

IF Trust Fund Project 3: Support to Maldives Services Negotiations within SAARC and WTO

Project Duration:	2 years	Budget:	US\$ 157,000
Implementing Partner:	National Trade Policy Committee (NTPC)	▪ Government	
DTIS Recommendations:	2: Trade Policy and Institutions	▪ IF Trust Fund Window 2	US\$ 157,000
Expected Outcomes:	Increase capacity of NTPC to make informed policy decisions and ensure effective participation of Maldives in SAARC and WTO Services Negotiations	▪ Other	-
Management Arrangement:	Ministry of Economic Development and Trade (MEDT)		

Section I**PART 1. SITUATION ANALYSIS**

Maldives needs to participate effectively in the SAARC and WTO negotiations concerning liberalisation of trade in services. This means that both the offensive and the defensive interests of the Maldives in international services trade need to be systematically identified, analysed, discussed with all stakeholders and presented to the trade policy decision makers (the National Trade Policy Committee – NTPC) in a timely manner, to enable them to make informed decisions on negotiating positions and to equip trade negotiators with a clear mandate and justified position.

The appropriate decision making structures and capacity are in the course of being developed in the Maldives, but this process takes time. Meanwhile the current SAARC negotiations have already begun and will not wait for Maldives to develop negotiating capacity. Moreover, even when the decision making structures are operational and working, the skills required for analysis of and negotiations on trade in services are highly specialised. Notwithstanding arrangements which are in hand to increase capacity within MEDT, additional specialist expertise is required.

The current level of knowledge of the Maldives services sectors (current services capacity and activity; development potential; deficiencies and needs) is extremely basic, if not non-existent. There is an urgent need to develop this basic understanding of the current situation before any analysis relating to negotiations for further liberalisation and opportunities for services exports can be undertaken. A lack of basic data has left Maldives' researchers and negotiators unable to participate meaningfully in the SAARC process and any future WTO process.

PART 2. STRATEGY

The main purpose of this intervention is to ensure that the Maldives effectively participates in the SAARC and WTO services negotiations, derives some benefits, and minimises the potential threats to its own domestic services sectors. In order to ensure this, the project will:

1. Identify the offensive and defensive services interests of Maldives in Regional Services Negotiations and global services markets
2. Provide on-going inputs (advice and analysis) to the NTPC and the Government of Maldives during SAARC services negotiations and any future meaningful GATS negotiations.

First, the team of experts will work with the stakeholders in Maldives to better understand the current situation and undertake a baseline study upon which future analysis may be based. This baseline study will include:




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- Data collection on services trade (historical) from Ministry of Planning and Maldives Monetary Authority. Work also with MEDT Business Licensing and Ministry of Tourism to compile a list of services companies by sector and by level of economic activity
- Review of public sector service providers, their relative efficiency and problems
- Survey of services companies in Maldives including sample interviews including review of exports, imports and investments by sector
- Review of services legislation and regulation in Maldives (degree of current liberalisation and GATS commitments, if any). Discussion with regulators regarding funding and level of autonomy. Legal basis for mutual recognition agreements for regulated professional services.
- Review and assessment of latest economic and development reports to identify areas of deficiency in Maldives in necessary services activities – for example, lack of infrastructure services, level of banking and telecommunications needs. Extent to which local providers can supply this gap
- Analysis of gaps in Maldives, i.e. areas where there are a limited number of service providers and low investment levels in necessary services (potential areas for services liberalisation). Also take into account the particular issues relating highly dispersed population, low density of population outside Male, small market size and problems arising from national geography – consideration of social needs and protection in certain services which could not be commercially viable)
- Review of the 7th National Development Plan and other national policies to determine the appropriate national approach to trade in services. This will not only include analysis of economic and trade policies, but will extend to sectoral development policies in areas such as infrastructure, telecommunications, health etc. It will also if necessary recommend a national policy towards issues which arise from GATS Mode 4 (movement of natural persons), differentiating if necessary between sectors – for example there Maldives appears to take a liberal approach towards Mode 4 as regards inflows of individuals to work in tourism.

The gap analysis will be discussed in one or more Round Table discussions with the major stakeholders to gauge the degree of interest of services operators. The experts will prepare Policy briefs as necessary to inform NTPC, and will assist MEDT in the preparation of policy position papers and of the requested background study for the SAARC negotiations (refer to Appendix 1 for outline).

Once the initial baseline position of the Maldives has been agreed by the NTPC, the experts will provide on-going advice on the negotiations as issues arise. On specific request by MEDT or NTPC, the experts will undertake analysis of the implications for Maldives of offers, requests and proposals for services liberalisation in SAARC and WTO, consult with private sector interests and associations to gather additional inputs and information in the decision making process, and prepare briefs for the NTPC as inputs to decision making. In all their work, the experts will work closely with members of the NTPC, line Ministry staff, International Trade Policy Division of MEDT and the NTPC Secretariat to ensure a good level of transfer of knowledge and experience to researchers, analysts and negotiators in Maldives.

Strategic Area of Support

- DTIS Action Matrix Area 2: Trade Policy and Institutions

Intended Outcome as Specified in the DTIS Action Matrix

- 2.1 Build capacity within the government in particular ITPD (MEDT) [...] to be able to better formulate, negotiate and implement trade policy [...].

Outcome Indicators

- Government trade policy decisions and decisions on negotiating positions will be soundly based on analysis and data concerning services interests in the Maldives, and on consultation with all national stakeholders;

- Policy decisions and recommendations will be made by NTPC in good time to be effectively followed up in negotiations;
- All MDAs and commercial stakeholders will be engaged in the policy formulation process to ensure a national approach.

Partnership Strategy

- Support will be given through the project to MEDT's trade policy coordination unit, MDAs participating in the NTPC policy coordination process, national regulators and commercial services providers. This will be implemented through awareness raising, sensitisation of interested parties to issues, and consultations on specific matters.

PART 3. MANAGEMENT ARRANGEMENTS

The National Trade Policy Committee (NTPC) will be the national executing agency for implementation of the project. The NTPC will guide, monitor and supervise implementation. Day to day management of project activities will be undertaken by the International Trade Policy Division (ITPD) of MEDT who will take responsibility for identification and procurement of services to implement the project based on established procurement procedures of the MEDT; plan and initiate activities; and report on outcomes and budget matters to the NTPC.

PART 4. MONITORING AND EVALUATION

MEDT will report directly to the NTPC at their regular meetings detailing activities and budget expenditure.

Section II. Results and Resources Framework

Specific outputs will be:

- Maldives negotiators have a clear mandate from policy decision makers and have policy positions backed by data which can be used as an aid to effective negotiation
- All stakeholders are aware of the opportunities
- Maldives participates effectively in the SAARC Services negotiations and any GATS negotiations
- Maldives achieves 70% of its negotiation objectives (both offensive and defensive).

Specific inputs will be:

- Two International Experts with experience in trade in services and international trade negotiations. At least one of the experts has prior experience of Maldives. The time allocation will be 102 days divided between the two experts over 2 years
- In addition, a national consultant will be required to undertake data collection and detailed national research (including regulatory environment).



Appendix 1: SAARC Services Submission Outline

Country Study Outline (40-50 pages)

- I. **Relative Importance of Services in the Economy (General, 5 pages)**
 - a. Gross domestic product
 - Contribution
 - Growth
 - b. Sectoral performance of services
 - c. Employment
 - d. International trade
 - Status in regional integration arrangements
 - e. Foreign direct investment (inflows and outflows)
 - f. Balance of payments

- II. **Services Trade and FDI with Emphasis on SAARC Member Countries (15 pages)**
 - a. Service trade flows by major sectors and modes with partners details as far as possible
 - Trade with other SAARC countries
 - i. Formal flows
 - ii. Informal flows
 - Relative importance of intra-SAARC trade in services as against trade in goods
 - b. FDI performance of Maldives (inbound and outbound)
 - FDI from/to other SAARC countries
 - c. Regulatory regime in service sectors
 - Recent liberalization, current status
 - Reform agenda
 - d. Trade/FDI restrictions in services
 - e. GATS, regional and bilateral commitments in services
 - Requests and offers

- III. **Potential and Approaches to Liberalization of Trade in Services within the SAARC Regional Forum (15-20 pages)**
 - a. Rationale for a SAARC agreement on services (from a country perspective)
 - Economic
 - Non-economic
 - b. Potential for intra-SAARC trade in services
 - By sectors and modes
 - Sector-wise strengths, weaknesses, current interest (offensive vs. defensive), potential benefits
 - Priority sectors for SAARC regional initiative
 - c. Potential for increased investment flows in services
 - Increased flows within the region
 - Attracting flows in priority areas from outside
 - d. Potential for intra-SAARC cooperation in services
 - e. Constraints to intra-SAARC trade in services
 - f. Approach to intra-SAARC liberalization of trade in services

- IV. **Recommendations for integrating Services into SAFTA (5-10 pages)**
 - a. Approach to liberalization of regional trade in services
 - Process
 - Scope
 - Modalities

- Regulatory cooperation
- Other areas of cooperation
- Any other features and aspects

Other Material:

- Data templates (Time period: 1990-1997, 1998-2006)

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