

India Pledges \$565 Million to Maldives for Infrastructure Boost, Resetting Ties

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In a significant move to bolster bilateral relations and support development, Indian Prime Minister Narendra Modi on Friday, July 25, 2025, pledged a \$565 million Line of Credit (LoC) to the Maldives. This substantial financial commitment, announced during Modi's visit to attend the Maldives' 60th Independence Day celebrations, is earmarked to invigorate the island nation's infrastructure and defense capabilities, signaling a renewed chapter in the strategic partnership between the two Indian Ocean neighbors.

The announcement came as part of a series of agreements exchanged between India and the Maldives, following wide-ranging talks between Prime Minister Modi and Maldivian President Mohamed Muizzu. The discussions aimed at strengthening cooperation across various sectors, including trade, defense, and maritime security, and effectively marking a reset in ties that had seen some strain in recent months. Beyond the new credit line, India also agreed to ease the Maldives' existing debt burden, reducing its annual loan repayment obligations by 40%.

President Muizzu confirmed that the \$565 million credit line would be strategically utilized to reinforce the Maldives' security forces, enhance its healthcare infrastructure, improve housing, and advance educational initiatives. During his visit, Prime Minister Modi also inaugurated several Indian-funded infrastructure projects, including crucial road networks and a 4,000-unit housing scheme, underscoring India's tangible commitment to the archipelago's development. "India's continued assistance to the Maldives through the export of essential commodities is a key facet of our bilateral cooperation," President Muizzu stated, acknowledging India as the "first responder" in times of crisis.

The visit and the accompanying financial pledge hold particular significance given President Muizzu's previous "India Out" campaign during his election in 2023, which led to the withdrawal of a small contingent of Indian military personnel. However, both leaders have since expressed a desire to forge a "new chapter" in bilateral ties. Prime Minister Modi emphasized that India would remain the "first responder" for the Maldives, highlighting their shared goals of "peace, stability, and prosperity in the Indian Ocean region."

This substantial investment reinforces India's "Neighbourhood First" policy and its Vision SAGAR (Security and Growth for All in the Region), aiming to counterbalance other growing influences in the strategically vital Indian Ocean. The pledged funds for infrastructure and defense are expected to not only contribute to the Maldives' economic stability, which faces a

foreign exchange shortage, but also deepen security cooperation and ensure maritime stability in a crucial geopolitical hotspot. The commencement of negotiations for a free trade agreement was also announced, further solidifying the economic partnership between the two nations.