



**The Asian Development Bank
United Nations Development Programme
The World Bank**

News Release No. 2005/328/SAR

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**MALDIVES NEEDS US\$304 MILLION FOR TSUNAMI
RECOVERY AND RECONSTRUCTION**

ADB, UNDP, and the World Bank Publish Tsunami Disaster Needs Assessment

Washington, D.C., February 14, 2005—The Maldives will need approximately US\$304 million to effectively implement a recovery and reconstruction strategy, according to a preliminary tsunami disaster needs assessment released today by the Asian Development Bank (ADB), the United Nations Development Programme (UNDP), and the World Bank.

The assessment was prepared in close cooperation with the Government of the Maldives and sets out clear guiding principles for the reconstruction strategy. It estimates total damages in the Maldives to be approximately US\$470 million, which is close to 62 percent of GDP. Most of the losses were concentrated in housing and tourism, with education, fishing, and transport also heavily affected. About US\$120 million of external financing will be required in the short term over the next six months.

“The impact of the tsunami on Maldives was a disaster that affected the entire nation,” said Alastair McKechnie, Maldives Country Director for the World Bank. *“Although the loss of life in the Maldives was mercifully less compared to other countries affected by the tsunami, the damage to the economy makes it one of the worst-affected countries. Twenty islands—nearly one tenth of the 198 inhabited islands in the Maldives—were largely devastated, and 14 islands evacuated. Almost one third of the country’s 300,000 people were directly affected by the tsunami, with nearly 12,000 people displaced and another 8,500 temporarily relocated within their own islands.”*

McKechnie said tourism would remain the major driver of the economy and the recovery of this sector would be critical for Maldives to return to high rates of economic growth, full employment, and robust government revenues. He added that the islands’ resorts had, for the most part, experienced only minor damage and that most were providing services at pre-tsunami standards. Maldives is marketing its unique destination intensively to send the message to tourists and operators that its resorts are ready and open for business.

Tidal waves, ranging from 4 to 14 feet, were reported in all parts of the country. The resulting flooding wiped out electricity on many islands, destroying communication links with most atolls. There have been 83 confirmed deaths with another 25 people missing and feared dead. Over 1,300 people suffered injuries.

The Government reacted to the tsunami quickly, setting up a Ministerial Committee and Task Force within hours of the disaster. Communication was restored to 11 of the 20 atolls, and relief supplies were dispatched to outlying areas, both within 24 hours. Communities mobilized in support of their neighbors, and the private sector contributed to the relief effort. This rapid and coordinated response allowed the Government to move quickly from the initial emergency phase to start restoring some semblance of normality much sooner than might have been expected.

The Maldives has enjoyed sustained economic growth, based on the highly successful development of tourism aimed at the upper end of the global tourism market. The fishing industry is also a mainstay of the economy. Over the past two decades, real GDP growth averaged over 8.5 percent per year, resulting in a tripling of per capita income to about US\$2,400 in 2003. The health status of the population has improved considerably, with average life expectancy at birth increasing from 50 years in 1970 to 72 years in 2002. Net primary school enrollment rates have risen from 38 percent to 93 percent over the past three decades, with literacy rates among females aged 15 and above reaching 97 percent. In many respects, the Maldives has been the development success story of South Asia.

Besides tourism, the largest damages were sustained by the housing sector, with losses close to US\$65 million. Approximately 1,700 houses were totally destroyed and another 3,000 were partially damaged. The Government has indicated a willingness to cover a large share of the housing reconstruction cost, which would allow the population to restart their normal activities more quickly.

“It’s vitally important to bring tourists back in full force—they contribute 60 to 70 percent of GDP as well as a market for fishers,” said Richard Vokes, Director of Operations Coordination for the Asian Development Bank’s South Asia Department. *“The priority for affected communities is to restore housing, drinking water, sewerage facilities, and electricity and to help fishers and farmers get back to earning a living.”*

In the education sector, 37 percent of schools require some degree of repair to be safe and functional. Six schools were completely destroyed. The new school session was scheduled to begin January 25, 2005, so action in this sector is an immediate priority. However, the school year began throughout the country only two weeks later than scheduled. Thirty health facilities, including two hospitals and eight health centers, have been damaged to varying degrees. The Ministry of Health has put a disease surveillance system in place to monitor outbreaks of communicable diseases and respond to emergency health needs.

Significant losses were also sustained in water supply and sanitation, power, transportation, and communications.

In order to ensure that tsunami reconstruction resources are utilized properly and effectively, the Government has set up a special fund for the tsunami emergency and has asked donors to provide as much of their funding as possible through this mechanism. The purpose of the special fund is to ensure transparency and harmonization, eliminate duplication of effort, and reduce administrative overhead costs.

“One way to support the people of the Maldives is through the Adopt An Island initiative just launched by UNDP,” said Moez Doraid, Acting United Nations Resident Coordinator. *“This program will allow the*

Macroeconomic Impact of the Tsunami

The impact on the economy will be felt over the next 6 to 12 months. Most likely effects include:

- Slowdown in real GDP growth to around 1% of GDP for 2005 (compared to a pre-tsunami forecast of 7.5%)
- Rise in consumer prices of about 7%
- Doubling of the current account deficit from an expected 12% of pre-tsunami GDP to 25% for 2005
- Significant widening of the fiscal deficit to around 11% of GDP (assuming the Government implements planned fiscal

private sector—from big businesses to individual people—to help some of the worst-affected areas. Adopt An Island will provide funds for the most immediate and urgent needs for safe and dependable shelter. Island adoptions will cover the cost of providing construction materials to rebuild communities. They will also create income-generating opportunities for people in those places where they are needed most.”

The assessment identified the following recommendations for the recovery and reconstruction strategy:

- Maintain adequate liquidity in the atolls, as the Government is doing by providing cash payments to affected households.
- Help the people in the atolls restore their livelihoods by financing the replacement of key implements, such as fishing nets and lights used to catch bait, and paying workers to clean up and begin reconstruction, at least initially.
- Encourage the resumption of tourism activity by conveying a clear message to the rest of the world that damage was limited only to some islands; that key infrastructure, such as the airport, is safe and functioning normally; and that the impact of the tsunami was minor on most of resorts, which are open for business.
- Ensure that the reconstruction effort is consistent with macroeconomic stability over the medium term, involving the maintenance of the fixed exchange rate, stable prices, and fiscal and debt sustainability.

The tsunami disaster needs assessment was prepared jointly by the Asian Development Bank, the World Bank, and the UN system of agencies, in close consultation with the Government and other affected parties. The Japan Bank for International Cooperation also joined the mission. These institutions have indicated their commitment to help through grant assistance and/or soft lending to finance emergency and medium-term rehabilitation and reconstruction projects. The wider international community and other donor organizations, as well as private institutions and individuals around the world, are also providing support. A donors’ consultative meeting for Maldives is planned for the beginning of March to discuss the needs assessment and help bolster external financial support.

Full text of the assessment is available at:

The Asian Development Bank: <http://www.adb.org/tsunami>

The United Nations Development Programme: <http://www.undp.org>

The World Bank: <http://www.worldbank.org/tsunami> | <http://www.worldbank.org/mv>