

# INVESTMENT OPPORTUNITIES IN THE MALDIVES

MPF\_AFIN Finance (Basics)

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## **Preface**

This short report is about the investment opportunities in the Maldives. Country's brief information, economy, currency, how can do investment and advantages for the investments in the Maldives will be mentioned in this report. Tourism is the main sector of Maldives. So, apart from other sectors, some additional information about the tourism sector and its potential areas has been included with the reasons to invest in this particular sector. As "Special Economic Zone" is a government key pledge to develop, some of its information has also addressed in this report.

## **The country**

Maldives is an island nation, archipelago in the Indian Ocean with a population of 407,660 (DNP, 2015). The country is located southwest of India and Sri Lanka in the Laccadive Sea. Maldives is formed as one of the most complex and vibrant atoll structures found anywhere on the planet. The 26 natural atolls are categorized into 20 atolls for administrative purposes.

## **Currency and Banking**

The national currency of the Maldives is Maldivian Rufiyaa (MVR). One Rufiyaa is subdivided into hundred *Laari*. Currently 1 US Dollar is equivalent to MVR 15.42. US Dollar is the most traded foreign currency like as many other countries. Modern banknotes of Maldivian Rufiyaa were first issued in the Maldives on 5th September 1948. The Maldives Monetary Authority (MMA) acts as the Central Bank of the country while Bank of Maldives is a state main commercial bank. Some other reputed local and International Banks also operate in the country; Hong Kong Shanghai Banking Co-operation (HSBC), Mauritius Commercial Bank, State Bank of India etc.

## **The economy**

Being as a small country, total productivity is also less compare to neighboring countries. According to various statistics, Maldives economy is growing at an average of over 6 to 8 percent since the past two decades, MIF (2014). Tourism forms the cornerstone of the economy of Maldives and is worth more than 60% of the foreign exchange earned by the state. Some other sectors include; Fisheries, transportation, construction, agriculture and service sectors. Annual Inflation rate is at 1.3%. Interest rate at 4.00%. Nation's total Gross Domestic Product (GDP) accounts at USD 3.032 billion while GDP per capita is at USD 8,438 by the end of 2014 (MMA, 2015).

## **Invest in the Maldives**

Investing in the Maldives has numerous advantages and it is one of the places where businesses can achieve excellence on a global scale. The government of Maldives has published a list of positive investments for the foreign investors. However, the main reason for this list is to give a direction for the foreign investors about areas where they can invest in the Maldives. The areas within the tourism sector is always favorite for the foreign investors. Fisheries, construction, agriculture, transportation and some other service sectors are the potential sectors where foreign investors are welcomed. Therefore, various areas are within these industries where it's remain as a profitable options available.

## **Why invest in the Maldives?**

Well, Maldives is a country with a natural beauty and growing economy. As mentioned earlier, Maldives is performing well compare to some other small states. According to World Bank (2015), it has the highest GDP per capita in the South Asia region with USD 8,438. The community of the Maldives is well educated with 99.9% literacy rate. English is the main medium of instruction in the education system of the country.

Maldives is located in a Strategic geographical location at the heart of the Indian Ocean, at the historical crossroads between East and West. The country has an extensive air transport network with international airports and domestic airports. Also ready accessibility to all islands via the world's largest sea-plane operation and a developing marine transport system. Foreign investors has a trust and confidence about The Maldives. Country has a strong legal system. Information technology has very advanced in the country and it is one of the most peaceful places in the earth.

## **Invest in the tourism sector**

As mentioned earlier, tourism is the highest contributor for the GDP and the government revenue with almost 30%. The most popular tourism establishment is seaside resorts. Resorts are built on "one island – one resort" concept. Building a tourist resort is an investment which has a great probability of high return. The fact is, one of the best hotel groups in the world has invested in the country and those resorts are the winners of most of the travel and tourism awards.

Operating a hotel is also a profitable business within the tourism sector. City hotels can be built in the Male', the capital city, or other big islands. Guest Houses are becoming more popular in these days in Maldives as they are cheap accommodations. Guest House is a cheap investment compare to City Hotel or a resort. Safari Vessels are also good option if thinking to invest within the tourism sector.

Due to the natural beauty of the Maldives, it is a dream to visit the Maldives once in the life. Annual arrivals or the occupancy rate is at 1 million. "Sea, Sun and Sand" is

the biggest advantage in the Maldives tourism, well most of the countries don't have all these together. Natural white sandy beaches, underwater beauty, crystal clear water, blue sky and tropical weather are unbeatable advantages to invest in the tourism of Maldives. Maldives resorts are rated globally as an expensive destination as there are resorts offer room for USD 25,000 per night.

### **Invest in the “Special Economic Zone”**

As the main economic pledge of the current government, special area of the country has been finalized as “Special Economic Zone”. It is an area to build mega investment projects with strategic alliance of international investors. As mentioned in the SEZ Act (2014), some of the possible investments in the “Special Economic Zone” includes;

- Industrial Estate
- Export Processing Zone (Export of local goods or goods manufactured using local or imported items)
- Free Trade Zone (Exports; offering transshipment, storage, warehousing, repacking, value addition or re-export operations)
- Enterprise Zone (distressed area designated for economic revitalization)
- Free Port (an island or geographical area aimed at tourism, retail trade etc...)
- Single Factory Export Processing Zone
- Offshore Financial Services and
- High Technology Park (earmarked for developing or enhancing modern technology and technological innovations)

Some of the special incentives for the foreign investors of “Special Economic Zone” are;

- Import Duty is exempted for importation of Capital Goods for development management and operation of the Zone;
- Exemption from Business Profit Tax;
- Exemption of Goods and Services Tax for first 10 years;
- Exemption of Business Profit Tax from Shareholder Dividends;
- Tax Relief available under specific guidelines;
- Tax Credit available under specific guidelines;
- Exemption from payment of Withholding Tax for first 10 years period; and
- Relaxed rules to bring and recruit expats for employment.

## **Incentives for the foreign investors**

Below mentioned are some of the highly remarkable incentives for the foreign investments within the territory of the Maldives, Invest Maldives (2014).

- Investing allows foreigners the right of 100% ownership
- Legally supported investment guaranteed
- Provision for overseas arbitration of disputes
- Long term lease of land for large scale projects
- Foreigners are allowed to use their own managerial, technical and unskilled workers.
- No restrictions on foreign exchange.
- Freedom to repatriate profits and capital proceeds
- Exemption of import duty on raw materials.
- Land ownership for the investments above USD 1 billion.

## **How to invest?**

A Foreigner (government/national/body) incorporated outside the Maldives may invest in, accordance with one of the below mentioned ways under the terms of the law. The Government of the Maldives or any part representing the Government, or Maldivian nationals or a body incorporated in the Maldives may collaborate in such investments.

According to the Foreign Investment Act (1989), investing in the Maldives is mainly through 2 ways.

- Setting up an investment wholly owned by foreigners by registering investments whose ownership of 51% or whole held by foreigners or entities incorporated outside of the Maldives.
- Forming a joint venture with a Maldivian company or nationals, by registering a joint venture investments whose ownership of 51% or more is held by a Maldivian or wholly owned Maldivian entities incorporate in the Maldives.

## **Conclusion**

There are so many options to invest in the Maldives. Tourism, Fisheries, Agriculture, construction or Transportation are the biggest sectors which welcome foreign investments. Especially tourism sector is one of the strong sector for foreign investors. Numerous advantages and incentives are available for the foreign investors. Some of the well-known investors has invest the country and they have very positive outcomes.

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