiral in the terms of trade. There is therefore an urgent need to address this situation so that measures can be taken to mitigate the problems that are now being experienced.

However, there is considerable scope for value-added business opportunities in the two main sectors (tourism and fisheries) and for dynamic linkages between these and other sectors. Among primary activities, a more diversified fishery sector including modernized processing activities can help to create culture-friendly employment in the atolls, including among women. The production of horticulture products especially for tourism sector also holds potential as an income generating activity, especially for marginalized groups. Aquaculture, processing of agricultural products, poultry farming, and further development of handicraft-related activities are all culture-friendly employment possibilities that require strong policy support measures.

The business environment in the Maldives is one in which there are significant gaps in the underlying policy, institutional and legal framework for business development and private sector support. There is a lack of trade support services for SMEs, which would make them more competitive in the international markets. There is also a lack of effective communication and coordination among customs services, the trading community and other agencies (port authority, aviation services, clearing agents, coast guard or police), which adversely affects the efficiency of processes relating to the movement of goods. This is reflected in the general weakness of the domestic private sector and thin national portfolio of SMEs engaged in value added activities. In this context, the DTIS action matrix identifies the following as priority actions to be undertaken:

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- strengthen access of Maldives' institutions (in the public and the private sectors) to market intelligence and trade information. This will give them the capacity to undertake research work and in depth analysis of issues to facilitate the decision making process. A trade information network would be created linking all institutions dealing with trade and trade development in the Maldives.
- put in place a specific export promotion organisation. Such an institution would focus on building the export capacity of the Maldives.
- build the capacity of private sector institutions (MNCCI, or Fishermen's association) to provide trade support services to SMEs and to lobby and defend the interest of the private sector. The support services would assist SMEs acquire a better understanding and be able to comply with market requirements in terms of product design, quality, and packaging.

The proposed project focuses only on the first point: setting up the trade information infrastructure in the Maldives. The subsequent points could be undertaken as part of a continuation of the proposed project or as part of a separate project funded by the IF or other sources of funding.

PART 2. STRATEGY

The main purpose of this intervention is to build the capacity of the Maldives to use trade information to network its support institutions and provide support services to SMEs.

In turn, the trade information system will promote stronger linkages with the two most successful economic sectors in the Maldives, namely tourism and fisheries and ensure positive spill over effects on the other economic sectors. Immediate objective

Objective 1:Market intelligence and trade policy information is easily accessible and communisation among institutions improved, thus enabling the Maldives to take advantage of market opportunities and to fully integrate into the multilateral trading system.

Objective 2: Inter-sectoral linkages and business matching are increased through the use of a "real-time mobile business information system"

The strategy is detailed in the annex (work plan and budget).

In an initial stage, the teams of experts will work in close collaboration with the stakeholders in Maldives to review the current situation and grasp/assess their needs.

Subsequently, action plans will be drafted and discussed with the Authorities.

Once an agreement reached, the action plans will be implemented (design and development of a trade policy information database and of a trade information network and set up of a Web/SMS information system).

In a final stage, training and awareness seminars to sensitize national counterparts (Government, trade support institutions and the business community) will be organized. By then, all the systems will be operationalised and sustainable.

Strategic Area of Support

- DTIS Action Matrix Area 2: Trade Policy and Institutions
- DTIS Action Matrix Area 3: Business environment and private sector development.

Intended Outcome as Specified in the DTIS Action Matrix

Build capacity within the government in particular ITPD (MEDT) [...] to be able to better formulate, negotiate and implement trade policy in line with the country's main export interests in tourism and fish products and possibilities in selected service sectors in the future.

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2.8 Improve awareness of trade policy issues through better communication/internet site.

3.1.3 Build the capacity of the Maldives National Chamber of Commerce and Industry to become a service organization for the private sector.

Outcome Indicators

- An improved trade environment for both Maldivian stakeholders (Ministries, Trade Support Institutions and the private sector) and their business partners through increased access to market information. Ultimately, these communication efforts will help the Maldives take better advantage of market opportunities and to fully integrate into the multilateral trading system.
- Improved awareness of the public and private sector of national and international trade policy issues
- Improved linkages between existing economic sectors (goods and services) and local markets in the Maldives, notably the growing tourism sector. A mobile solution is put in place to enable producers and providers of services to match the urgent needs of local hotels. Inter-sectoral linkages and business matching are increased through the use of a "real-time mobile business information system":

Partnership Strategy

- The project is specifically designed to meet the requirements of strategy and decision makers at both the institutional and the business community levels.

  The main beneficiaries will be:

  - Government institutions responsible for the formulation and implementation of trade policies and strategies;
  - Export and import oriented companies to improve their performance and increase their competitiveness on the local, regional and international markets, including hotels and;
  - Sector-specific and/or trade associations. Subsequently, these Associations will be responsible for providing training and guidance to SMEs on the use of strategic information.

PART 3. MANAGEMENT ARRANGEMENTS

The project will be implemented by the International Trade Centre (ITC), in close cooperation with the Ministry of Economic Development and Trade (MEDT).

The MEDT will appoint a national counterpart to work with ITC so as to ensure the overall guidance and supervision of the project implementation and coordination.

The execution of the project will be carried out in synergy and cooperation with other ongoing and planned trade related technical assistance programmes and initiatives. The MEDT will support the coordination among national institutions and agencies.

PART 4. MONITORING AND EVALUATION

Monitoring

ITC monitoring reports, relevant to the progress of the project, will be submitted, every 3 months, to the MEDT, to the IF National Implementation Unit and to UNDP.

All technical personnel and consultants assigned to work on the project will be required to prepare and present detailed reports on activities, findings, conclusions and recommendations. The national and international consultants will send their reports to ITC. ITC will ensure the finalization, printing and dissemination of the consultants' reports to the counterpart organization and other relevant partner organizations.

Evaluation

The project will undergo a formal final evaluation (progress review, delivery of outputs, corrective measure, actualised work plan as well as indications on the additional financing which may be required). Representatives of the Government of the Maldives, TC, UNDP and counterpart organizations will take part in the evaluation. The parties involved will draft the terms of reference of the evaluation jointly.

Section II. Results and Resources Framework

Specific outputs will be:

- Improved awareness of the public and private sector of national and international trade policy issues:
    - A Web-based user friendly-inventory/database on available trade policy information is set-up[1];
    - The findings of an import and export potential opportunity scan are available;
    - A trade information network is set up, including its technical and operational infrastructure, in terms of web-base IT platform and content development;
    - The network is adequately managed and the information is processed efficiently, relying on the latest information technologies available. The information services are linked to well defined business strategies.
- Improved linkages between existing economic sectors (goods and services) and local markets in the Maldives, notably the growing tourism sector. A mobile solution is put in place to enable producers and providers of services to match the urgent needs of local hotels. Inter-sectoral linkages and business matching are increased through the use of a "real-time mobile business information system":
    - A Web/SMS information system is created and initial trainings and tests have been conducted and;
    - 50 selected SMEs and 3 TSIs are trained on the mobile-based information system.

Specific inputs will be:

- ITC technical and administrative backstopping;
- International experts with experience in trade information, information technologies and networking and mobile-based information systems;
- National consultants to undertake data collection and support specific tasks carried out by international consultants;
- Group training (locally and abroad);
- Official missions in relation with the project implementation;
- Expandable equipment (computer equipment including PC stations, server, printers, scanners, etc.);
- Non-expandable equipment (subscription/acquisition of international information sources etc.)

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[1] This output will be realized in collaboration and close consultation with UNCTAD and WTO

Project 2: Establishing a Trade Information System in Maldives - Workplan and Budget

Expected Inputs	Project Activities	Beneficiaries	Outputs	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	Description	Total in US$
Output 1: Improve Public and Private Sector Awareness of National and International Trade Policy Issues2													
Database and web page development	- Assessment of information needs of various stakeholders - Design and develop a web-based national inventory/database on available trade policy information, thus, building awareness of key stakeholders in the Maldives - Carry-out an import and export potential opportunity scan	Ministries, Trade Support Institutions and the private sector	- A Web based user friendly-inventory/database on available trade policy information with restricted access to some information for NTPC members[2] - Import/export potential opportunity scan		X	X						Int. consultant Local Expert ITC travel Group Training Software Equipment Sub-contract	13,800 5,520 7,360 6,900 13,800 18,400 4,600
System Development Team to establish system	- Assessment of information needs on priority sectors/markets and analyse constraints - Prepare action plan to develop and/or strengthen a national information network that will link all Maldivian trade support institutions (TSIs) (ministries, government institutions, chamber of commerce, etc...) - Design and develop a national business portal linking all TSIs in the Maldives; creation of online databases to promote Maldives key export potential and to access selected information sources on international markets	Ministries, Trade Support Institutions and the private sector	- A trade information network is set up, including its technical and operational infrastructure, in terms of web-base IT platform and content development			X	X	X				Int. consultant Local Expert ITC travel Workshops Software Equipment Sub-contract	13,800 5,520 7,360 6,900 13,800 18,400 4,600
Technical team to operationalise system	- Strengthen trade information services at the level of government, TSIs, and chamber of commerce to meet the priority business information needs on a sustainable basis - Organise awareness seminar to sensitise local business and train them on use of trade information for business decision-making.		- Network is managed and information is processed efficiently, using latest IT - Information is linked to well defined business strategies				X	X	X			Int. consultant Local Expert Training/workshop Miscellaneous Support cost	7,360 3,680 6,440 3,514 9,137
												Sub-Total	**185,752**
Output 2: Promote linkages between existing economic sectors (goods and services) with regional markets in Maldives and the growing tourism sector													
System Development Team to establish system	- Assess the stakeholders needs in an initial mission as a basis for the design of the tailored information system. - Design & create a mobile business platform with selected local IT providers. - Train 10 selected SMEs and one TSI on how to use the information system; give special training to the national focal point.	Private Sector and TSIs	- Web/SMS information system created and initial trainings and tests conducted			X	X	X	X			Int. Consultant Local Expert Travel Platform design & development Platform hosting & charges SMSs in bulk	11,960 3,680 7,360 21,160 1,840 4,600
Technical team to operationalise system	- Train 25 SMEs and one TSI from selected sectors on use of Web/SMS system. - Train 25 SMEs and one TSI from selected sectors on use of Web/SMS system. - Produce a guide for the system's long-term sustainability, based on the findings gathered during the pilot phase.		- 50 selected SMEs and 3 TSIs trained on the mobile-based information system			X	X	X	X			International Consultant National Consultant Travel Miscellaneous Support costs	17,480 7,360 7,360 3,312 8,611
												Sub-Total	**94,723**
												Project Administration at 8% of Total	23,097
												PROJECT TOTAL	**288,712**

[2] This output will be realized in collaboration and close consultation with UNCTAD and WTO