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Digital Technologies Can Help Maldives Build Back Better From the COVID-19 Shock

Maldives can leverage digital technologies to build back better for a more green, resilient, and inclusive development following the COVID-19 pandemic, says the latest [World Bank Maldives Development Update: A Digital Dawn](#) released today.

The Maldives Development Update (MDU) notes that the country, post a massive pandemic led downturn, is firmly on the road to recovery. Thanks to successful marketing campaigns and relatively straightforward entry requirements, Maldives received close to 300,000 tourists in the first quarter of 2021. Assuming that a million tourists visit the country this year, the World Bank forecasts real GDP to grow by 17.1 percent in 2021. There are both downside and upside risks to the forecast.

The Update analyzes the devastating effect of the pandemic on the island nation's economy. From end-March to mid-July 2020, the country was forced to close its borders to tourists, bringing the economy to a standstill. Tourist arrivals plummeted nearly 70 percent, leading real GDP growth to contract by nearly 30 percent compared to 2019. The government took steps to protect the lives and livelihoods of Maldivians, and yet the pandemic is expected to have led to a temporary increase in poverty.

“The Government of Maldives has shown the world that a safe reopening to tourism is possible,” said **Faris. H. Hadad-Zervos, the World Bank Country Director for Maldives, Nepal and Sri Lanka.** *“With active management of the current macro-fiscal situation, Maldives’ medium-term growth prospects can continue to be positive given its strong reputation as a luxury destination and ongoing investments in tourist infrastructure.”*

As Maldives builds back better from the COVID-19 crisis, addressing fiscal and debt vulnerabilities will be important. In 2020, the fiscal deficit reached nearly USD 900 million or 20 percent of estimated 2020 GDP. Total public and publicly guaranteed debt reached USD 5.6 billion or nearly 140 percent of estimated 2020 GDP. Although the recovery is now underway, Maldives’ fiscal deficit and debt ratio are expected to remain elevated over the medium term.

*“The pandemic has led to a spike in debt vulnerabilities across the globe, and Maldives is no exception,” said **Fernando Im and Pui Shen Yoong, lead authors of the MDU.** “Addressing these vulnerabilities would help Maldives build resilience to cope with unexpected future shocks”.*

The special focus section of the MDU sheds light on how **digital technologies** can be game changers for Maldives’ growth and development. The COVID-19 pandemic has accelerated the digital transformation that was already underway, thanks to relatively high broadband and mobile internet penetration in the country. About 63 percent of the population used the Internet in 2019, a higher proportion than in other South Asian countries and peers outside the region. There is tremendous potential to use digital technologies to improve the delivery of services such as health, education, and disaster risk management, especially to outer atolls.

To leverage the digital dividend, Maldives needs to address policy, legal and regulatory gaps that currently inhibit the adoption of digital technologies. It also needs to boost Maldivians’ digital capabilities and skills to ensure that all Maldivians can take advantage of new technologies in an increasingly digital world.

*“Wider use of digital technologies can help the government improve service delivery and allow smaller businesses and informal workers to expand access to markets,” said **Junko Narimatsu, lead author of the special focus section.** “However, for digital development to play a more prominent role in Maldives’ economic recovery, it is essential to close the digital divide between Male’ and the atolls.”*

The [Maldives Development Update](#) is a World Bank publication that discusses the country’s recent macroeconomic developments and outlook, as well as relevant development challenges. It also provides a more in-depth examination of selected economic and policy issues.

The Maldives Development Update is a companion piece to the South Asia Economic Focus, a twice-a-year World Bank report that examines economic developments and prospects in the South Asia region and analyzes policy challenges faced by countries. The Spring 2021 edition titled [South Asia Vaccinates](#), launched on March 31, 2021, shows that economic activity in South Asia is bouncing back, but growth is uneven, recovery remains fragile, and the economic outlook is precarious. The report also focuses on the different dimensions of vaccine deployment and provides a cost-benefit analysis of vaccination in the region.