

ASSESSMENT OF SOCIO-ECONOMIC  
IMPACT OF FOOD, FUEL AND FINANCIAL  
CRISIS ON MALDIVES

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## *Executive Summary*

The Maldivian economy is highly dependent on imports and is structured upon the two pillars of tourism and fisheries which have enabled robust growth over the past few decades, resulting in increased affluence and an improvement in social indicators. The nation's export receipts comprise earnings from tourism and fish products and with no income<sup>1</sup> or sales taxes in place, public revenues also depend to a large extent on inflows related to tourism and import duties. However the dependence on two sectors that depend on exogenous factors has left the country extremely vulnerable to the vagaries of international economic conditions natural disasters. At the same time, with concentration of development around the capital region, in-migration has resulted in overcrowding of Male' and associated social problems.

Expansionary fiscal policy of the post tsunami years, including significant increase in current expenditure of the government and high monetary aggregates existed domestically at the commencement of the international food and fuel crisis. Consequently inflation had reached double digits, significant twin deficits prevailed, debt of both the public and private sectors had grown considerably and a parallel market for foreign exchange existed by the time the impact of the international financial crisis was felt in the country. Maldives was also going through a political transition which had used up a lot of domestic resources over the past couple of years. Given the combination of factors and the pre-existing conditions, it is difficult to apportion the effects to specific causes, or as being a result of the international crises. Nevertheless it can be said that given the Maldives' high dependence on imports including all petroleum products, the fuel crisis affected the fisheries sector severely and increased the cost of shipping on imports in general, while an increase in food prices were felt across the board. The international financial crisis was transmitted largely through a slowdown in tourist arrivals and tourist expenditure in the country, and non-availability of foreign financing for the various requisite areas.

The incumbent government that came into power in November 2008 with an agenda for much social and structural reform has therefore faced market conditions that have not been conducive for their efforts at privatization and economic diversification. Bilateral assistance provided some relief, but given that planned divestiture of state assets did not materialize during the expected time frame, another large budget deficit is likely to be witnessed in 2009 as well, unless drastic action is taken to bring expenditure in line with revenue.

These adverse economic conditions have also impacted upon employment and household incomes. While no comparative data exists, anecdotal evidence indicates that the reduced profitability of tourist arrivals and in-country spending has resulted in lesser pay, enforced leave and some layoffs at resorts. At the same time, reduced spending by tourists has impacted supporting businesses like souvenir shops and tour guides. The construction industry has also been affected drastically in the recent period as a result of credit drying up, coupled with losses incurred in the past few years due to increased cost of construction materials. At the same time, the Bank of Maldives has faced liquidity issues.

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<sup>1</sup> With the exception of a 25 percent tax on annual profits of banks

Crisis mitigating measures on the economic front have included increasing tourist arrivals, support to industry in the form of easing the terms of some tourism development contracts, some easing of trade financing, extension of loan facilities for small and medium enterprises, enhancement of bank supervision and corporate governance regulations, public revenue enhancing and expenditure reduction measures, introduction of additional monetary instruments for liquidity management, and seeking foreign concessional assistance.

Income enhancing and poverty reduction measures introduced include an allowance for pensioners who do not receive a basic income and free health insurance for all pensioners, a contributory basic health insurance scheme introduced for the general public in September, and proposed redundancy support packages for those affected by the civil service rationalization initiative.

Given the magnitude of pre-existing imbalances and the lack of fiscal space to implement a strong counter-cyclical fiscal policy that would be most desirable in a crisis situation, it appears that the policy response which covers short term stabilisation and medium term structural measures is broadly appropriate. Some specific recommendations are provided below.

- Fiscal, monetary and overall structural policy must be coordinated and appropriately sequenced.
- Fiscal rationalization needs to be prioritized, with expenditures made in line with expected revenues. Given that revenues for 2009 still depend on as yet unrealized big ticket items including investment finance for privatization of airport and new tax measures, alternative financing measures must be sought to minimize recourse to domestic borrowing.
- Revenue reducing policy measures must be avoided – in this context, it is not advisable to go ahead with a reduction in import tariffs at the current time.
- Monetary policy interventions need to be well targeted and implemented in a timely manner to counterbalance the effects of fiscal policy. In this context, early commencement of open market operations and Treasury Bill auctions would be desirable.
- Financial sector regulators could maintain confidence in the system by being proactive in disseminating information and raising public awareness on regulatory issues and sector developments in a consistent and public-friendly manner.
- The foreign exchange market must be closely monitored and appropriate action taken to avert long term adverse effects of a parallel market.
- Structural reform needs to be well sequenced and communicated with clarity to all stakeholders to ensure smooth implementation and boost investor confidence. Serious foreign investors would generally shy away from unstable macroeconomic or socio-political environments, and opaque policy scenarios. Sound legal and regulatory frameworks need to be in place for the protection of both investors and the recipient nation.
- While decentralization is desirable, the model that is implemented must provide for scale economies in order to ensure sustainability and economic viability.

- Straightforward legal practices, rapid enforcement of judgements and a pragmatic and technically competent judiciary is a necessary precursor for the prevalence of equity and effective conflict resolution in a modern economy. Technical assistance should be sought where necessary to modernize the legal sector and ensure that the judiciary remains up to date and able to adjudicate on modern financial transactions and use internationally accepted legal norms that are compliant with the law in Maldives.
- Further efforts to diversify tourist markets could be useful – marketing could be focused towards Asian countries where growth is still relatively high and a large middle income class is emerging, and other countries with similar characteristics.
- Trade diversification should be considered in the medium term to reduce vulnerability to external developments. Support for SMEs could encourage innovations which may lead to the development of other products/sectors for export or domestic consumption.
- A coordinated marketing mechanism for exports of fishery products need to be established, taking lessons and piggy backing on the tourism marketing concept and other industry models where possible. Efforts should be made to consolidate marketing efforts for various products and sectors where possible to save resources.
- The establishment of small home gardens should be encouraged where possible, for growing agricultural produce for household use. Information could be disseminated on efficient use of small spaces to grow different varieties commonly consumed.
- Given that the construction industry was developing to be the third largest in terms of GDP share in recent years, consideration should be given to strengthen the industry in a manner that fits into the broader foreign investment objectives. It is recommended that the mechanisms for dialogue between industry players and policy makers be enhanced to enable clear direction for the industry and that re-financing options are facilitated for viable on-going projects.
- Skill development opportunities in the tourism, fisheries and construction industries should be emphasized and marketing targeted towards youth to direct them towards employment in the sectors.
- Laws governing employment must be reviewed and streamlined and institutional capacity built concurrently in order to enable more professional and pragmatic labour relations.
- Oversight of SOEs must be pragmatic in order to facilitate them to operate within their specified mandate in a profit-oriented manner.
- Government agencies and regulatory and independent bodies must work in coordination to implement a consistent, synchronised and well sequenced policy framework that is clearly defined and has transparent objectives.
- Political and legal organs of the state, independent institutions, industry bodies, employee organizations and the executive must engage in constructive dialogue on policy issues to facilitate timely action in the national interest.

## Maldives: Key Economic Indicators, 2004 - 2009

Data from MMA, DNP, MTAC, MoHRYS, MoFA, MoFT, Maldives Customs Service, Civil Service Commission.

	2004	2005	2006	2007	2008	2009	2009						
							Jan	Feb	Mar	Apr	May	Jun	Jul
<b>GDP <sup>1/</sup></b>													
RGDP (1995 constant prices) Rf mn.	8311.2	7926.2	9351.1	10026.3	10611.4	10476.7	-	-	-	-	-	-	-
RGDP (1995 constant prices) US\$ mn.	706.1	673.4	794.5	851.9	901.6	890.1	-	-	-	-	-	-	-
NGDP (in millions of Rf at current price)	9938.7	9596.1	11717.4	13493.3	16137.2	16968.0	-	-	-	-	-	-	-
NGDP (in millions of US\$ at current price)	776.5	749.7	915.4	1054.2	1260.7	1325.6	-	-	-	-	-	-	-
<b>(Annual percentage change)</b>													
RGDP (1995 constant prices) Rf mn.	9.5	-4.6	18.0	7.2	5.8	-1.3	-	-	-	-	-	-	-
NGDP (in millions of Rf at current price)	12.1	-3.4	22.1	15.2	19.6	5.1	-	-	-	-	-	-	-
<b>TOURISM</b>													
Tourist arrivals ('000)	616.7	395.3	601.9	675.9	683.0	-	61.5	58.5	62.1	57.2	43.2	36.2	44.3
Tourist bednights ('000)	5110.6	3300.0	4822.1	5293.2	5451.2	-	523.3	469.6	495.2	447.4	371.2	286.9	361.2
Tourist bed nights (Annual % ch)	8.6	-35.4	46.1	9.8	3.0	-	-2.6	-12.4	-12.8	-10.4	-8.4	-6.4	-5.4
Bed capacity (Resorts/Hotels)	16621.2	13946.2	16175.3	17511.0	19081.3	-	19522	19526	19608	19834	20250	20152	20538
Bednight capacity ('000)	6083.2	5092.8	5904.2	6392.0	6983.4	-	605.2	546.7	607.8	595.0	627.8	604.6	636.7
Capacity utilization rate (%)	83.9	64.5	81.7	82.9	78.0	-	86.5	85.9	81.5	75.2	59.1	47.5	56.7
Average stay (days)	8.3	8.3	8.0	7.9	8.0	-	8.5	8.0	8.0	7.8	8.6	7.9	8.1
<b>FISH PRODUCTION</b>													
Landings excluding EEZ ('000 MTs) <sup>2/</sup>	156.0	182.9	181.0	141.1	131.7	-	9.7	9.0	8.8	9.3	8.2	8.5	8.7
Total fish exports ('000 MTs)	75.4	82.1	111.4	65.8	63.1	-	5.5	3.1	1.6	4.2	4.3	1.0	1.1
Total fish exports (US\$ mn.)	84.4	96.6	128.8	102.5	120.7	-	7.3	5.8	5.5	6.8	6.4	3.5	3.5
o/w private sector operators in zones <sup>3/</sup>													
Tuna - MT ('000)	14.1	17.3	24.5	15.8	13.8	-	1.0	0.3	0.1	0.0	0.3	0.2	0.2
Tuna - US\$ (mn.)	8.6	12.8	20.0	16.6	21.4	-	1.1	0.6	0.1	0.0	0.9	0.3	0.6
<b>INFLATION, AVERAGE CONSUMER PRICES</b>													
National	-	-	3.5	7.4	12.3	-	12.3	11.9	11.3	na	na	na	na
Male'	-1.7	1.3	2.7	6.8	12.0	-	12.0	11.6	11.2	10.4	9.5	8.6	7.4
Atolls	-	-	4.1	7.9	12.5	-	12.5	12.1	11.5	na	na	na	na
<b>EMPLOYMENT</b>													
Government employees (permanent)	26357	27636	30243	32788	24152	-	-	-	-	-	-	-	-
Total expatriate labour force	38413	44845	53901	70075	80839	-	79720	78901	80849	79386	79431	78470	74852
<b>(Annual percentage change)</b>													
Government employees (permanent)	8.8	4.9	9.4	8.4	-26.3	-	-	-	-	-	-	-	-
Total expatriate labour force	13.8	16.7	20.2	30.0	15.4	-	12.6	11.1	12.1	7.9	7.5	2.2	-3.4
<b>PUBLIC FINANCE (Rf mn) <sup>4/</sup></b>													
Total revenue and grants	3424.7	4613	6154	7571	7757	10115	-	-	-	-	-	-	-
o.w. Tourism tax	409.5	345.0	495.7	547.3	588.7	496.2	-	-	-	-	-	-	-
o.w. Import duty	1135.9	1245.7	1683.9	2086.5	2459.9	1816.7	-	-	-	-	-	-	-
Expenditure and net lending	3582.6	5658	6948	8201	9789	11369	-	-	-	-	-	-	-
Overall deficit (-)	-157.9	-1045	-794	-630	-2031	-1255	-	-	-	-	-	-	-
<b>(percent of GDP)</b>													
Total revenue and grants	34.5	48.1	52.5	56.1	48.1	59.6	-	-	-	-	-	-	-
Expenditure and net lending	36.0	59.0	59.3	60.8	60.7	67.0	-	-	-	-	-	-	-
Overall deficit (-)	-1.6	-10.9	-6.8	-4.7	-12.6	-7.4	-	-	-	-	-	-	-
<b>MONEY AND BANKING (Rf mn)</b>													
Net foreign assets	3362.2	1787.7	1031.6	-458.3	-2572.4	-	-2579.5	-2660.3	-967.7	-1257.7	-1078.3	-1309.2	-1594.9
Domestic credit	4246.0	6911.4	9509.1	13820.2	19812.5	-	20019.2	20189.5	19616.8	19727.4	19684.6	19909.7	20454.0
Claims on private sector	3547.8	5480	8192	12220	16248	-	16179.3	16002.5	15751.9	15654.5	15533.8	15461.7	15500.8
Total Liquidity	5983.7	6685	8063	9972	12326	-	12573.8	12624.0	12946.1	13170.5	13392.7	13141.9	13560.1
Change in net claims on Government	-419.3	496.7	-208.0	-161.3	1605.0	-	373.2	338.0	-291.3	258.7	86.2	370.8	453.9
<b>(Annual percentage change)</b>													
Net foreign assets	27.0	-46.8	-42.3	-144.4	461.3	-	275.0	417.0	76.9	81.6	-5.6	11.5	-26.3
Domestic credit	32.0	62.8	37.6	45.3	43.4	-	37.5	35.8	29.4	23.7	20.3	18.3	13.5
Claims on private sector	57.6	54.5	49.5	49.2	33.0	-	28.8	24.2	21.6	16.9	14.1	10.7	2.4
Total Liquidity	32.8	11.7	20.6	23.7	23.6	-	19.8	15.4	16.8	14.0	17.4	16.7	15.4
<b>BALANCE OF PAYMENTS (US\$ mn) <sup>5/</sup></b>													
Current Account	-122.3	-273.0	-302.0	-437.8	-651.3	-475.4	-	-	-	-	-	-	-
Balance on goods	-383.8	-493.8	-590.1	-736.8	-890.8	-679.2	-55.3	-46.5	-52.0	-58.5	-45.7	-59.3	na
Goods: credit	181.0	161.6	225.2	228.0	330.5	264.2	18.7	13.2	16.1	16.5	14.3	8.4	na
Goods: debit	-564.8	-655.5	-815.3	-964.7	-1221.2	-943.4	-74.1	-59.7	-68.1	-75.0	-60.0	-67.7	-74.0
Overall balance	44.2	-23.5	45.1	76.9	-67.8	144.8	-	-	-	-	-	-	-
<b>(percent of GDP)</b>													
Current Account	-15.8	-36.4	-33.0	-41.5	-51.7	-35.9	-	-	-	-	-	-	-
Overall balance	5.7	-3.1	4.9	7.3	-5.4	10.9	-	-	-	-	-	-	-
<b>EXTERNAL RESERVES</b>													
Gross international reserves (US\$ mn) <sup>6/</sup>	204.4	187.1	232.2	309.1	241.3	-	224.6	223.4	269.5	242.0	241.7	227.4	213.1
(in months of imports)	3.8	3.0	3.0	3.4	2.1	-	2.0	2.1	2.4	2.4	2.5	2.4	2.4
<b>(Annual percentage change)</b>													
Gross international reserves	27.5	-8.5	24.1	33.1	-21.9	-	-25.8	-27.9	-13.2	-22.4	-19.1	-20.0	-18.6
<b>EXTERNAL PUBLIC DEBT (US\$ mn) <sup>7/</sup></b>													
Debt outstanding disbursed	311.6	309.6	362.3	420.0	471.7	591.8	na	na	na	na	na	na	na
Amortization	21.3	23.9	24.1	29.0	34.6	66.9	-	-	-	-	-	-	-
Disbursements	46.4	42.0	62.8	65.4	101.1	197.6	-	-	-	-	-	-	-
Debt service	29.1	31.2	32.1	39.7	49.5	82.8	-	-	-	-	-	-	-
Debt service ratio	4.2	6.4	4.1	4.5	4.5	10.1	-	-	-	-	-	-	-
<b>EXCHANGE RATE</b>													
Rufiyaa / US\$ (end of period mid rate)	12.8	12.8	12.8	12.8	12.8	-	12.8	12.8	12.8	12.8	12.8	12.8	12.8

<sup>1/</sup> Figures for 2008 are estimates & 2009 are projections of March 2009.

<sup>2/</sup> 2009 data are estimates & 2008 data revised on April 2009.

<sup>3/</sup> For fisheries sector purposes the country has been divided into four zones.

<sup>4/</sup> CPI - National and Atolls data not available prior to June 2004. CPI has been rebased on April 2007 (June 2004 = 100).

<sup>5/</sup> Figures for 2008 are revised est & 2009 are revised budget est. of May 2009.

<sup>6/</sup> 2008 data are estimates & 2009 data are proj. of 2nd April 2009.

<sup>7/</sup> Foreign Assets of MMA.

<sup>8/</sup> 2009 data are projections of March 2009.

<sup>9/</sup> Ratio of debt service to exports of goods and services.

Source: MMA Monthly Statistics, August 2009

## **1. Socio Economic Background**

The Maldives is an archipelagic nation consisting of approximately 1,190 low-lying coral islands which form a chain that stretches over an area of 90,000 sq kms of the Indian Ocean. The nation's capital Male', with around 2 sq kms of total land area has over a third of the entire population of 298,968, while approximately 69 percent of the rest of the 200 inhabited islands have less than 1000 inhabitants according to the 2006 Census information. On account of its geography, the country is very vulnerable to natural disasters and environmental hazards. Like that of several other small island nations, the Maldivian economy is highly open and extremely vulnerable to exogenous shocks, in part due to its reliance on sectors dependent on international conditions for growth. Tourism and fisheries are the key economic industries and together constitute about 30-35 percent of gross domestic product, account for over two thirds of export earnings, and employ around 18 percent of the domestic labour force. As such, any slackening in the receipts from Maldives' exports of tourism and marine resources has a large impact on the real economy. Moreover, many other sectors such as distribution and trade, construction and transportation are closely linked to the performance of the tourism sector in particular, and a decline in tourist bed-nights and receipts has ripple effects that flow through all these sectors.

The Asian tsunami of 2004 severely affected the Maldivian economy, effectively wiping out much infrastructure in the outer islands and rendering thousands homeless. After two years of incomparable indicators, economic growth once again stabilized in 2007, and witnessed average growth of 6.5 percent over the 2007-2008 period. This was also a period of significant political developments in the country which culminated in a peaceful change of a 30 year old regime in November 2008.

### **1.1 Production**

The Maldivian economy is dominated by the tourism sector, constituting over 27 percent of GDP in recent years. The fisheries, construction, and commerce sectors have accounted for between 5 – 10 percent of GDP each, with the fisheries sector showing declines in recent years on account of poor catch. (See Table 1 in Statistical Appendix)

*Tourism* has been the engine of growth for the Maldivian economy in recent decades, with robust growth throughout, except at times of exogenous shocks. Investment in the sector too, has therefore been increasing over the years, and policy changes over the 2006-2008 period have seen a large number of islands on the market for development. In general, investments have become larger with the market moving more towards the higher end in the past decade. While Maldives started off with fairly basic resorts when tourism was first introduced, some recent investments have reportedly been in the range of US\$ 150 million. However, the sector's links with the rest of the local population is not as comprehensive as may be expected, given that each resort has historically been developed on a separate island with its own supporting infrastructure, and there has been little development of the requisite human resource capacity to meet the needs of this high end market. As a result the larger part of the tourism labour force is imported. Similarly, the bulk of the resort consumables are brought in from overseas, although fish and some agricultural produce are procured domestically.

The tourism sector is usually the first to be impacted following any external crisis. A negative impact was felt following the September 11, 2001 incident in the USA as well as the tsunami of December 2004. On the other hand, Maldives' tourism sector benefited from 'diverted traffic' following the Bali bombings. After notable growth (since the post tsunami decline in arrivals), a negative impact is currently being witnessed in key sector indicators, with both tourist arrivals and tourist bednights starting to weaken in the latter part of 2008 following fears of recession in Maldives' major markets.

The Census of 2006 indicated that 10,578 males and 1,512 females (15 percent and 4 percent of total male and female employed population respectively) were employed in the hotels and restaurants sector. The Faculty of Hospitality and Tourism Studies have trained a total of 556 students in their fulltime courses over the 2004-2008 period and industry actors believe that this training is inadequate. Both the Government and the Maldives Association for Tourism Industry (MATI) have stated the necessity of establishing a world class hospitality training institute in Maldives to develop staff for the industry.

A survey of 310 local employees from 5 resorts undertaken in February 2008 found that locals are motivated to work in resorts where they are treated well and paid fairly. In order of preference, staff identified freedom, food, sports, accommodation, salary, resort culture, job security, training, good management, and proximity to Male' or home island as motivating factors. They noted poor accommodation, inadequate rules, discrimination, job insecurity, unavailability of leave, and low pay as some of the factors that keep locals away from resort employment. A subsequent seminar on human resource management in the tourism sector of Maldives identified the significant lack of women participating in the tourism industry, the lack of awareness with regard to career opportunities in the tourism industry, and the fact that there are relatively few locals being employed at managerial positions in the hospitality sector. According to the Tourism Employment Association of Maldives (TEAM), some local resort owners who are also active in various other industries and businesses, tend to cross subsidise between businesses, making it more difficult to offer quality employment packages or training for staff.

*Fisheries* is a sector that has been a key source of employment for 8 percent of the local population, largely those living in the outer atolls. Maldivians have been engaged in tuna fishery for generations, while reef fishery has more recently become popular, with the demand created by the tourism industry. The sector has accounted for around 4-5 percent of GDP on average in recent years and contributes significantly to Maldives' earning of foreign exchange on account of export of fresh chilled, frozen and canned skipjack and yellowfin tuna. According to the 2006 Census, those employed in fisheries accounted for 12 percent of the employed population. Following the liberalization of the skipjack industry in 2001, there has been large scale investment in infrastructure, which the Ministry of Fisheries and Agriculture estimates at US\$ 1.25 billion<sup>2</sup> which only came online in the past two-three years. Being a very seasonal industry however, there have been marked fluctuations in landings<sup>3</sup> and this has resulted in difficulties for industry participants where the planned growth patterns have not materialized. This was seen recently when, after two exceptionally good fishing years in 2005 and 2006

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<sup>2</sup> Quoted during discussions with Ministry officials

<sup>3</sup> [http://www.minivannews.com/news\\_detail.php?id=6828](http://www.minivannews.com/news_detail.php?id=6828)

registering a catch of 185.9 and 184.2 thousand metric tonnes respectively, catch levels experienced a severe decline in 2007 (by almost 22 percent) owing to various seasonal/environmental factors and the increased cost of fuel, and has continued the downward trend since then. It has been seen that with an increase in their size in recent years, fishing vessels have become less fuel efficient and therefore less fishing trips are made during lower catch periods.

Large scale *agriculture* development is still at a nascent stage in Maldives. Traditionally Maldivians have grown small amounts of tropical fruits like mangos, bananas, papaya and watermelon, and vegetables like chillies, brinjals and beans in home gardens or small plots. More recently, larger scale farming has become prevalent in some islands, but with a limited transportation network, only very few producers have become regular market suppliers. There is an emerging trend of leasing uninhabited islands purely for agriculture development purposes, while some inhabited islands are also noted for a particular crop like watermelon, which they produce often to coincide with the fasting month of Ramazan. Agricultural supply to the resorts is also limited, but there are efforts being made to strengthen the links and encourage farmers to produce a regular supply of good quality product.

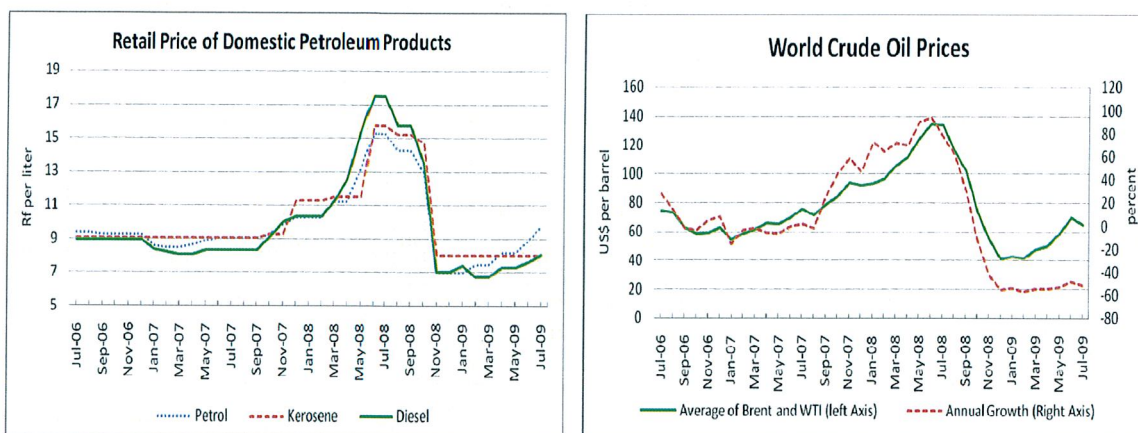
The *construction* sector in Maldives is loosely structured around the areas of industrial scale building projects (in the range of Mrf 50 mn), resort construction, public infrastructure and private housing. The larger companies are also supported by smaller groups of specialized local workers who often take specific types of construction or finishing projects such as woodwork and localized designs for the resorts. With a large number of government projects in the market, the construction sector witnessed year on year growth of around 20 percent in the past few years. Given that most local companies are not used to medium to long term forecasting based on economic fundamentals, the majority of the local construction companies were geared for these government projects for the foreseeable future, as the signals being received indicated that there would be many in the offing. However, by mid 2008, the increase in international prices of fuel, construction related products and labour were pinching the companies, and while some companies were able to negotiate contract revisions, others who were dependent on government projects faced constraints in doing so, particularly with deteriorating public finances.

*Commerce* has been the other area that has fueled the Maldivian economy, given that the bulk of the country's consumer goods, fuel, and intermediate and capital goods are imported from overseas. Both wholesale and retail trade has flourished as the economy expanded. Similarly, this is a sector that is quite severely affected in times of downturn. While the distribution sector accounted for 41 percent of GDP on average during the period 2001-2007, credit to the sector also witnessed growth from Rf 659.2 million in 2001 to Rf 2,601.4 million in 2007. However, since the beginning of 2008, there has been a decline in credit to the sector.

## **1.2 Prices**

Inflation is measured by changes in the Consumer Price Index at a national level and a local level for Male' the capital city, and collectively for the other islands. After registering 3.5 percent in 2006, the national average inflation reached 7.4 percent in 2007 and rose to double digits (12.3 percent) in 2008 driven by high international prices and robust domestic demand fueled by the strong growth in government expenditure and private sector credit. With the total

food and non-alcoholic beverage component accounting for 33.3 percent of the CPI basket and the housing, water, electricity, gas and other fuel component for 19.5 percent, the international food and fuel price effect was compounded by the low domestic fish catch and hence the high prices of fish, which constitutes 4.6 percent of the CPI basket.



Source: MMA Monthly Economic Review, August 2009

Prices of basic food items such as bread, milk powder, fresh vegetables, as well as tea, coffee and juices were also seen to have increased markedly. The transport index witnessed the highest growth in 2008 at nearly 20 percent, while food and alcoholic beverages registered almost 18 percent inflation, health, 17 percent, hotels and restaurant, 16 percent and housing, water, electricity, gas and other fuel witnessing 12 percent inflation. While CPI disaggregation into the Male’ and other island areas also reflected similar trends, the price level is generally slightly higher outside Male’, largely reflecting the transportation cost of imported goods that are unloaded at the port in Male’.

### 1.3 Employment

In Maldives, detailed data on employment is obtained during the five yearly national censuses. The 2006 Census indicated that the national unemployment rate was 14 percent. Total employed population was estimated at 110,231 in 2006 with 33,997 employed in the public sector. In terms of economic activity, the tourism sector employs 12,090, fisheries sector 8,388, and 5,930 are employed by the construction sector. A large number of lower skilled and specialized jobs are filled by expatriate workers, the sum of who had reached 80,389 by the end of 2008. At the same time, a trend of youth unemployment has been emerging (16 percent in 2006), with a large number of high school leavers each year remaining unemployed or underemployed either by choice due to a preference for white collar work or for various other reasons including a mismatch of their skills and experience to the type of work available. *“It is a serious concern particularly in the Atolls where almost half of the young women and quarter of the young men are unemployed. While in Malé and nearby islands wide ranging economic and commercial activities including manufacturing, construction, and tourism provide various job opportunities, fisheries are virtually the sole income-generating activity in the Atolls”*<sup>4</sup> The

<sup>4</sup> Palanivel & Khatiwada, “Draft Technical Report on Rapid Economic/Poverty Assessment of the Maldives”, UNDP, January 2009

high incidence of drug abuse and juvenile delinquency among adolescents and youth has exacerbated the situation, with the social cost of these dynamics straining existing inequalities and challenging policy makers.

The Constitution amended in 2008 grants the right to work, organise trade unions, the right to strike and prohibits forced labour and discrimination. The newly formulated Employment Act of 2008 mandates employment agreements, prescribes an 8 hour work day, annual and other leaves comparable to international standards, provides for setting minimum wages and establishes a Labour Relations Authority and an Employment Tribunal. Nevertheless, the lack of appropriate machinery for their proper execution has resulted in complications for both employees and employers, and without the relevant bargaining mechanisms in place, there have been a number of incidents in recent months where employees (especially in the tourism industry) have opted for direct strike action to claim their rights.

#### **1.4 Public Finance**

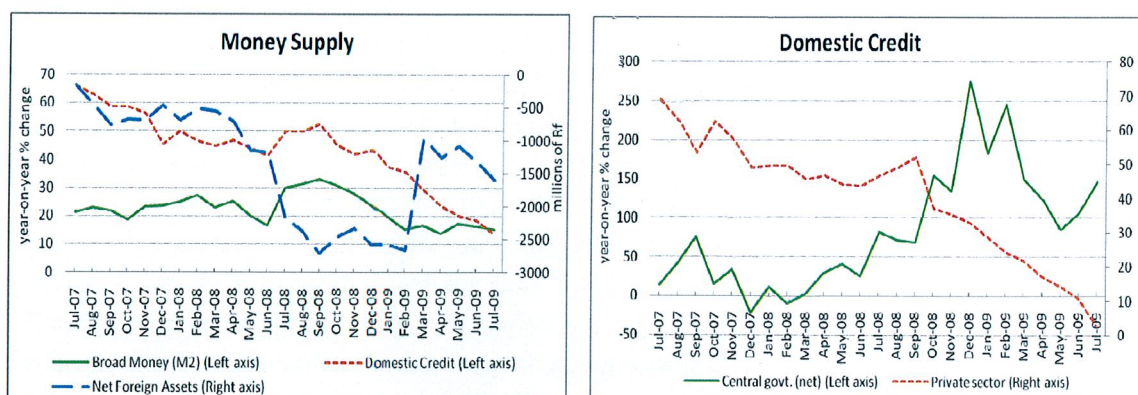
With the public sector consisting of the government and fully and partially state owned enterprises (SOEs), the Maldives' fiscal accounts are characterized by tax revenue limited to import duties, tourist bednight tax and a bank profit tax, while non-tax revenues are dominated by profit transfers from state owned enterprises, followed by resort lease rent. Tax revenue averaged 45 percent of total revenue over the 2005-2008 period, while tourist bed night tax accounted for 19 percent of tax revenue on average. Over the years, expenditures had largely become skewed towards current spending, with wages and salaries and allowances accounting for a large portion of current expenditure. On a sectoral basis, social services accounted for 52 percent of total expenditure (excluding net lending) over the 2005-2008 period, while economic services constituted 10 percent and spending on public administration, 35 percent.

Following a period of fiscal consolidation prior to the tsunami of December 2004, the Maldivian economy witnessed a strong expansionary stance in the following four years, which was not entirely related to tsunami reconstruction. Fiscal sustainability was compromised with the substantial pick-up in government expenditures, which were exacerbated by the rising fuel prices during this period, leading to a significant rise in the budget deficit which reached 13 percent of GDP in 2008. Spending had ballooned, with current expenditure constituting 80 percent of total expenditure and net lending by the end of 2008 (as opposed to 74 percent in 2004), and total revenue (excluding grants) sufficient to cover only 91 percent of current expenditure, (while in 2004 current expenditure was 83 percent of total revenue excluding grants). Consequently, although foreign aid financed a large part of the tsunami rehabilitation effort, much of the other expenditure was financed through extraordinary revenues and short to medium term debt, with an increased recourse to monetization of the budget deficit (particularly in 2008) through the 'ways and means' borrowings from the Maldives Monetary Authority (MMA). Meanwhile public sector external debt outstanding and disbursed had also risen by 51 percent over this period, from US\$ 311.6 million in 2004 to US\$ 471.7 million in 2008 with the proportion borrowed from financial markets increasing from 3 percent in 2004 to 15 percent in 2008.

## 1.5 Money and Finance

The Maldivian financial system is based around commercial banks (branches of five foreign banks and the Bank of Maldives - a partly government owned entity), finance companies, insurance intermediaries, money transfer agents, foreign credit card issuers, and a fledgeling securities market. The Maldives Monetary Authority (MMA) regulates the financial sector while the Capital Market Development Authority regulates the public companies and the licensed brokers, and has recently been entrusted with the mandate of overseeing the corporate governance of SOEs and the Pension Fund.

Over the 2006-2008 period, the demands of both the public and private sectors necessitated exceptionally strong liquidity growth in the domestic economy. With the government borrowing heavily from the central bank to finance large deficits, there were also policy developments that created higher demand for credit from the private sector, in particular for tourism development, construction and trade. Consequently, domestic credit ballooned over the years from Rf 6.9 billion (72 percent of GDP) at the end of 2005 to Rf 16.8 billion (104 percent of 2008 GDP) at the end of June 2008 and Rf 19.8 billion (123 percent of GDP) by the end of December 2008, while credit to private sector rose from Rf 5.5 billion (57 percent of 2005 GDP) at the end of 2005 to Rf 14 billion (87 percent of 2008 GDP) at the end of June 2008 and peaked at Rf 16.2 billion (101 percent of GDP) in December 2008. Credit to government stood at 14 percent of GDP at the end of 2008.



Source: MMA Monthly Economic Review, August 2009

As banks finance a large part of their lending through borrowings from abroad, net foreign liabilities of the commercial banks also rose during this period, from Rf 0.5 billion in 2005 to Rf 4.7 billion (29 percent of GDP) at the end of June 2008 to Rf 5.6 billion (35 percent of GDP) by the end of the year. Consequently broad money registered 84 percent growth over the Dec 2005 – Dec 2008 period, and stood at 76 percent of GDP at the end of 2008.

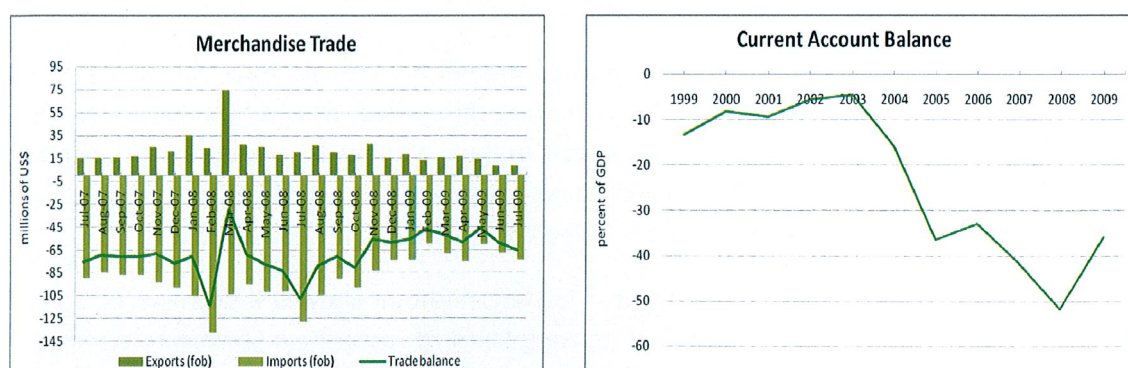
Meanwhile, non-bank financial institutions' lending portfolio showed a decrease of 8 percent over the period, with Rf 156.5 million of housing loans representing a 6 percent decrease, with the Housing Development Finance Corporation (HDFC) ceasing new lending between September 2006 and January 2009 during which period the entity was restructured and privatized. Similarly, the Maldives Finance Leasing Company has also curtailed lending in recent months pending legal decisions on cases in court, and had Rf 314.7 of finance leases outstanding at the end of 2008, amounting to an 8 percent decrease over the period.

The fledgling Maldives Stock Exchange which was licensed as a private sector exchange in January 2008 with five listed companies, witnessed strong growth in 2007 and maintained the value during 2008. Market capitalization stood at Rf 2.25 billion at the end of 2008, with total cumulative trading turnover reaching Rf 59,213,208 from 3,438 trades as at the end of the year. As the domestic portfolio share market is not legally open for foreign participation, there is not much contagion effect in relation to the international financial conditions. The Capital Market Development Authority continually works on strengthening the legal and regulatory framework, speeding up the development of the market to keep pace with other sectors of the economy and creating a conducive environment for institutional investors.

## 1.6 External Sector

Owing to the high dependence on imports coupled with a narrow export base comprised almost entirely of tuna and fish products, traditionally Maldives has always had a high merchandise trade deficit and a significant surplus on the services account from tourism receipts. With declining grants in the years prior to the tsunami, the transfers account generally witnessed a deficit on account of remittances by expatriate labour force that has been growing to reach about a quarter of the domestic population in recent years. As a result, the current account has generally registered deficits.

Inflows on the financial account are mainly related to direct investment in various sectors of the economy and foreign borrowing. As there has historically been no exchange control legislation in Maldives, payments and trade are free from most restrictions, and both residents and non-residents may freely import and export capital through the foreign exchange market. Nevertheless, at present there are regulations prohibiting foreign investment in portfolio shares (which are very limited at present with just four SOEs listed on the stock market). Inward direct foreign investments require prior approval of the Government, however once permission has been granted, there are no restrictions on transferring of profits. At present a large part of foreign investment is in the tourism sector and related industries such as domestic air transportation. However, reliable data on the nature of capital outflows or the magnitude of foreign investment is difficult to estimate given the absence of income taxation and the absence of information to differentiate between equity and debt flows.



Source: MMA Monthly Economic Review, August 2009

Over the past three years, merchandise imports into the country have witnessed significant growth in value terms, registering US\$ 926.5 million in 2006, US\$ 1096.3 million in 2007 and US\$ 1387.5 million in 2008. Meanwhile, import value of food items registered 29 percent

growth in 2006, 24 percent in 2007 and a further 21 percent in 2008, and value of total petroleum products imports registered 57 percent increase in 2006, 12 percent in 2007 and 47 percent in 2008, largely owing to the increase in international prices of both food and fuel products, but also in part due to higher domestic demand. Retail prices of staples (officially considered to be wheat flour, rice and sugar) have historically been regulated in Maldives.

Fueled by the high demand created by expansionary government spending (including spiraling wage increases), tsunami reconstruction, the opening up of a large number of resorts for development, together with rising food and fuel prices, the external current account deficit reached extraordinarily high levels of 42 percent of GDP in 2007 and rose further to 52 percent in 2008. While reserve growth was seen in 2007 on account largely of significant borrowing from abroad and extra ordinary fiscal revenues (advance lease rent payable in US dollars on a large number of islands leased for resort development), despite borrowing from abroad, the net effect on the financial account was insufficient to finance the current account deficit in 2008. This led to a 13 percent drawdown of foreign exchange reserves by the end of August 2008 and a further deterioration to register 22 percent decline for the year. Consequently, the peg of the Maldivian rufiyaa to the US dollar which has remained at Rf 12.8 per dollar since July 2001 has been undermined, and a parallel market has been created.

External debt reached unprecedented levels, with total debt outstanding and disbursed at the end of 2007 registering 80 percent of GDP and declining slightly to 77 percent in 2008. Of the total recorded debt stock, 49 percent was public sector debt while the rest was foreign liabilities of commercial banks operating in the country. Given the dearth of investment finance in country, banks generally borrow from their head offices abroad or from elsewhere to finance lending to the domestic private sector. Meanwhile, it was seen that the public sector borrowing from financial markets also increased drastically in recent years from 2 percent of GDP in 2006 to 3 percent of GDP in 2007 to 6 percent in 2008. Debt service stood at 4.8 percent of exports of goods and non-factor services during the year.

#### **Box 1. Recent Political Developments in Maldives**

Following a 30 year rule by one president under a republican system, a new government came into power in the first multi-party election held in the country in October 2008. The multi-party system was established in 2005 following strong calls for political and human rights reform and good governance, which culminated in a revamped constitution that came into force in August 2008.

Reform measures implemented over the 2005-2009 period established the foundations of a democratic governance system including the incorporation of autonomous institutions such as a Human Rights Commission, Civil Service Commission, Elections Commission, Judicial Services Commission, an independent Auditor General and autonomy for the Maldives Monetary Authority. The new constitution encapsulated for the first time, the separation of powers among the legislature, judiciary and the executive, mandating a larger parliament with proportional representation, and coupled a presidential system of governance with a parliament that effectively has a large and decisive role in policy making and governance. The constitution also included a comprehensive bill of rights, and a decentralized governance mechanism, which has necessitated the conduct of three sets of elections (presidential, parliamentary and local council) in close succession. As a result, there was a significant increase in the budgetary cost of governance over this period. In addition, several surrounding

legislation such as those on labour rights and pensions also mandate the provision of adequate protection for workers, and hence additional costs both for the public and private sectors.

The first political party to be registered was the then opposition Maldivian Democratic Party (MDP), after which the regime in power at the time registered the Dhivehi Rayyithunge Party (DRP). Senior officials of the government and others who were considered to be 'political appointees' by virtue of the creation of a separate civil service for the first time, became DRP members or representatives virtually by default. Smaller parties followed and five candidates ran for presidency in 2008, one of whom was an independent candidate who also later formed a political party. With no candidate winning more than 50 percent in the first round of the presidential elections, a run-off was held between the two leading candidates, the president in power at the time Maumoon Abdul Gayoom of the DRP, and Mohamed Nasheed, leader of the opposition MDP. With the exception of one, all other 'opposition' contenders backed the MDP candidate in the second round, enabling him to win 54 percent of the votes. President Nasheed was sworn in to office on 11 November 2008.

Given the unavoidable political struggle that accompanied the systemic change at a time when the nation was attempting to recover from the devastating effects of the Asian tsunami, the cultural and socio-economic ramifications were numerous. The economy was stretched to its limits, with much fiscal and private sector resources diverted towards the political transition. Nevertheless, the change was largely peaceful although highly divisive, and the emotional scars in a close knit society like that of the Maldives will require time and skillful management to heal, with liberal democratic ideals yet to be entrenched in the mindsets and psyche of many. As a result, the young government of President Nasheed who came in with a broad policy manifesto for social and structural change in the midst of an economic crisis has also faced a crisis of confidence. Meanwhile ex-president Gayoom has also continued to remain active in politics as leader of the opposition party, and the parliamentary elections that followed in May 2009 delivered a majority to the opposition which consists of an alliance represented largely by members of the previous regime.

Therefore, Maldives currently faces the formidable challenge of moving forward amidst demands for transitional justice, a divided parliament, social fragmentation and adverse economic conditions both domestically and externally.

## ***2. Transmission of international crises into the Maldivian economy***

Given that Maldives is highly dependent on imports of consumer, intermediate and capital goods, as well as labour and investment capital for its consumption and growth, variations in the international price or supply of any of these are very quickly felt in the domestic economy in the form of terms of trade shock.

The oil crisis of 2007-2008 was felt broadly in Maldives through fuel prices which were passed through to the consumer at the pump, albeit in a smoothed manner. Users of motor vehicles and ocean vessels were directly affected as petrol prices increased by 3 percent in 2007, and 31 percent in 2008, and diesel prices increased by 2 percent and 51 percent respectively. Meanwhile at an industry level, the largest impact was felt by the fisheries industry, both by fishermen as well as the processors. However, while the cost of transportation did increase overall, the average consumer was less affected by the fuel crisis as both electricity and water production (both diesel powered in Maldives) was subsidized by the government, and tariffs did not reflect the increase in input cost.

Given the structure of Maldives' economy and the limited nature of its merchandise exports which constitute almost entirely of fish and fish products, effects of the international financial crisis have been transmitted to Maldives through two main channels, tourism and credit flows. Reduction in tourist arrivals from economies that have been severely affected by the crisis and lower spending by tourists who do visit, have impacted upon resort profitability and income of related small businesses as well as public finances which rely to a large extent on inflows from tourism in the form of bednight tax and resort lease rents, as well as import duties.

On the financial front, the dearth of international investment capital flows has resulted in a slowdown of tourism development as well as a hold up in the new government's privatization and investment plans, and private sector investment. This has been particularly difficult given that the domestic economy was already in crisis and in dire need of finance.

### **3. *Effect on economic indicators***

By September 2008, the Maldivian economy was already in the middle of a domestic economic crisis, with significant twin deficits, high liquidity growth, pressure on the exchange rate peg, double digit inflation, a high level of youth unemployment, a bloated civil service, while at the same time dependent on expatriate labour for growth. Real GDP was initially forecast to grow by 8.3 percent in 2008, but most recent estimates indicate that growth moderated to register 5.8 percent during the year, with notably lower growth in tourism and government administration and a decline in fisheries. The government's forecasts for 2009 reflect a contraction in GDP of 1.3 percent, with 10.5 percent decline in the tourism sector, 24.2 percent decline in construction and 3.2 percent decline forecast for wholesale and retail trade. Following the 2009 Article IV Consultations, the IMF mission however indicated that their forecasts showed a more adverse picture, with a contraction of 4.5 percent expected for the Maldivian economy in 2009, given extremely poor performance of the fisheries sector during the year as well, contrary to what was initially forecast.<sup>5</sup>

#### **3.1 Real Sector**

##### **3.1.1 Tourism**

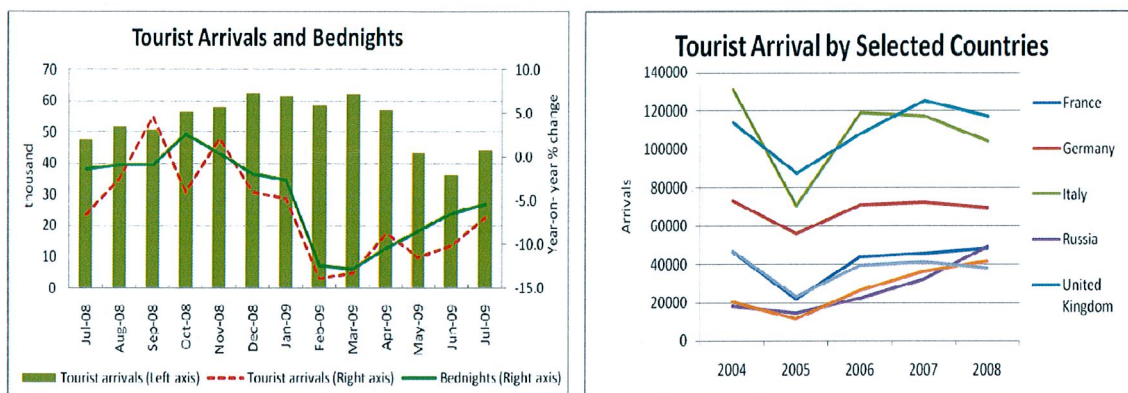
The tourism sector has been affected significantly by the uncertainties prevailing in the international financial market and fears of recession in Maldives' major source markets, and has very likely been compounded by fears related to the Swine Flu pandemic. From July 2008 onwards a negative impact was seen in tourist arrivals into the country and with the exception of the months of September and November, annual declines were witnessed in each month to date. As a result, the 12 percent growth in arrivals and the 10 percent growth in bednights witnessed in 2007 fell to 1 percent and 3 percent respectively in 2008, and the cumulative figures for January – June 2009 show 10.5 percent decline in arrivals and 9.1 percent decline in bednights. Meanwhile, official estimates for the year predict a 10.5 percent decline for the year.

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<sup>5</sup> [http://www.minivannews.com/news\\_detail.php?id=6731](http://www.minivannews.com/news_detail.php?id=6731)

However, not all resorts have faced similar trends; some properties have been witnessing robust arrivals, perhaps attributable to the availability of varied levels of price and accommodation.

Cumulative bed capacity in resorts, hotels, guest houses and safari vessels grew by 6 percent in 2008 with two additional properties coming online during the period, to register 23,464 beds in 2008. Of these, 89 percent were in resorts and hotels. There was an average of 19,815 beds in operation during the first six months of 2009. Capacity utilization rate meanwhile fell from 82.8 percent in 2007 to 78.0 percent in 2008 to 72.6 percent in the first six months of 2009, while average duration of stay has actually been increasing from 8.5 days in 2007 to 8.8 in 2008 to 8.9 in 2009.



Source: MMA Monthly Economic Review, August 2009

### Resort Development

Presently there are 67 new resorts and hotels with over 12,000 beds in total that are in the various stages of development and are expected to have various themes and concepts. Of these, 3 are to be hotels developed on the islands that house existing regional airports, 15 are to be developed along with new regional airports, 5 are to be city hotels, 8 were leased to the Maldives Tourism Development Corporation with the stated intention of spreading tourism wealth among the general public through listing of the company on the Maldives Stock Exchange, 3 are to be training resorts and 2 are to be constructed in the lagoons of inhabited islands. Ministry of Tourism estimates that 14 of these will be operational by the end of 2009, with another 19 to come online in 2010. However, given the tightness of investment capital, it is likely that there may be delays in project implementation.

### Market Trends

Maldives' major tourism source market continues to be Europe, with arrivals from the United Kingdom constituting 17.1 percent of the market share, arrivals from Italy, 15.2 percent, those from Germany, 10.1 percent, Russia 7.2 percent, France 7 percent and Switzerland, 4 percent. Meanwhile arrivals from Asia followed, and were topped by China with 6.1 percent, Japan with 5.6 percent, Korea with 3.1 percent and India with 2.4 percent. In the first six months of 2009 there have been declines in arrivals from all geographical regions, with European arrivals declining by 10.2 percent and those from Asia by 10.5 percent. Tourists from Europe constituted around 75 percent of total tourists during this period, while those from Asia accounted for 20 percent roughly the same proportions as in the same period of 2008. Meanwhile, fairly sharp

declines were seen in arrivals from the United Kingdom and from Italy, both registering 16 percent deterioration in visitors. Arrivals from China on the other hand registered close to 10 percent growth during the period.

#### *Tourist Expenditure in Resorts*

While there are no official statistics to accurately show tourism spending in Maldives on a monthly basis, official balance of payments figures produced in April 2009 forecast a 22.3 percent decline in receipts from tourism for the year. Anecdotal evidence from industry employees and media reports quoting business officials<sup>6</sup> indicate that there is currently almost a 40-45 percent decline in spending in country by tourists outside of their tour package expenditure which is generally paid to operators overseas. Tips and service charges are reported to have decline in recent months, and resort owners also say that tourists now tend to limit their expenditure to their 'All Inclusive' and other types of packages and do not spend on extra goods and services provided by the resorts.

#### *Tourism related Small and Medium Enterprises*

Local tour guides report a reduction in the number of visitors taking tours of Male'. Small business operators like souvenir shops and safari boat owners have also been feeling the impact of the decline in arrivals and the lower expenditure by the tourists who do visit. Meanwhile resort suppliers, like other traders, are affected by credit and foreign exchange issues. Maldives Finance Leasing Company reports that safari boat operators who generally do good business have indicated to them that even they may have to avail of extension on their lease periods.

#### *Tourism Imports*

Tourism related imports are generally a key indicator of the health of the sector. After growing by 21 percent and 36 percent in 2006 and 2007 respectively, growth of such imports decelerated to 9 percent in 2008 and posted a decline of 37 percent in the first half of 2009 in comparison with the same period last year. Tourism related imports would also cover items brought into the country for the construction of resorts and for their infrastructure and operational purposes.

#### *Employment Issues in the Tourism Sector*

In recent months, citing the decline in profitability and lower number of visitors, tourist resorts have been undertaking various cost cutting measures, including making staff redundant. TEAM reports that while a few resorts have reduced work days proportionately among staff, reduced wages or provided home leave for staff, there have been several redundancies which employers have directly attributed to the effects of the international financial crisis. Articles in the media corroborate this argument, with Minivan News, a noted internet news provider reporting in April that one four-star resort "cut 50 per cent of its workforce (90 employees) as part of a cost-cutting exercise brought about by a dramatic drop in occupancy levels. All employees were given a month's advance notice and a severance package along with the promise of future employment if the economic situation improves."<sup>7</sup> In the many cases where entire families

<sup>6</sup> <http://www.haveeru.com.mv/?page=details&id=85019&category=irWfwyiv>

<sup>7</sup> [http://www.minivannews.com/news\\_detail.php?id=6262](http://www.minivannews.com/news_detail.php?id=6262)

depend on the income of one family member working in the tourism sector, redundancy can plunge the household into poverty unless other sources of employment are found. At present there are no firm statistics on crisis-related redundancies, but the following data was provided by TEAM with the caveat that these were figures reported to them by their members and may not represent the total picture.

### 3.1.2 Fisheries & Agriculture

The impact of the fuel crisis of 2007-2008 was felt starkly by the fishermen and the fish processors with the hike in diesel prices. With the increase in size of fishing vessel in the mid-2000s from the average 80-90 footer to over 100 feet, they had become less fuel efficient, (60-70 percent of operation cost is on account of fuel in the 85-100 foot vessels compared with 35-40 percent for the smaller vessels) which made it particularly unviable to go out to fish when their costs were high and fishing was poor. As a result, although the government opted to provide a subsidy for fishermen, which came online in late 2008, fishing effort also declined over the crisis period according to Ministry officials. At the same time, commercial bank lending to the sector increased by 77 percent between December 2006 and December 2008.

Given the poor incomes generated as a result of negative trends in fuel prices and the low harvest, fishing boat owners have been facing cashflow difficulties. Consequently many of those who had borrowed from financial institutions now face the threat of losing their vessels due to foreclosure, and have been appealing to the various authorities for assistance. The Maldives Finance Leasing Company which provides lease finance for acquiring fishing vessels reports that of late, a number of fishing vessels are having difficulty servicing the lease rentals and there have been a lot of requests for rescheduling the facilities which have been accommodated.

Researchers undertaking UNICEF's FFF survey have also reported that the artisans in the island of Innamaadhoo in Raa Atoll, which was an island whose people were highly specialized and depended on boat building for their livelihood report that they have no work any more.

Given that the agriculture sector is as yet not very developed in Maldives, there really was not much direct impact of any of the external crises. The UNICEF survey team noted that far more people in the atolls produced some of their own food themselves in home gardens, than in Male'. Nevertheless there is no information to ascertain if there were any increases in own food production as a result of the food and fuel crisis, although people did note that food and fuel did become more expensive.

### 3.1.3 Construction

By September 2008, the construction industry in Maldives was hard hit on account of increased international prices coupled with a drastic cutdown in public sector projects, and the inability of the new government, given fiscal constraints, to honour a pledge of the outgoing government to provide a one-off compensation package in 2009, to offset the estimated 35 percent loss to

contractors over the past year. The industry's main concerns in the immediate term are a lack of business in the foreseeable future, a lack of working capital and difficulties in obtaining foreign exchange. They also highlight a break in communication with policy makers since the regime change, due largely to restructuring of ministries and former communication channels such as the Construction Industry Development Board becoming dormant.

According to industry officials, they had received bank facilities to tide them over on the basis of the outgoing government's pledge, and many companies dependent on these projects currently face cashflow issues. In addition, a shortage of foreign exchange on the market is hindering them from making requisite foreign currency payments including to their expatriate workforce.

Most of the new resorts that were leased for development in the 2006-2008 period have only reached design stage, and with the regime change in November, there was also a policy shift towards privatization and foreign direct investment. Consequently the Maldives Association of Construction Industry, who claim membership of 76 local construction companies/workgroups, is concerned about the likelihood of the local industry being supplanted by foreign companies who would be more cost-effective for foreign investors. The sector is forecasted to decline by more than 24 percent in 2009. However, given that more than 90 percent of the labour employed by the larger companies is foreign; this would not impact domestic employment significantly. Nevertheless, the Association indicated that 14 specialised groups of local workers have also brought their concerns to them, with all of them reportedly with no work at present.

#### 3.1.4 Commerce

The wholesale and retail trade sector which registered 4 percent of GDP in 2008 has been affected largely through the drying up of credit facilities even for trade financing. Monetary data indicates that credit to commerce fell by more than 59 percent during 2008, and a further 12 percent in the first six months of 2009, after witnessing average growth of 52 percent annually over the 2004-2007 period. The credit issue has been exacerbated by the tightness of the foreign exchange market, which has resulted in banks asking even their long time customers to present foreign currency in cash for opening lines of credit, and many customers have found it difficult to withdraw cash in large amounts in foreign currency even from their dollar denominated accounts. This has necessitated obtaining foreign currency at black market rates for traders to conduct their business, and coupled with the lower demand due to the decline in tourism and the general economic downturn, many businessmen have faced adverse conditions. According to the MFLC, even many small and medium enterprises that operate speedboats and cargo boats currently face difficulties in servicing the leases due to the sluggish economic activities.

### **3.2 Employment and the Labour Market**

While it is difficult to attribute loss of jobs directly to the international financial crisis, it is expected that there will be a number of redundancies and under employment in various sectors. Given the existing scenario of low levels of female and youth unemployment, and the high number of employed females, especially in the islands, active in the crafts and trade workers

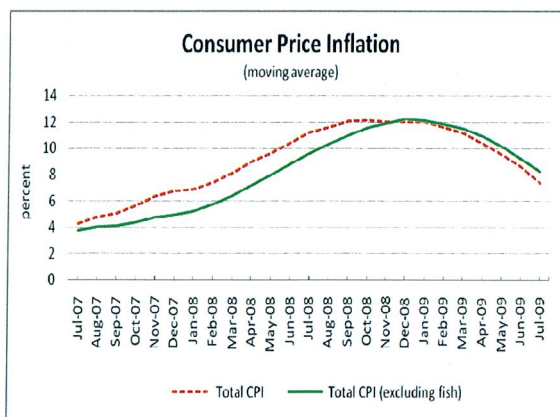
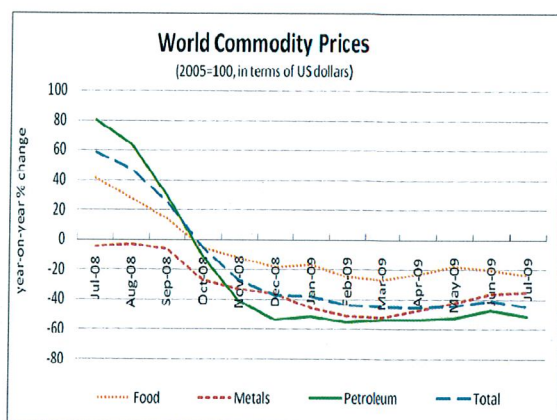
category, the crisis would impact negatively on this already more vulnerable group. Crafts and trade work is largely dependent upon the tourism and fisheries sectors with women employed in fish processing and support activities to tourism such as thatch weaving and other crafts. As such, the downturn in tourism and resort development as well as the lower fish catch would mean a sharp decline in the nominal incomes of those employed in these areas.

The rationalization of fiscal expenditures and the decentralisation and privatisation policies of the new government is likely to create some shift in employment from Male' to the atolls. The government also has indicated that it will start to act on reducing the bloated public sector work force which stood at over 11 percent of the population, and have instructed agencies to identify staff reductions to the tune of 20 percent. It is unclear when the actual cuts would be, but there have already been relocation of jobs from the Ministry of Atolls Development in Male' to the newly created provincial offices and a freeze on civil service positions. Staff made redundant are provided the opportunity to relocate to other open positions within the civil service. Privatisation of many sectors including utilities, education and various productive sectors is likely to create more jobs in the islands and the development of the resorts currently in the process will also create more opportunities. However, there needs to be a concerted training and marketing effort to match the skill levels of the domestic unemployed labour force to the new opportunities that are being created in the country.

The Maldives formally accepted the obligations of the International Labour Organization (ILO) and received membership on 15 May 2009. Subsequently a framework proposal has been agreed upon between the tripartite constituents in country and the organisation, by which the ILO would assist the Maldives with building the foundation of labour relations through building national infrastructure and capacity. This will focus on labour legislation, labour administration, enhancing labour market information, ratification of international labour standards and training constituents on aspects such as social dialogue and tripartism, negotiation and collective bargaining skills, establishment and running of workers organizations and employers organizations, and labour inspection and judgement. This will enable all parties to move towards setting up the appropriate mechanisms to conduct labour relations and dispute resolution in a more pragmatic and professional way.

### **3.3 Prices**

After registering double digit end of period national inflation from February through to October 2008, with the peak at 17.3 percent in July, consumer prices started moderating with the fall in international prices, and registered 6.9 percent by the end of March 2009. Annual average inflation however registered 11.3 percent at the end of March 2009 after registering 12.3 percent at the end of 2008. The moderation was seen largely in the food indices, with the price of fish also falling significantly. Nevertheless, the high current expenditure levels of the government and the scarcity of foreign exchange are likely to dampen the international price induced moderation effect in 2009.



Source: MMA Monthly Economic Review, August 2009

### 3.4 Public Finance

Given the dependence of Maldives' fiscal revenues on imports and tourism, the recession in tourism generating countries is having a significant impact on the budget. A decline is expected in tourism tax receipts, while non-tax revenues will also be affected due to a one-year moratorium provided on lease rents on islands leased for tourism development. According to budget estimates of April 2009, total receipts to the budget directly from tourism (Tourism Tax, resort lease rents, profit transfers from MTDC, Green Tax) are expected to register 9 percent of GDP during the year as compared with 13 percent in 2008 and 16 percent in 2007. Import duties also fall with the reduced tourism consumption, as well as the slowdown in the construction sector and the economy in general. Extraordinary revenue generation is envisaged from privatization proceeds during the year, notably of the Male' International Airport to foreign investors, with an inflow of US\$ 233 million (18 percent of GDP) expected. Consequently a 30 percent growth was forecast for total revenue and grants in 2009 (60 percent of GDP, as opposed to 56 percent in 2007 and 48 percent in 2008), while current revenues are expected to fall by 20 percent.

Meanwhile current expenditures are expected to grow by 9 percent in 2009 to constitute 51 percent of GDP, with an increase in the public sector salaries and wages (11 percent of GDP), allowances, other benefits and gratuities (14 percent of GDP), social welfare contributions (9 percent of GDP), and subsidies and transfers (3 percent of GDP). With capital expenditure projected at 16 percent of GDP, total expenditure and net lending is expected to register 67 percent of GDP. This would result in a deficit of 7.4 percent of GDP, down from unprecedented levels of 12.6 percent in 2008.

However, the potential for realization of privatization proceeds from the airport during the year seem to be low at this point. In this case, the budget deficit would soar to approximately 25 percent of GDP if drastic expenditure rationalization measures are not implemented. In view of this scenario, the government has embarked on several initiatives which are discussed in Section 5.

### 3.5 Monetary and Financial Sector

Following strong growth in credit in the past couple of years, growth in lending to the private sector began to decelerate in October 2008 while peaking in absolute terms in December at

Rf16.3 billion and starting a downward trend thereafter, in part due to unavailability of finance from overseas sources even for the foreign banks in the country. Commercial banks' foreign liabilities to banks abroad also started to decline from October 2008 and monetary statistics show lending to commercial banks from the MMA of Rf 25 million at the end of February 2009, fully repaid within the following month. Bank of Maldives in their annual report stated that the bank *"remained fragile due to various factors that had undermined confidence. While the Bank's liquidity policy has always been to maintain an adequate liquidity buffer at 10% as at 31 December 2008, Bank's liquidity ratio stood at 7% due to the global financial crisis. As of 31 May 2009, however, the Bank's consolidated liquidity ratio has improved considerably to 18.37%"* Lengthy legal processes and issues of difficulties in judgement enforcement have often also been cited as a concern for all financial sector actors which make them additionally wary in an environment where non-performing loans are on the increase due to weak performance in various economic sectors. The banking industry's non-performing loan ratio has increased substantially since the latter part of 2008, from 1.3 percent at the end of June 2008 to 8.9 percent at the end of 2008 and 11.7 percent at the end of June 2009, mainly on account of a small number of large loans to the tourism sector. The fisheries sector portfolio would generally constitute loans of relatively small amounts, and would reflect less on the ratio.

Consequently annual growth in total domestic credit also began to decelerate in October 2008, registering Rf 19.9 billion by the end of June 2009. However, net credit to government continued to grow in absolute terms, from Rf 2.2 billion at the end of 2008 to Rf 3.3 billion at the end of June 2009. At the same time, net foreign liabilities of the banking system fell during 2009, largely due to a balance of payments support loan of US\$ 100mn provided by the Government of India to the Government of Maldives, half of which was a direct injection into the foreign reserves of the MMA and the other half directed to the private sector for financing of imports from India.

As a result, broad money growth has also decelerated from 33 percent annual growth at the end of September 2008 and 24 percent growth at the end of December 2008 to 16.7 percent at the end of June 2009. Meanwhile foreign assets of MMA (gross external reserves) stood at Rf 2.9 billion or US\$ 227.4 million (22 percent of broad money) at the end of June 2009, as compared to US\$ 241.3 million (25 percent of broad money) at the end of 2008.

In terms of financing the large scale infrastructure projects, investment capital has not been forthcoming for those projects initiated prior to the crisis and regime change as well as for the new investment opportunities that have been created by the new incumbent government, such as the privatization of the international airport. While many parties express interest when projects are initially tendered, there has been very little interest in following through, perhaps due in part to adverse international conditions and in part to country risk. A part of this risk may be legal risk, with many perceiving the local judiciary as not geared to adjudicate on issues involving modern financial transactions or products. In addition, a stable political and policy framework would also generally be sought by potential investors.

### **3.6 External Sector**

Reflecting the domestic conditions and the tightness of the foreign exchange market, the reduction in international prices and the effects of the international downturn on tourism and

related activities, the import bill of all categories of goods into the country have been declining. Total imports witnessed a fall of 5 percent over the last four months of 2008 in comparison with the same period of 2007, while the January – June 2009 figures show a year on year decline of 37 percent. Nevertheless, import levels were still quite high, and coupled with the remittances from the large number of expatriates in the country and given the declining trend in inflows from tourism, current account deficit had deteriorated to 52 percent of GDP in 2008. Most recent balance of payments forecasts for 2009 published by the MMA estimate that this indicator will fall to 36 percent in 2009. Despite significant levels of inflows through the financial account through both public and private sector borrowing and private capital inflows, there was a net outflow of US\$ 67.8 million, resulting in a 22 percent drawdown in foreign exchange reserves during the year to reach US\$ 241.3 million at the end of December 2008. This reflected reserve holding equivalent to 2.1 months of imports, after remaining at 3-4 months of imports for the past decade. For 2009, forecasts show a US\$ 144.8 million reserve gain; however, this number should be treated with caution as it includes one off privatization proceeds from sale of shares in the Male' International Airport, that are yet to be realized. As at end June 2009, following an injection of US\$ 50 million as BOP support in the form of a low interest loan from the Government of India, gross international reserves stood at US\$ 227.4 million, or 2.4 months of imports.

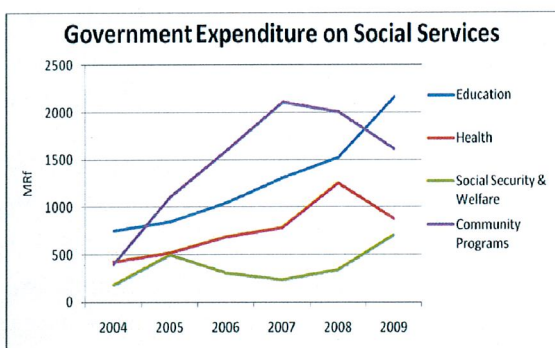
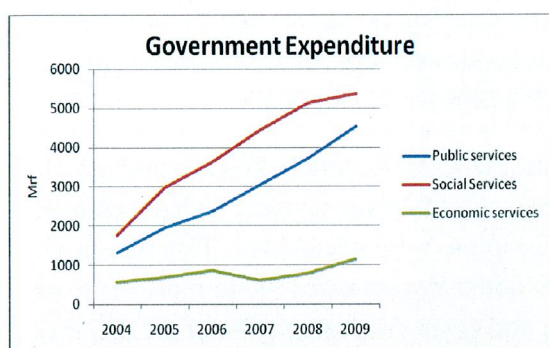
Public sector external debt stood at 37 percent of GDP at the end of 2008, with external debt stock of the banking system (which is considered short term debt) at 39.5 percent. As a result, total recorded external debt stock of the Maldivian economy stood at 77 percent of GDP, having grown from US\$ 574.8 million in 2006 to US\$ 840.1 million in 2007 and further to US\$ 969.2 million in 2008. Meanwhile, public sector borrowing from financial markets is projected to grow to 10 percent of GDP in 2009, according to published statistics. Since then there has been an announcement of a further loan of US\$ 300 million from the Exim Bank of India that is in the process of finalization – assuming that a quarter of this amount is disbursed in 2009 would raise borrowing from financial markets to 16 percent of GDP, and total public sector debt stock to 50 percent of GDP by the end of the year. Public sector debt service, meanwhile, is projected at 10 percent of export income from goods and services for the year. There are no projections available as yet for the banking sector's debt service for 2009.

In terms of international competitiveness, the June 2008 IMF's Article IV Consultation Mission in its report published in March 2009, noted that the Maldives appears to have enough of a cushion to maintain competitiveness, if fiscal discipline were maintained. This was in view of the fact that most of Maldives' imports are US dollar denominated while most of its exports (largely tourism) are to euro-denominated areas, and given the depreciation of the dollar against the euro in recent years. Another factor noted was that Maldives' tourism was largely targeted towards the higher end of the market, which is likely to be more price inelastic. Subsequently, despite the difficulties evident in achieving fiscal discipline, imported inflation has fallen with the reduction in food and fuel prices as a result of which national inflation has begun to moderate. Nevertheless events in international financial markets, and related income and confidence effects in Maldives' tourism source countries, as well as the appreciation of the US dollar since the latter months of 2009, have affected exports negatively.

#### 4. Envisaged effect on Social Indicators

As there is no pre-crisis baseline data at household level, it is difficult to make quantitative estimates of the impact of either the food and fuel crisis or the international financial crisis on social indicators at household level. However, it is expected that redundancies will result in a decline in household income and associated difficulties. Some aspects of the crisis impact were analysed by UNICEF in a recent survey (May 2009) to gauge the effect from a nutrition perspective. The draft analytical report indicates that “*very few report changing food habits or sale of assets to be able to afford food. Food shortages are due to less access to funds for the purchase of food and the presence of less food in the marketplace. There is no evidence of reduced dietary diversity due to the high cost of food or fuel during the current crisis.*” The analysis goes on to suggest that the impact of the food, fuel and financial crises has been limited at a household level to date, largely because the initial crisis period occurred during a growth period in the economy. However, according to the analysts, if the economy slows or contracts, it is likely that more people in relatively affluent Male’ will suffer food shortages and that coping mechanisms already in use such as the consumption of lower cost and lower quality foods or sending children to live with other relatives would increase. While unemployment is lower in Male’ than in atolls, the report suggest that the population most affected by the food price crisis resides in the capital, and that this group “*has neither the purchasing power, nor productive capacity, to adjust to rising prices.*”

With the existing issues of high unemployment among youth and women, widespread drug abuse and related crime and cramped living conditions especially in Male’, rising food costs, lower incomes and redundancies will exacerbate social pressures, especially if the crisis continues for an extended period. Targeted interventions will be important to mitigate sustained negative impacts in such a scenario.



Source: Data from Ministry of Finance and Treasury

With the Maldives moving towards a rights based framework, the income effect of the crisis on some of the most vulnerable segments of the population have, to some extent, been pre-empted by the new social welfare enhancement measures taken in 2009. These include pensions to all those over 65 years of age who earn less than Rf 2000 (US\$ 156) per month and health insurance for pensioners. In addition, government has submitted a bill to parliament which if approved, would mandate welfare payments to the disabled. On the other hand, the stated policies of privatisation of education and healthcare, if they are implemented across the board

without adequate regulation and/or subsidisation for those in the lower income bracket, could prove detrimental to those who do not presently receive any welfare benefits. At the same time, spending cuts, particularly on critical aspects of healthcare can result in undesirable circumstances. In terms of budget, spending on overall social services, while having increased over 2008 by 5 percent in absolute terms, is estimated at 43 percent of total expenditure in 2009, as opposed to 49 percent in 2008, and 51 percent in 2007. The proportion of spending on social security and welfare grew by 107 percent from 2008, while the education related spending grew by 42 percent. This was at the expense of health and community programmes, with spending on the latter sectors declining from 2008 by 30 percent and 20 percent respectively.

A decline in incomes at a household level will impact upon their spending capacity, especially on services such as healthcare. As such, the pledge of providing universal health insurance becomes more urgent in light of the current crisis. While pensioners and civil servants now receive free, comprehensive health insurance from the government, the lack of fiscal space will make the extension of the scheme more difficult at the present time.

## ***5. Policy Implications, Policy Responses and the Way Forward***

By mid-2008, pre-existing domestic factors detailed in earlier sections had created a crisis situation domestically which called for fiscal restraint and economic restructuring, and these unfavourable domestic conditions were aggravated by the food, fuel and financial crises and the subsequent swine flu pandemic. Hence any measures implemented cannot be directly attributed to mitigation of the effects of the external crisis alone, rather to circumstances that were made worse by the knock on effects of the international financial contagion.

In Maldives, the new government's stated policy direction is towards decentralization of services, privatization, rationalization of public involvement in service delivery and economic activities, and hence a smaller government in the medium term. At the same time, they envisage a strong social safety net for all, particularly pensioners, and an improvement in social aspects such as housing, healthcare, education, youth unemployment and the issue of drugs. While there is a long term vision encapsulated in a party manifesto, a cohesive policy framework that matches finance with policy direction is as yet unclear at the end of June 2009, although some of the building blocks are now in place.

### **5.1 Measures planned/announced by stakeholders**

#### **5.1.1 Real Sector**

##### *Tourism*

- The Maldives' Tourism Promotion Board has been working on an enhanced and targeted marketing effort, using global advertising on major international channels, road shows in potentially new markets (as part of the tourism master plan) and familiarization trips for travel trade and travel media from major markets.

- Some resort operators have been marketing more attractive packages, including value for money and volunteer tourism (Soneva Fushi).
- The industry body, Maldives Association for Tourism Industry (MATI) has an on-going lobby for resort lease period extension, a transparent formula for resort lease rent fixing, just compensation for investment at the end of lease of resort and equal treatment of all resort investment with regards to the above irrespective of the date of investment, and a lobby for establishing in the Maldives the best Hotel School in the region. ([www.matimaldives.com](http://www.matimaldives.com))
- Tourism Employees Association of Maldives (TEAM) has an on-going lobby for the industry to adhere to the new labour law, and to limit redundancies during the crisis. Government has intervened in crisis situations where tourism employees have used their right to strike, and there have been calls for all parties to work together to protect the tourism industry from declining further during the current vulnerable period.
- Government has provided all new resort developers a one-year extension on their development period (these developers had already paid upfront resort lease rent)
- Government is actively working on diversifying the tourism product, towards the mid-range and lower end of the market and towards cultural tourism, where tourists can integrate more with the local population. At the same time, local historical sites are being developed to be more tourist-friendly. The benefits are likely to be seen in the medium term, however, there is concern among market players about negative impacts on destination reputation and other socio-economic impacts of opening up to the low-end, guesthouse brand tourism.
- As a measure that would have long term impact, Government has submitted a bill to Majlis for revision of the Tourism Act to enable extension of resort lease periods upto 50 years on the premise that longer guaranteed periods will make it easier to secure financing for development

#### *Fisheries & Agriculture*

- The Ministry of Fisheries and Agriculture have announced a low cost loan scheme for small players in the industry to mitigate the effect of the fisheries downturn.
- Government has announced changes to the buying rate for fish (establishing a floor price to be reviewed monthly), to better reflect international market prices. Their stated intention for the medium to long term is to make the industry fully market driven where the government is the regulator rather than a market player, but without giving any market players the opportunity to fix prices. In this endeavour the Government also expects to move away from providing subsidies at any level to the industry.
- Government has officially stopped providing licenses to international parties for fishing in the Exclusive Economic Zone (EEZ) in order to protect the Maldivian fishing grounds. All parties currently operating are required to land their catch in Maldives before export, and enhanced surveillance is expected to begin soon with the establishment of an air wing within the Maldivian National Defence Force. This is expected to minimize the problem

of foreign purse seiners poaching in and around territorial waters, facilitating a larger harvest for local fishermen.

- Maldives is in the process of becoming a member of the Indian Ocean Tuna Commission, the regional fishery management body. This will enable the industry to be better integrated into the international environment, particularly at a time when the country is moving towards graduation from Least Developed Country status.
- The Government's vision is to diversify the traditional pole and line fishery into other forms of sustainable fishery as well, and produce value added products targeted to high end markets. As such, the product quality will have to be maintained throughout the supply chain, and industry participants need to be trained in these methods.
- A Fisheries Training Center was opened in June 2009. Courses are being conducted on long line technology and product diversification.
- The Seafood Processors and Exporters' Association has been lobbying for an organized fisheries export promotion body similar to the Maldives Tourism Promotion Board (MTPB). Government is presently seeking to develop a viable model for Maldives, and has requested technical expertise from donors in this regard. The MTPB model has proved to be beneficial for the country since its establishment, enabling the industry and the Government to contribute towards and implement the marketing effort in a coordinated manner.
- The Government has initiated a policy of leasing out islands on commercial tender basis, for agriculture production. While this is not directly related to the crisis, there has been much discussion about strengthening the sector, and also the usefulness of home gardens especially in times of economic hardship.

#### *Construction*

- Construction material suppliers who import from India are being assisted with credit under the US\$ 50 million trade financing component of the loan from the Government of India. It is expected that the Indian Exim Bank financing will also benefit the industry once it is processed, as many construction materials are imported into Maldives from India.
- Maldives Association of Construction Industry has requested the government to follow through on the negotiations held with the outgoing government for an increase in agreed contract amounts on public sector projects, due to the unforeseen increase in international prices.

#### *Commerce*

- Government has announced a loan scheme for small and medium enterprises that is being implemented through the Bank of Maldives.<sup>8</sup>

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<sup>8</sup> <http://www.miadhu.com.mv/news.php?id=10726>

- A Micro, Small and Medium Enterprise (MSME) Development pilot project has recently been signed between the Asian Development Bank and the Government of Maldives. Through this project, a credit line will be provided to enterprises in identified regions. At the same time, the development of a Credit Information Bureau, a legal/regulatory framework for secured transactions, (the subsequent establishment of a moveable asset registry), and the formation of Business Development Service Centers and a Cost Sharing Facility to avail of BDSC services, are expected to improve market access for MSMEs in the country and increase the engagement of local financial institutions in supporting the MSME subsector over the long run.
- Traders who import goods from India are being assisted with credit under the trade financing component of the Government of India loan of US\$ 100 million.
- MNCCI have initiated a lobby to seek redress for the foreign exchange market situation prevalent in the country.
- MFLC has been accommodating requests from small and medium enterprises who seek rescheduling of the repayment of their lease facilities.

#### 5.1.2 Prices

- A bill for reducing import tariffs was submitted to Majlis by the Government on the premise that it would assist with bringing prices down. However, the impact of reduction of import duties on prices, at a juncture when public finances are in severe difficulty, is debatable. The fiscal contraction is likely to be more effective.
- Easing of trade financing for traders who import foodstuff is likely to have a positive impact on prices. Government has appealed to traders to cooperate on this front, particularly in view of the fact that the fasting month of Ramazan when there is a high demand for certain types of food is ahead.

#### 5.1.3 Employment

- Government's decentralization policy is likely to create some jobs in the atolls, which is likely to have a positive effect at island level. Public sector employment rationalization, although necessary, will result in loss of jobs.
- Public sector employment rationalisation has been initiated. Mandatory retirement for all those over 65 with a considerable benefits package was introduced in 2008, and voluntary retirement for those over 55 was also introduced. There has been a presidential directive to government agencies to reduce staff by 20 percent in 2009, which, while may not be fully achievable, and will create short term distortions, will nevertheless contribute to necessary long term structural adjustment.

- Vocational Training Institute targeted for youth has been opened to cater to semi-skilled/specialized industrial training to fill skill gaps which are currently filled by expatriate workers.
- Job Centers have been set up in different regions of the country.
- There was a freeze on the granting of work permits for about a month, to enable registration, deportation and regularization of illegal expatriate workers in the country.

#### 5.1.4 Public Finance

- In 2009, fiscal policy has been rationalized in line with a medium term framework and the budget passed by parliament in April 2009 targeted the fiscal deficit at 7% of GDP for 2009 to lessen over the coming years.
- A revenue diversification policy was inbuilt in the approved budget with significant tax reform envisaged over the medium term, including a green tax, a business profit tax, an advalorem tourist bed night tax and a goods and service tax.
- Business Profit Tax and Tax Administration Bills have been tabled in parliament and are at committee stage.
- A privatization policy has been announced and public private partnerships invited for service delivery in both social and economic services, with regional utility companies created to enable government divestiture. Government estimates Rf 3,857.2 million to come in from privatization proceeds in 2009. Sale of shares have been announced for SOEs including the Maldives Tourism Development Corporation (MTDC) and the part sale of Male' International Airport ownership has been announced and expected proceeds of Rf 3 billion was included in the 2009 budget. (However, after expressions of interest by 8 parties for the airport, no proposals were received in the first call.<sup>9</sup>)
- Expenditure reduction measures are being implemented on both current and capital expenditure. Specific items identified have included foreign trips, overtime and the public sector investment programme, and strict overall budget limits are being imposed on government agencies by the Ministry of Finance and Treasury.
- Trade finance facilitated through the EXIM Bank of India has been targeted for supporting Public Private Partnerships (PPPs) that will support the public sector investment programme in the form of infrastructure development, as well as other on-budget costs in health and education sectors
- Social welfare enhancements are being implemented even in the short term (See Section 5.1.7)

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<sup>9</sup> <http://www.miadhu.com.mv/news.php?id=10694>

- The Public Accounting System is in the process of being fully operationalised. This would enable both the Ministry of Finance and the MMA to monitor the fiscal accounts in a more efficient and timely manner, and assist with liquidity management.

#### 5.1.5 Money, Finance, Financial Sector Regulation and Corporate Governance

- The MMA, while calling for matching fiscal revenues with expenditure, is preparing to commence open market operations with the introduction of an MMA bond, which will enable absorption of rufiyaa liquidity at an institutional level.
- Shares of SOEs are being floated, providing an avenue for absorption of rufiyaa savings of individuals.
- The government and MMA have together attempted to restore confidence in the Bank of Maldives publicly as well as by an unpublicized injection of liquidity through the MMA's lender of last resort function. Bank of Maldives itself is working on strengthening their internal mechanisms with the assistance of the Board of Directors, and the support of the Government and the MMA.<sup>10</sup>
- Prudential measures on capital adequacy, single borrower, related persons, large exposure and inter-bank exposure limits, asset classification, provisioning and suspension of interest, audit, publication and disclosure, fit and proper requirements and corporate governance have been strengthened through new MMA regulations.<sup>11</sup>
- A Banking Act is in the process of being submitted to the parliament to fill the gaps that currently exist in regulating the sector. An Insurance Act is being drafted to strengthen the existing regulation, and MMA is also in the process of revamping the MMA Act in order to enhance their regulatory powers and streamline central banking operations.
- SOEs have been instructed by MOFT to revise their constitutions and articles of association to adhere to Corporate Governance Code of the Capital Market Development Authority by a specified date
- There have been sustained calls from many quarters for the legal sector, in particular the judiciary, to be cognizant of modern financial transactions and instruments, and adjudicate on rational legal basis in all aspects of the law.
- A Presidential Commission has been established to investigate issues highlighted by the Auditor General in his audit reports of public institutions, and assist the existing autonomous institutions in compiling the necessary material required to send cases of corruption and embezzlement, among others, for prosecution. The legal basis and broad powers bestowed on the commission have been challenged and while the High Court has ruled that some of the powers assumed by the Commission are unconstitutional, its legality has been established and its work is on-going. The Government contends that

<sup>10</sup> [http://www.minivannews.com/news\\_detail.php?id=5898](http://www.minivannews.com/news_detail.php?id=5898)

<sup>11</sup> <http://www.mma.gov.mv/news.php?itm=2>

recovering public money is imperative particularly in light of the dire situation of the fiscal accounts.

#### 5.1.6 External Sector

- Scarcity of foreign exchange, while creating many bottlenecks and establishing a black market, has by default reduced consumption by reducing imports.
- A Balance of Payments support loan of US\$ 100 million repayable in three years was received from the Government of India, half of which is interest free trade financing for imports from India and the other half, reserve-bolstering, at an interest rate of 1.5 percent.
- Government continues to seek development assistance over commercial borrowing and is working with bilateral and multilateral partners and IFIs to rationalize the public sector external debt burden as well as facilitate financing options for industry.<sup>12</sup>

#### 5.1.7 Social Welfare

- Old age pensions have been introduced by providing Rf 2000 for each person over 65 who does not have an income of that level per month
- Comprehensive health insurance has been introduced for all civil servants and for all those over 65, with a ceiling of Rf 100,000 per annum. Universal coverage is envisaged in the medium term.
- Pension Act has come into force, with the set up and initial payouts financed through an IDA loan.

## 5.2 Conclusions and Recommendations

The multi-pronged policy initiatives of the government and other agencies, as detailed above, consist of short, medium and long term actions ranging from stabilization measures to structural reform. They appear to be broadly appropriate for the country context in view of the existing domestic macroeconomic circumstances, although the timing of contractionary measures is somewhat unfortunate, given the extent of the international crisis and its impact. Ideally, a counter cyclical fiscal policy and monetary easing would need to be employed at times of economic downturn; however, Maldives, like some of its neighbours, does not have the space to do so, due to past excesses. Nevertheless, the government has simultaneously opened up the economy for private activity and public private partnerships based on foreign financing, particularly for the establishment of critical infrastructure across the country. The timing and sequencing of the privatization policy is questionable, as current international realities are not very conducive to the movement of

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<sup>12</sup> [http://www.minivannews.com/news\\_detail.php?id=6827](http://www.minivannews.com/news_detail.php?id=6827)

long term international capital into emerging markets. Furthermore, there are uncertainties surrounding investor protection aspects at a domestic level, particularly with regulatory and legal frameworks that are as yet somewhat underdeveloped, and the decentralization policy is still under debate at the Majlis, with opponents questioning its legal validity and economic viability.

The difference from past experiences for Maldives lies in the fact that the recent policy interventions are based around medium term economic sustainability initiatives rather than purely short term stabilization. The country has a history of decisive action on short term demand management together with policy pronouncements for structural measures which have been parked once the economy is stable. The government has to be commended for taking bold steps this time, especially, with regard to the initiation of necessary structural measures such as tax reform, privatisation and civil service reform which are often politically unappealing, particularly in times of economic difficulty. In addition, the social welfare measures undertaken will provide a cushion for some of the more vulnerable segments of society. However, it must be reiterated that caution needs to be maintained in the short term to ensure that fiscal revenues and expenditures are matched to avoid the negative ramifications of further fiscal deficits.

*Specific Recommendations:*

- Fiscal, monetary and overall structural policy must be coordinated and appropriately sequenced.
- Fiscal rationalization needs to be prioritized, with expenditures made in line with expected revenues. Given that revenues for 2009 still depend on as yet unrealized big ticket items including investment finance for privatization of airport and new tax measures, alternative financing measures must be sought to minimize recourse to domestic borrowing.
- Revenue reducing policy measures must be avoided – in this context, it is not advisable to go ahead with a reduction in import tariffs at the current time.
- Monetary policy interventions need to be well targeted and implemented in a timely manner to counterbalance the effects of fiscal policy. In this context, early commencement of open market operations and Treasury Bill auctions would be desirable.
- Financial sector regulators could maintain confidence in the system by being proactive in disseminating information and raising public awareness on regulatory issues and sector developments in a consistent and public-friendly manner.
- The foreign exchange market must be closely monitored and appropriate action taken to avert long term adverse effects of a parallel market.
- Structural reform needs to be well sequenced and communicated with clarity to all stakeholders to ensure smooth implementation and boost investor confidence. Serious foreign investors would generally shy away from unstable macroeconomic or socio-political environments, and opaque policy scenarios. Sound legal and regulatory

frameworks need to be in place for the protection of both investors and the recipient nation.

- While decentralization is desirable, the model that is implemented must provide for scale economies in order to ensure sustainability and economic viability.
- Straightforward legal practices, rapid enforcement of judgements and a pragmatic and technically competent judiciary is a necessary precursor for the prevalence of equity and effective conflict resolution in a modern economy. Technical assistance should be sought where necessary to modernize the legal sector and ensure that the judiciary remains up to date and able to adjudicate on modern financial transactions and use internationally accepted legal norms that are compliant with the law in Maldives.
- Further efforts to diversify tourist markets could be useful – marketing could be focused towards Asian countries where growth is still relatively high and a large middle income class is emerging, and other countries with similar characteristics.
- Trade diversification should be considered in the medium term to reduce vulnerability to external developments. Support for SMEs could encourage innovations which may lead to the development of other products/sectors for export or domestic consumption.
- A coordinated marketing mechanism for exports of fishery products need to be established, taking lessons and piggy backing on the tourism marketing concept and other industry models where possible. Efforts should be made to consolidate marketing efforts for various products and sectors where possible to save resources.
- The establishment of small home gardens should be encouraged where possible, for growing agricultural produce for household use. Information could be disseminated on efficient use of small spaces to grow different varieties commonly consumed.
- Given that the construction industry was developing to be the third largest in terms of GDP share in recent years, consideration should be given to strengthen the industry in a manner that fits into the broader foreign investment objectives. It is recommended that the mechanisms for dialogue between industry players and policy makers be enhanced to enable clear direction for the industry and that re-financing options are facilitated for viable on-going projects.
- Skill development opportunities in the tourism, fisheries and construction industries should be emphasized and marketing targeted towards youth to direct them towards employment in the sectors.
- Laws governing employment must be reviewed and streamlined and institutional capacity built concurrently in order to enable more professional and pragmatic labour relations.
- Oversight of SOEs must be pragmatic in order to facilitate them to operate within their specified mandate in a profit-oriented manner.

At a broad level, it is imperative that government agencies and oversight bodies maintain effective communication and work cohesively to implement a consistent, synchronised and well sequenced policy framework that is clearly defined and has transparent objectives. It is also crucial that the political and legal organs of the state as well as independent institutions, industry bodies and employee organizations function efficiently and engage in constructive dialogue on policy issues with the executive so as to facilitate timely action in the national interest. These processes need to be in good working order to build the desired investor confidence in the country and address the many challenges faced by the Maldivian economy and society at this critical juncture.

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### Policy Developments in August-September 2009

Subsequent to the first draft of this report dated 31 July 2009, the Government of Maldives has announced significant policy measures, targeted towards stabilisation of macroeconomic imbalances. The measures are largely focused on achieving fiscal sustainability by reducing public spending through a restructuring of wages and allowances, a reduction in staff numbers, and cuts in other expenses. In addition, tightening monetary policy, including by halting financing from the Maldives Monetary Authority to the central government; and strengthening the health of the financial sector have also been part of the promised package. The government has also announced that targeted subsidies for various services will replace blanket subsidies that are currently in place for electricity and water.

There has also been a staff level agreement announced by the International Monetary Fund on a Stand-By Loan of US\$ 60 million to the Maldives, and bilateral discussions have recently been held by the government with partners of the World Bank Group, with the President calling for an enhancement of the IDA facility available to Maldives, and further concessional assistance. A donor conference is being planned for October, to garner further international support.

The following specific measures/directives have recently been announced:

- A 10-20 percent reduction in the salaries of political appointees
- Rationalisation of the civil service – there has been announcement by government officials that the current civil service numbers will be halved by 2011. According to the government, a large number of civil service jobs will be transferred to the private sector on account of corporatization of various entities and privatization of others.
- Civil service pay cut – the Civil Service Commission has announced that civil service salaries and allowances will be reduced by 10 percent for support staff, by 20 percent for those whose salaries are tagged to that of a deputy minister, and 15 percent for the rest, as they deem the current situation to be a crisis situation as outlined in the law. The measure will be effective 1 October 2009 and will be reviewed after three months to gauge whether a crisis situation still exists.
- Reduction in travel expenditure by 50 percent
- Reduction of 60 percent in unspent balances on budget for office supplies
- Halt on repairs and maintenance expenses with essential repairs undertaken with prior approval from Ministry of Finance and Treasury
- Move government offices from rented space to government owned space where possible
- Halt on all other non-urgent current and capital expenditures

- Establishment of a single treasury account with the MMA, enabling easier monitoring of government finances.
- Sale of bonds and commencement of open market operations
- A survey to identify the vulnerable persons who would be the recipients of subsidies has been initiated.
- Extension of a contributory basic health insurance scheme to all Maldivian citizens under the government's Madhana programme. A premium of Rf 2000 per year is charged per head for those whose incomes exceed a certain level, but this premium is subsidized by the government in differing amounts for those in lower income bands.
- Redundancy allowances have been announced for government employees who, within a period determined by the government, resign, or are dismissed, from their jobs. These include
  - A loan of up to Rf500,000 based on business proposals submitted by those who plan to start a small or medium business
  - A loan of up to Rf500,000 to those who plan to seek higher education
  - Tuition fees and an allowance to take up a training of 6-8 months under the Technical and Vocational Education Training

The President's Office has announced that the World Bank has agreed in principle to provide assistance to cover the first two categories of compensation packages.

- The government's policy manifesto is being developed into an action plan that would facilitate implementation in a coordinated manner.

## **Discussions Held**

### ***Ministry of Economic Development***

Mr. Ahmed Inaz, Deputy Minister  
 Mr. Yoosuf Riza, Permanent Secretary  
 Mr. Ahmed Wafir, Director, International Trade Policy  
 Mr. Mohamed Luveiz, Director, InvestMaldives  
 Mr. Solih Hussain, Director,  
 Ms. Saeeda Umar, National Trade Policy Coordinator

### ***Department of National Planning***

Ms. Mariyam Niyaf, Statistics Department  
 Ms. Hana Mansoor, Statistics Department

### ***Ministry of Tourism, Arts and Culture***

Mr. Mohamed Zameer, Permanent Secretary  
 Ms. Mariyam Sharumeela, Statistics Section

### ***Ministry of Fisheries and Agriculture***

Dr. Hussain Rasheed Hassan, Minister of State  
 Mr. Hassan Sinan, Fisheries Section  
 Mr. Shibau, Agriculture Section

### ***Maldives Monetary Authority***

Mr. Aishath Zahira, Deputy Governor  
 Mr. Abdul Ghafoor Abdul Latheef, Senior Executive Director, Financial Sector Division  
 Ms. Neeza Imad, Executive Director, Human Resources Division  
 Ms. Mariyam Hussain Didi, Executive Director, Corporate Services Division  
 Mr. Ahmed Munawar, Manager, Monetary Policy and Research Section

### ***Maldives Association for Construction Industry***

Mr. Mohamed Ali Janah, President  
 Mr. Fayaz Mansoor, Member

### ***Maldives Seafood Exporters Association***

Mr. Abdul Wahid Thoufeeq, ENSIS  
 Mr. Mohamed Rasheed, Horizon Fisheries

### ***Tourism Employees Association of Maldives***

Mr. Ahmed Easa, President  
 Mr. Mauroof, Vice President  
 Mr. Solah, Planning Committee Member

### ***Maldives Finance Leasing Company***

Mr. Mohamed Giyas, Leasing Executive

***UNDP***

Mr. Patrice Coeur-Bizot, Resident Representative

Ms. Raniya Sobir, Assistant Resident Representative, Poverty Reduction

Ms. Aishath Afaaf, Programme Assistant, Poverty Reduction

***UNICEF***

Mr. Joshua Karkare, M&E Officer

Mr. Shiyara, Consultant

Mr. Ibrahim Naseem, Consultant

Dr. Simad Saeed, Consultant

## **STATISTICAL APPENDIX**

Table 1. Gross Domestic Product by Sectoral Origin, 2004 - 2009

(In millions of Rufiyaa at constant 1995 prices)

Department of National Planning data

	2004	2005	2006	2007	2008 <sup>1/</sup>	2009 <sup>1/</sup>	2004	2005	2006	2007	2008 <sup>1/</sup>	2009 <sup>1/</sup>
					est	proj					est	Proj.
	(Annual percentage change)											
<b>Gross domestic product</b>	<b>8,311.2</b>	<b>7,926.2</b>	<b>9,351.1</b>	<b>10,026.3</b>	<b>10,611.4</b>	<b>10,476.7</b>	<b>9.5</b>	<b>-4.6</b>	<b>18.0</b>	<b>7.2</b>	<b>5.8</b>	<b>-1.3</b>
<b>Primary sector</b>	<b>759.1</b>	<b>848.9</b>	<b>846.5</b>	<b>720.2</b>	<b>710.6</b>	<b>780.5</b>	<b>2.9</b>	<b>11.8</b>	<b>-0.3</b>	<b>-14.9</b>	<b>-1.3</b>	<b>9.8</b>
Agriculture	204.6	203.6	204.3	205.1	206.6	208.9	4.3	-0.5	0.3	0.4	0.7	1.1
Fisheries	506.8	595.8	590.1	461.7	449.6	518.9	1.8	17.6	-0.9	-21.8	-2.6	15.4
Coral and sand mining	47.7	49.5	52.1	53.4	54.4	52.8	9.2	3.8	5.1	2.5	2.0	-3.0
<b>Secondary sector</b>	<b>1,335.1</b>	<b>1,374.2</b>	<b>1,592.0</b>	<b>1,750.9</b>	<b>1,900.3</b>	<b>1,747.4</b>	<b>12.9</b>	<b>2.9</b>	<b>15.8</b>	<b>10.0</b>	<b>8.5</b>	<b>-8.0</b>
Manufacturing	660.1	593.6	680.2	703.0	735.2	732.5	2.7	-10.1	14.6	3.3	4.6	-0.4
Electricity and water supply	312.8	363.4	409.0	446.5	465.8	485.0	13.7	16.2	12.5	9.2	4.3	4.1
Construction	362.2	417.3	502.8	601.4	699.3	529.9	36.7	15.2	20.5	19.6	16.3	-24.2
<b>Tertiary sector</b>	<b>6,549.3</b>	<b>6,010.9</b>	<b>7,288.7</b>	<b>7,954.5</b>	<b>8,417.6</b>	<b>8,345.4</b>	<b>9.7</b>	<b>-8.2</b>	<b>21.3</b>	<b>9.1</b>	<b>5.8</b>	<b>-0.9</b>
Wholesale and retail trade	326.2	336.0	357.1	387.3	403.5	390.8	5.8	3.0	6.3	8.5	4.2	-3.2
Tourism (Resorts, etc)	2,689.1	1,798.5	2,559.7	2,800.0	2,883.2	2,580.3	8.3	-33.1	42.3	9.4	3.0	-10.5
Transport and communications	1,262.5	1,456.5	1,725.4	1,868.8	1,987.0	2,009.1	17.0	15.4	18.5	8.3	6.3	1.1
Financial services	269.4	261.9	286.5	298.7	306.0	300.8	7.3	-2.8	9.4	4.3	2.4	-1.7
Real Estate	571.3	574.5	594.8	609.9	623.0	622.9	3.9	0.6	3.5	2.5	2.1	-0.0
Business services	222.5	222.4	233.3	238.9	243.0	240.1	5.4	-0.1	4.9	2.4	1.7	-1.2
Government Administration	1,061.8	1,212.7	1,380.3	1,596.3	1,814.5	2,041.1	12.6	14.2	13.8	15.7	13.7	12.5
Education, health and social services	146.4	148.5	151.7	154.5	157.4	160.3	1.5	1.5	2.1	1.9	1.8	1.9
<b>Financial Services Indirectly Measured (FISIM)</b>	<b>-332.3</b>	<b>-308.0</b>	<b>-376.2</b>	<b>-399.2</b>	<b>-417.0</b>	<b>-396.6</b>	<b>10.8</b>	<b>-7.3</b>	<b>22.1</b>	<b>6.1</b>	<b>4.4</b>	<b>-4.9</b>
<b>(In percent of GDP)</b>												
<b>Primary sector</b>	<b>9.1</b>	<b>10.7</b>	<b>9.1</b>	<b>7.2</b>	<b>6.7</b>	<b>7.4</b>						
Agriculture	2.5	2.6	2.2	2.0	1.9	2.0						
Fisheries	6.1	7.5	6.3	4.6	4.2	5.0						
<b>Secondary sector</b>	<b>16.1</b>	<b>17.3</b>	<b>17.0</b>	<b>17.5</b>	<b>17.9</b>	<b>16.7</b>						
Manufacturing	7.9	7.5	7.3	7.0	6.9	7.0						
Construction	4.4	5.3	5.4	6.0	6.6	5.1						
<b>Tertiary sector</b>	<b>78.8</b>	<b>75.8</b>	<b>77.9</b>	<b>79.3</b>	<b>79.3</b>	<b>79.7</b>						
Wholesale and retail trade	3.9	4.2	3.8	3.9	3.8	3.7						
Tourism (Resorts, etc)	32.4	22.7	27.4	27.9	27.2	24.6						
Transport and Communications	15.2	18.4	18.5	18.6	18.7	19.2						
Government Administration	12.8	15.3	14.8	15.9	17.1	19.5						
<b>Memorandum items:</b>												
<b>Nominal GDP (Rf million)</b>	<b>9,938.7</b>	<b>9,596.1</b>	<b>11,717.4</b>	<b>13,493.3</b>	<b>16,137.2</b>	<b>16,968.0</b>	<b>12.1</b>	<b>-3.4</b>	<b>22.1</b>	<b>15.2</b>	<b>19.6</b>	<b>5.1</b>
Nominal GDP (US\$ million)	776.5	749.7	915.4	1,054.2	1,260.7	1,325.6						
GDP per capita (in US\$ at constant prices)	2,439	2,293	2,648	2,794	2,912	2,830						
GDP deflator (percent change)	2.4	1.2	3.5	7.4	13.0	6.5						
CPI - Male <sup>1</sup>	-1.7	1.3	2.7	6.8	12.0	-						

1\_/ Revised on 11th March 2009.

Source: MMA Monthly Statistics, August 2009

Table 2. Consumer Price Index - National, 2005 - 2009

**National****Index (June 2004 = 100)**

Department of National Planning data

	Base Wgt Jun-04	2009						
		2005	2006	2007	2008	Jan-09	Feb-09	Mar-09
Food and non-alcoholic beverages	33.31	103.37	108.20	125.49	147.84	152.06	145.70	153.67
<i>Fish</i>	4.56	92.95	86.71	137.81	151.77	139.27	103.04	174.74
<i>Other Food</i>	25.74	105.56	112.71	124.74	149.44	156.64	154.98	152.20
<i>Non-alcoholic beverages</i>	3.01	100.50	102.21	113.26	128.67	132.26	130.99	134.24
Tobacco and narcotics	2.76	101.95	109.04	111.55	117.75	118.23	117.75	115.90
Clothing and footwear	5.96	101.08	101.80	105.80	108.99	108.63	112.16	111.82
Housing, water, electricity, gas and other fuel	19.48	104.18	109.23	113.83	126.94	130.93	132.41	133.12
Furnishing, household equipment & routine maintenance	5.30	103.59	108.17	114.21	123.10	126.59	135.32	136.42
Health	5.42	101.10	111.24	119.27	139.36	142.53	142.63	142.70
Transport	5.07	113.77	120.80	124.18	148.76	150.06	150.06	149.96
Communications	5.83	80.92	74.72	68.10	66.17	66.09	65.84	65.84
Recreation and culture	4.94	97.65	94.96	93.56	90.79	86.09	87.97	89.06
Education	3.15	100.76	103.12	107.55	109.13	117.55	117.55	116.56
Hotels, cafes and restaurants	0.77	95.91	102.08	119.16	137.79	140.56	139.45	139.45
Miscellaneous goods and services	7.92	100.52	100.88	105.23	110.05	112.85	114.49	115.26
Religion	0.11	100.00	100.00	100.00	100.00	100.00	100.00	100.00
<b>National</b>	<b>100.00</b>	<b>101.86</b>	<b>105.39</b>	<b>113.16</b>	<b>127.03</b>	<b>129.93</b>	<b>129.19</b>	<b>131.87</b>
Total Index, excluding fish		102.29	106.28	111.98	125.85	129.48	130.44	129.82
Total Index, excluding food		101.11	103.99	107.00	116.64	118.88	120.95	120.98

**INFLATION, END OF PERIOD**

<b>National</b>	<b>3.48</b>	<b>3.12</b>	<b>10.34</b>	<b>9.14</b>	<b>9.18</b>	<b>6.39</b>	<b>6.94</b>
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**INFLATION, AVERAGE**

Food and non-alcoholic beverages		4.67	15.98	17.81	17.80	16.46	15.19
<i>Fish</i>		-6.72	58.94	10.13	12.44	8.37	5.86
<i>Other Food</i>		6.78	10.67	19.80	19.36	18.47	17.42
<i>Non-alcoholic beverages</i>		1.70	10.82	13.60	13.30	12.72	12.07
Tobacco and narcotics		6.96	2.30	5.55	5.58	5.16	4.46
Clothing and footwear		0.71	3.93	3.02	2.45	2.20	2.00
Housing, water, electricity, gas and other fuel		4.85	4.21	11.55	11.65	11.70	11.75
Furnishing, household equipment & routine maintenance		4.42	5.58	7.73	7.60	8.21	8.77
Health		10.03	7.22	16.85	15.52	14.30	13.07
Transport		6.18	2.80	19.79	19.09	18.26	17.31
Communications		-7.66	-8.86	-2.83	-2.18	-1.49	-0.94
Recreation and culture		-2.75	-1.48	-2.96	-2.86	-2.87	-2.89
Education		2.35	4.29	1.48	2.36	3.35	3.97
Hotels, cafes and restaurants		6.43	16.74	15.63	15.16	14.56	13.96
Miscellaneous goods and services		0.36	4.31	4.58	4.77	4.99	5.13
Religion		0.00	0.00	0.00	0.00	0.00	0.00
<b>National</b>		<b>3.46</b>	<b>7.37</b>	<b>12.26</b>	<b>12.30</b>	<b>11.87</b>	<b>11.35</b>
Total Index, excluding fish		3.90	5.36	12.38	12.29	12.07	11.68
Total Index, excluding food		2.84	2.90	9.01	9.05	9.13	9.03

Source: MMA Monthly Statistics, August 2009

Table 3. Consumer Price Index - Male, 2005 - 2009  
 Male'  
 Index (June 2004 = 100)

Department of National Planning data

	2009																		
	Base Wgt Jun-04	2005	2006	2007	2008	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Food and non-alcoholic beverages	13.39	104.81	109.01	126.64	150.79	151.30	160.74	166.03	159.92	155.34	148.54	151.67	153.89	145.88	156.94	148.34	151.44	152.76	145.86
Fish	2.42	95.91	90.23	134.59	147.47	144.24	176.98	208.42	167.54	145.31	109.95	131.37	136.25	108.43	166.13	134.29	141.45	152.90	123.45
Other Food	9.86	107.47	114.41	126.11	154.40	155.87	160.43	159.80	161.64	160.82	160.22	159.16	160.85	156.73	157.95	153.48	155.96	154.66	152.82
Non-alcoholic beverages	1.11	100.59	101.96	114.00	126.01	126.21	128.12	129.02	128.01	128.54	128.91	129.42	130.61	131.09	131.46	133.26	133.16	135.63	133.17
Tobacco and narcotics	0.93	103.63	108.33	109.65	113.39	114.33	114.06	113.86	114.10	114.10	113.70	112.70	113.24	112.96	112.71	110.01	111.83	111.63	111.10
Clothing and footwear	2.45	104.11	104.72	103.21	105.90	105.75	105.75	105.74	105.74	105.75	106.33	106.33	108.81	108.23	108.23	104.35	104.65	105.09	112.07
Housing, water, electricity, gas and other fuel	12.30	102.77	105.56	109.57	121.66	121.28	123.09	123.33	123.69	124.38	125.19	125.60	127.01	127.36	127.71	128.25	129.52	130.00	132.54
Furnishing, household equipment & routine maintenance	2.85	103.79	107.13	112.60	116.67	118.07	117.05	114.84	117.15	117.25	118.08	118.11	123.48	131.42	131.14	130.23	130.75	131.72	127.57
Health	2.76	100.45	112.69	123.02	147.84	147.94	148.03	147.91	147.91	147.91	147.93	147.93	150.58	150.83	150.89	151.12	151.18	151.18	151.25
Transport	2.92	114.20	119.84	125.53	152.06	164.05	156.61	156.57	156.48	156.32	155.56	155.56	155.33	155.30	155.30	150.73	150.73	150.82	153.10
Communications	3.84	78.15	70.63	64.12	61.79	62.03	61.67	61.67	61.67	61.67	61.67	61.67	61.67	61.28	61.28	61.28	61.28	61.28	56.44
Recreation and culture	2.10	91.19	88.61	90.24	84.13	83.88	83.98	83.54	83.75	83.93	83.96	83.92	81.04	83.90	85.02	86.35	86.41	86.15	91.25
Education	1.51	101.85	106.72	109.18	111.18	111.18	111.18	111.18	111.18	111.18	111.18	111.18	125.95	125.95	125.95	159.08	159.08	159.08	158.27
Hotels, cafes and restaurants	0.77	95.91	102.08	119.16	137.79	140.56	140.56	140.56	140.56	140.56	140.56	140.56	140.56	139.45	139.45	139.65	139.65	140.82	142.73
Miscellaneous goods and services	2.96	100.74	101.34	103.69	110.24	110.62	110.01	110.51	113.09	112.50	112.90	112.66	112.58	113.59	114.03	117.97	118.79	117.43	119.18
Religion	0.11	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Male'	<b>48.90</b>	<b>101.33</b>	<b>104.10</b>	<b>111.18</b>	<b>124.56</b>	<b>125.50</b>	<b>127.97</b>	<b>129.35</b>	<b>128.07</b>	<b>126.95</b>	<b>125.35</b>	<b>126.27</b>	<b>128.05</b>	<b>126.62</b>	<b>129.79</b>	<b>128.34</b>	<b>129.64</b>	<b>130.13</b>	<b>129.08</b>
Total index, excluding fish		101.61	104.82	109.96	123.37	124.52	125.42	125.23	126.01	126.00	126.15	126.01	127.62	127.56	127.90	128.03	129.03	128.95	129.37
Total index, excluding food		100.01	102.25	105.34	114.67	115.77	115.61	115.52	116.06	116.25	116.60	116.70	118.31	119.36	119.56	120.80	121.43	121.60	122.74
<b>INFLATION, END OF PERIOD</b>		<b>1.78</b>	<b>3.99</b>	<b>8.89</b>	<b>8.94</b>	<b>14.35</b>	<b>16.23</b>	<b>14.14</b>	<b>12.45</b>	<b>10.53</b>	<b>8.43</b>	<b>8.94</b>	<b>8.70</b>	<b>6.23</b>	<b>7.74</b>	<b>4.28</b>	<b>3.90</b>	<b>3.69</b>	<b>0.86</b>
<b>INFLATION, AVERAGE</b>																			
Male'		1.30	2.74	6.79	12.04	10.43	11.26	11.67	12.08	12.17	12.06	12.04	12.04	11.64	11.22	10.38	9.52	8.63	7.35
Total index, excluding fish			3.16	4.90	12.20	8.79	9.60	10.27	10.94	11.56	11.88	12.20	12.06	11.82	11.48	10.87	10.10	9.17	8.22
Total index, excluding food			2.24	3.02	8.86	5.55	6.11	6.66	7.27	7.84	8.43	8.86	8.74	8.67	8.54	8.42	8.26	7.80	7.49

Source: MMA Monthly Statistics, August 2009

Table 4. Consumer Price Index - Atolls, 2005 - 2009  
Atolls

Index (June 2004 = 100)

Department of National Planning data

	2009																			
	Base Wgt Jun-04	2005	2006	2007	2008	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	
Food and non-alcoholic beverages	19.92	102.65	107.68	124.77	145.75	145.84	151.49	156.96	152.27	149.21	142.61	149.20	150.62	145.16	151.39	na	na	na	na	na
Fish	2.14	91.29	82.73	141.31	156.63	146.05	196.33	242.16	178.60	147.25	92.86	140.74	142.68	96.96	184.46					
Other Food	15.88	104.44	111.68	123.97	146.24	147.24	147.73	148.40	151.02	151.39	150.45	152.22	153.77	153.37	148.78					
Non-alcoholic beverages	1.90	100.44	102.35	112.83	130.23	131.39	132.28	132.40	132.99	133.25	133.26	133.52	133.22	130.93	135.86					
Tobacco and narcotics	1.83	101.09	109.41	112.53	119.97	119.89	119.87	120.02	120.25	120.53	120.56	120.70	120.78	120.20	117.53					
Clothing and footwear	3.51	99.08	99.82	108.04	111.29	111.43	111.61	111.93	112.08	112.52	108.21	108.29	113.70	118.98	121.21					
Housing, water, electricity, gas and other fuel	7.18	106.60	115.53	121.12	136.71	139.09	141.57	141.82	141.88	143.30	142.06	141.50	137.72	141.46	142.70					
Furnishing, household equipment & routine maintenance	2.44	103.35	109.27	116.71	132.32	137.02	136.34	136.59	136.69	136.96	136.43	137.62	135.46	142.19	146.42					
Health	2.66	102.16	108.30	110.27	124.71	128.17	128.32	128.32	128.32	128.45	128.87	128.81	128.82	128.80	128.89					
Transport	2.14	113.18	122.10	122.08	144.03	149.22	152.38	152.40	152.40	152.44	144.79	141.56	142.82	142.87	142.63					
Communications	1.98	86.29	82.65	75.80	74.67	74.67	74.67	74.67	74.67	74.67	74.67	74.67	74.67	74.67	74.67					
Recreation and culture	2.83	102.40	99.78	96.27	96.03	96.63	96.91	95.74	95.74	96.87	95.30	94.18	89.79	89.77	91.01					
Education	1.63	99.74	99.73	105.36	107.27	107.85	107.85	107.85	107.85	107.11	107.11	107.11	104.73	104.73	102.82					
Miscellaneous goods and services	4.96	100.39	100.61	106.01	109.82	110.48	111.08	111.01	111.06	110.29	111.09	111.98	112.93	114.95	115.88					
<b>Atolls</b>	<b>51.10</b>	<b>102.38</b>	<b>106.62</b>	<b>115.06</b>	<b>129.39</b>	<b>131.00</b>	<b>133.69</b>	<b>135.82</b>	<b>134.02</b>	<b>132.72</b>	<b>129.46</b>	<b>131.81</b>	<b>131.73</b>	<b>131.65</b>	<b>133.86</b>					
Total Index, excluding fish		102.86	107.67	113.91	128.20	130.34	130.95	131.17	132.08	132.09	131.06	131.42	131.25	133.17	131.65					
Total Index, excluding food		102.20	105.95	108.86	118.94	121.52	122.31	122.32	122.37	122.19	121.05	120.70	119.66	123.02	122.66					
<b>INFLATION, END OF PERIOD</b>		<b>5.10</b>	<b>2.31</b>	<b>11.72</b>	<b>9.32</b>	<b>16.56</b>	<b>18.21</b>	<b>15.55</b>	<b>13.69</b>	<b>9.67</b>	<b>6.30</b>	<b>9.32</b>	<b>9.62</b>	<b>6.53</b>	<b>6.20</b>					
<b>INFLATION, AVERAGE</b>																				
<b>Atolls</b>		<b>4.15</b>	<b>7.91</b>	<b>12.46</b>	<b>11.75</b>	<b>12.76</b>	<b>13.17</b>	<b>13.60</b>	<b>13.32</b>	<b>12.68</b>	<b>12.46</b>	<b>12.54</b>	<b>12.49</b>	<b>12.30</b>	<b>11.85</b>					
Total Index, excluding fish		4.67	5.80	12.54	9.77	10.71	11.47	12.20	12.62	12.45	12.54	12.54	12.49	12.30	11.85					
Total Index, excluding food		3.66	2.75	9.26	5.00	5.81	6.60	7.47	8.20	8.82	9.26	9.48	9.48	9.75	9.71					

April 2008 data revised on July 2008.

Source: MMA Monthly Statistics, August 2009

Table 5. Employed Population By Industry, Occupation & Sex

Occupation and Sex	Total	Industry											Community, social & personal services	Not Stated
		Agriculture & Forestry	Fishing	Quarrying	Manufacturing	Electricity, Gas & Water	Construction	Retail Trade	Wholesale & Retail Trade	Hotels & Restaurants	Transport, Storage & Communication	Financing, insurance, business & real estate		
<b>Males</b>	<b>69,701</b>	<b>1,512</b>	<b>8,233</b>	<b>311</b>	<b>6,750</b>	<b>1,074</b>	<b>5,736</b>	<b>7,419</b>	<b>10,578</b>	<b>6,179</b>	<b>16,911</b>	<b>2,281</b>	<b>2,717</b>	
Legislators, Senior Officials & Managers	5,597	6	25	0	255	70	413	1,748	684	452	1,770	111	63	
Professionals	3,915	0	8	0	56	40	52	164	203	203	2,376	688	13	
Technicians & Associate Professionals	6,897	17	173	1	243	270	1,077	386	1,201	1,616	2,301	550	32	
Clerks	4,160	1	9	2	149	97	68	730	998	376	1,615	82	33	
Service workers and shop and market sales workers	8,987	26	16	1	119	6	55	3,194	2,919	334	2,253	48	16	
Skilled Agricultural & Fisheries Workers	9,459	1,426	7,534	2	203	0	9	28	154	28	66	3	6	
Craft & related Trade Workers	12,769	20	182	296	5,004	106	4,606	592	967	329	613	41	13	
Plant, Machine Operators Assemblers	5,722	2	278	5	466	360	57	173	1,476	2,236	622	40	7	
Elementary Occupations	7,428	12	8	4	250	124	369	401	1,856	601	3,062	715	26	
Armed forces	2,197	0	0	0	0	0	0	0	0	0	2,197	0	0	
Not stated	2,570	2	0	0	5	1	0	3	8	4	36	3	2,508	
<b>Females</b>	<b>40,530</b>	<b>2,724</b>	<b>155</b>	<b>28</b>	<b>12,509</b>	<b>155</b>	<b>194</b>	<b>4,292</b>	<b>1,512</b>	<b>919</b>	<b>14,830</b>	<b>1,183</b>	<b>2,029</b>	
Legislators, Senior Officials & Managers	891	2	0	0	46	12	18	264	95	77	361	51	5	
Professionals	5,668	0	1	0	20	15	15	156	42	107	5,035	293	4	
Technicians & Associate Professionals	4,534	1	3	0	42	30	29	102	41	197	3,885	191	13	
Clerks	4,745	1	0	0	88	61	75	710	406	403	2,838	129	34	
Service workers and shop and market sales workers	4,220	25	1	0	112	1	6	2,812	71	71	596	58	6	
Skilled Agricultural & Fisheries Workers	2,843	2,671	87	5	58	0	0	3	2	0	13	1	3	
Craft & related Trade Workers	12,560	17	61	23	12,040	0	27	212	100	7	52	8	13	
Plant, Machine Operators Assemblers	199	0	2	0	67	6	1	2	12	18	67	24	0	
Elementary Occupations	2,701	6	0	0	36	30	23	30	281	39	1,825	426	5	
Armed forces	140	0	0	0	0	0	0	0	0	0	140	0	0	
Not stated	1,969	1	0	0	0	0	0	1	1	0	18	2	1,946	

Source : Department of National Planning

Table 6. Economically Active Population, 15 years +

*Census 2006*

	Total	Employed	Unemployed	Activity rate	Unemployment Rate
<b>Both Sexes</b>	<b>128,836</b>	<b>110,231</b>	<b>18,605</b>	<b>62.6</b>	<b>14.4</b>
15-19	14,055	9,913	4,142	35.2	29.5
20-24	25,420	20,802	4,618	73	18.2
25-29	18,379	16,056	2,323	74.8	12.6
30-34	15,559	13,896	1,663	75.4	10.7
35-39	13,697	12,193	1,504	75.4	11
40-44	11,944	10,608	1,336	75.3	11.2
45-49	10,346	9,132	1,214	76.2	11.7
50-54	5,892	5,267	625	74.2	10.6
55-59	4,192	3,795	397	71.5	9.5
60-64	3,500	3,171	329	62.9	9.4
65+	5,847	5,393	454	41.9	7.8
Age not stated	5	5	0	0.1	0
<b>Male</b>	<b>75,682</b>	<b>69,701</b>	<b>5,981</b>	<b>73</b>	<b>7.9</b>
<b>Female</b>	<b>53,154</b>	<b>40,530</b>	<b>12,624</b>	<b>52</b>	<b>23.7</b>

Source: Ministry of Planning and National Development

Table 7. Summary of Central Government Finance, 2004 - 2009

(In millions of Rufiyaa)

Ministry of Finance & Treasury data

	2004	2005	2006	2007	2008 <sup>1/</sup>	2009 <sup>1/</sup>
<b>Total revenue and grants</b>	<b>3424.7</b>	<b>4612.9</b>	<b>6154.1</b>	<b>7571.2</b>	<b>7757.4</b>	<b>10114.6</b>
Current revenue	3331.1	3753.3	5237.2	6490.7	7159.2	5689.8
Capital revenue	20.7	35.0	49.5	36.5	40.7	3857.2
Grants	72.9	824.6	867.4	1044.0	557.5	567.6
<b>Expenditure and net lending</b>	<b>3582.6</b>	<b>5657.6</b>	<b>6948.1</b>	<b>8200.9</b>	<b>9788.6</b>	<b>11369.1</b>
Current expenditure	2788.1	4643.3	5607.8	6560.1	7943.3	8631.3
Capital expenditure	991.0	1132.1	1458.4	1765.3	2019.8	2745.9
Net lending	-196.5	-117.8	-118.1	-124.5	-174.5	-8.1
<b>Overall balance</b>	<b>-157.9</b>	<b>-1044.7</b>	<b>-794.0</b>	<b>-629.7</b>	<b>-2031.2</b>	<b>-1254.5</b>
Overall balance excluding grants	-230.8	-1869.3	-1661.4	-1673.7	-2588.7	-1822.1
Current balance	543.0	-890.0	-370.6	-69.4	-784.1	-2941.5
Foreign financing	403.7	235.0	529.2	615.1	616.9	1513.0
Domestic financing	-245.8	809.7	264.8	14.6	1414.3	-258.5
<b>Total debt (end of period)</b>	<b>4282.8</b>	<b>5052.1</b>	<b>5965.5</b>	<b>6979.5</b>	<b>8691.2</b>	<b>8916.5</b>
Of which: Foreign	3026.6	3261.6	3800.1	4415.2	5032.1	6545.1
Domestic	1256.2	1790.5	2165.4	2564.3	3659.1	2371.4
<b>(In Percent Of GDP)</b>						
<b>Total revenue and grants</b>	<b>34.5</b>	<b>48.1</b>	<b>52.5</b>	<b>56.1</b>	<b>48.1</b>	<b>59.6</b>
Current revenue	33.5	39.1	44.7	48.1	44.4	33.5
Capital revenue	0.2	0.4	0.4	0.3	0.3	22.7
Grants	0.7	8.6	7.4	7.7	3.5	3.3
<b>Expenditure and net lending</b>	<b>36.0</b>	<b>59.0</b>	<b>59.3</b>	<b>60.8</b>	<b>60.7</b>	<b>67.0</b>
Current expenditure	28.1	48.4	47.9	48.6	49.2	50.9
Capital expenditure	10.0	11.8	12.4	13.1	12.5	16.2
Net lending	-2.0	-1.2	-1.0	-0.9	-1.1	-0.0
<b>Overall balance</b>	<b>-1.6</b>	<b>-10.9</b>	<b>-6.8</b>	<b>-4.7</b>	<b>-12.6</b>	<b>-7.4</b>
Overall balance excluding grants	-2.3	-19.5	-14.2	-12.4	-16.0	-10.7
Current balance	5.5	-9.3	-3.2	-0.5	-4.9	-17.3
Foreign financing	4.1	2.4	4.5	4.6	3.8	8.9
Domestic financing	-2.5	8.4	2.3	0.1	8.8	-1.5
Total debt (end of period)	43.1	52.6	50.9	51.7	53.9	52.5
Of which: Foreign	30.5	34.0	32.4	32.7	31.2	38.6
Domestic	12.6	18.7	18.5	19.0	22.7	14.0
<b>Memorandum item:</b>						
Nominal GDP (million of Rufiyaa) <sup>2/</sup>	9,938.7	9,596.1	11,717.4	13,493.3	16,137.2	16,968.0

1/ 2008 data are revised estimates & 2009 data are revised budget estimates of May 2009.

2/ Revised in April 2009

Source: MMA Monthly Statistics, August 2009

Table 8. Government Revenue, 2004 - 2009

(In millions of Rufiyaa)

Ministry of Finance &amp; Treasury data

	2004	2005	2006	2007	2008 (Rev. Est.)	2009 MTEF
<b>Total revenue and grants</b>	<b>3,424.7</b>	<b>4,612.9</b>	<b>6,154.1</b>	<b>7,571.2</b>	<b>7,757.4</b>	<b>10,114.6</b>
<b>Total revenue</b>	<b>3,351.8</b>	<b>3,788.3</b>	<b>5,286.7</b>	<b>6,527.2</b>	<b>7,199.9</b>	<b>9,547.0</b>
<b>Current revenue</b>	<b>3,331.1</b>	<b>3,753.3</b>	<b>5,237.2</b>	<b>6,490.7</b>	<b>7,159.2</b>	<b>5,689.8</b>
<b>Tax revenue</b>	<b>1,647.2</b>	<b>1,722.8</b>	<b>2,370.3</b>	<b>2,905.1</b>	<b>3,392.9</b>	<b>2,768.7</b>
Import duty	1,135.9	1,245.7	1,683.9	2,086.5	2,459.9	1,816.7
Tourism Tax	409.5	345.0	495.7	547.3	588.7	496.2
Bank profit tax	48.6	65.7	91.4	169.0	240.8	211.6
Green Tax	-	-	-	-	-	115.2
Airport Tax	-	-	-	-	-	23.4
Other <sup>1/</sup>	53.2	66.4	99.3	102.3	103.5	105.6
<b>Nontax revenue</b>	<b>1,683.9</b>	<b>2,030.5</b>	<b>2,866.9</b>	<b>3,585.6</b>	<b>3,766.3</b>	<b>2,921.1</b>
<b>Entrepreneurial &amp; property income</b>	<b>1,271.5</b>	<b>1,369.2</b>	<b>2,228.3</b>	<b>2,799.6</b>	<b>2,982.5</b>	<b>2,175.1</b>
<b>Net Sales to Public Enterprises</b>	<b>554.7</b>	<b>608.6</b>	<b>727.4</b>	<b>788.5</b>	<b>1,135.4</b>	<b>822.5</b>
State Trading Organisation Plc.	114.4	72.8	57.2	85.3	72.8	60.5
State Electric Company Ltd.	15.0	0.0	0.0	0.0	0.0	0.0
Dhivehi Rajjeege Gulhun Pte Ltd.	165.6	247.9	280.8	355.0	392.5	447.8
Maldives Posts Limited	8.5	6.8	3.6	6.4	5.3	1.5
Maldives Monetary Authority	10.0	23.6	190.4	169.7	250.8	113.0
Maldives Industrial Fisheries Corporation Ltd	0.9	1.4	1.3	2.7	4.0	11.9
Island Aviation Services Ltd.	16.3	2.1	8.0	9.0	12.0	7.8
Building Construction and Mechanical Works	0.2	0.0	1.3	4.1	2.0	0.0
Maldives Transport & Contracting Co. Plc	3.5	3.3	3.9	4.6	5.9	0.0
Maldives Ports Authority	24.5	37.5	50.0	60.0	62.6	60.0
Bank of Maldives Plc	5.6	5.9	6.2	9.3	27.5	24.0
Maldives Airports Company Ltd	143.8	171.0	62.3	30.0	192.0	22.5
Hulhumale Development Corporation	0.0	0.0	0.0	0.0		
Printing section	0.0	0.0	0.0	0.0		
Government hotels	2.4	3.2	3.0	4.5	5.5	
Maldives Inflight Catering Services Pte Ltd.	19.5	0.0	19.5	0.0	0.0	
Maldives Water & Sewerage Company Pvt Lt	24.5	33.1	39.9	46.3	54.5	59.0
Housing Development Finance Corporation	0.0	0.0	0.0	1.0	0.0	0.0
Maldives Tourism Development Corporation	0.0	0.0	0.0	0.0	48.0	14.5
Maldives National Shipping Limited	0.0	0.0	0.0	0.6	0.0	0.0
<b>Royalties, land &amp; resort rent</b>	<b>645.5</b>	<b>674.9</b>	<b>1,423.8</b>	<b>1,854.0</b>	<b>1,723.2</b>	<b>1,202.5</b>
Resort lease rent	512.0	566.8	1,281.2	1,668.7	1,513.6	851.2
Extension of Resort lease rent	-	-	-	-	-	200.0
Land rent	35.3	32.8	43.4	92.9	78.6	51.6
Royalties	98.2	75.3	99.2	92.4	131.0	99.7
Interest	71.3	85.7	77.1	157.1	123.9	150.1
<b>Administrative fees &amp; charges</b>	<b>291.2</b>	<b>319.0</b>	<b>443.2</b>	<b>513.7</b>	<b>576.3</b>	<b>584.6</b>
Permit fee	73.4	87.1	77.9	100.2	113.6	114.7
Administrative fees	87.8	89.9	193.0	190.5	205.2	183.6
Building rent	27.3	32.1	26.9	36.6	39.5	44.9
Non-industrial sales	102.7	109.9	145.4	186.4	218.0	241.4
<b>Fine &amp; Forfeits</b>	<b>35.6</b>	<b>25.5</b>	<b>55.0</b>	<b>58.3</b>	<b>73.0</b>	<b>62.5</b>
<b>Other</b>	<b>85.6</b>	<b>316.8</b>	<b>140.4</b>	<b>214.0</b>	<b>134.5</b>	<b>98.9</b>
<b>Capital revenue (sale of assets)</b>	<b>20.7</b>	<b>35.0</b>	<b>49.5</b>	<b>36.5</b>	<b>40.7</b>	<b>3,857.2</b>
<b>Grants <sup>2/</sup></b>	<b>72.9</b>	<b>824.6</b>	<b>867.4</b>	<b>1,044.0</b>	<b>557.5</b>	<b>567.6</b>

1/ Includes license fees, company registration fees, revenue stamps and motor vehicle taxes.

2/ Includes grants-in-kind and cash but excludes direct expenditure by donors.

Source: MMA Annual Economic Review 2008/MOFT Budget in Statistics 2009

**Table 9. Government Expenditure, 2004 - 2009**

(In millions of Rufiyaa)

Ministry of Finance & Treasury data

	2004	2005	2006	2007	2008 (Rev. Est.)	2009 MTEF
<b>Total expenditure and net lending</b>	<b>3,582.6</b>	<b>5,657.6</b>	<b>6,948.1</b>	<b>8,200.9</b>	<b>9,788.6</b>	<b>11,369.1</b>
<b>Current expenditure</b>	<b>2,788.1</b>	<b>4,643.3</b>	<b>5,607.8</b>	<b>6,560.1</b>	<b>7,943.3</b>	<b>8,631.3</b>
Expenditure on goods and services	2,600.8	4,260.9	5,259.2	6,157.5	7,205.6	7,787.5
Salaries and wages	718.7	974.3	1,085.1	1,208.5	1,823.1	1,941.3
Other	1,882.1	3,286.6	4,174.1	4,949.0	5,382.5	5,846.2
Interest payments	138.6	154.9	198.8	234.3	325.4	339.3
Subsidies and transfers	48.7	227.5	149.8	168.3	412.3	504.5
<b>Capital expenditure</b>	<b>991.0</b>	<b>1,132.1</b>	<b>1,458.4</b>	<b>1,765.3</b>	<b>2,019.8</b>	<b>2,745.9</b>
<b>Net lending <sup>1/</sup></b>	<b>-196.5</b>	<b>-117.8</b>	<b>-118.1</b>	<b>-124.5</b>	<b>-174.5</b>	<b>-8.1</b>
Domestic	-196.5	-117.8	-118.1	-124.5	-174.5	-8.1
Abroad	0.0	0.8	0.0	0.0	0.0	0.0

1/ Net lending is not included in the regular budget.

Source: MMA Annual Economic Review 2008/MOFT Budget in Statistics 2009

**Table 10. Functional Classification of Government Expenditure, 2004 - 2009**

(In millions of Rufiyaa)

Ministry of Finance & Treasury data

	2004	2005	2006	2007	2008 (Rev. Est.)	2009 MTEF
<b>Total expenditure</b>	<b>3,779.1</b>	<b>5,775.4</b>	<b>7,066.2</b>	<b>8,325.4</b>	<b>9,963.1</b>	<b>11,377.2</b>
<b>Public services</b>	<b>1,317.7</b>	<b>1,958.6</b>	<b>2,372.8</b>	<b>3,050.8</b>	<b>3,727.0</b>	<b>4,531.9</b>
General administration	687.1	1,105.8	1,381.5	1,607.3	2,133.1	2,593.3
Defence	-	416.3	418.7	475.7	548.6	663.1
Public order and internal security	598.0	391.9	502.0	825.7	892.2	1,129.7
Environmental Protection	32.6	44.6	70.6	142.1	153.1	145.8
<b>Social services</b>	<b>1,759.1</b>	<b>2,983.6</b>	<b>3,639.5</b>	<b>4,444.1</b>	<b>5,132.7</b>	<b>5,367.5</b>
Education	755.1	849.6	1,051.9	1,313.8	1,527.9	2,168.5
Health	427.3	526.6	688.0	782.2	1,255.6	883.3
Social Security and Welfare	176.2	495.5	300.7	235.5	338.9	702.7
Community programs	400.5	1,111.9	1,598.9	2,112.6	2,010.3	1,613.0
<b>Economic services</b>	<b>563.7</b>	<b>678.3</b>	<b>855.1</b>	<b>596.2</b>	<b>778.0</b>	<b>1,138.5</b>
Fisheries & agriculture	25.2	61.7	112.0	179.9	99.5	132.1
Transportation	376.6	438.2	413.5	172.2	417.2	450.0
Post and telecommunication	48.4	107.6	53.2	88.9	30.5	57.9
Tourism	56.3	57.4	100.8	108.2	119.4	223.7
Trade and industry	44.1	6.1	145.5	42.8	99.2	78.3
Electricity	13.1	7.3	30.1	4.2	12.2	196.5
<b>Interest on public debt</b>	<b>138.6</b>	<b>154.9</b>	<b>198.8</b>	<b>234.3</b>	<b>325.4</b>	<b>339.3</b>

Source: MMA Annual Economic Review 2008/MOFT Budget in Statistics 2009

Table 11. Monetary Survey, 2004 - 2009

(In millions of Rufiyaa; end of period)

Maldives Monetary Authority data

	2004	2005	2006	2007	2008	2008	2008	2008	2008	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009
						Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Jul-09
<b>Net foreign assets<sup>1/</sup></b>	3362.2	1787.7	1031.6	-458.3	-2572.4	-1174.2	-2164.2	-2360.1	-2710.9	-2465.4	-2332.1	-2572.4	-2579.5	-2660.3	-967.7	-1257.7	-1078.3	-1309.2	-1594.9	-1594.9
Monetary Authorities (net)	2605.1	2303.5	2881.4	3866.0	3027.4	3559.4	3268.5	3366.3	3273.1	3266.9	3257.9	3027.4	2814.5	2799.9	3399.3	3038.0	3032.3	2859.7	2686.1	2686.1
Foreign assets	2616.1	2394.9	2972.8	3956.9	3089.2	3639.4	3348.5	3446.2	3342.8	3336.7	3327.7	3089.2	2874.6	2860.0	3449.6	3097.7	3093.6	2910.9	2727.3	2727.3
Foreign liabilities	-11.0	-91.4	-91.4	-90.9	-61.8	-79.9	-79.9	-79.9	-68.8	-68.8	-68.8	-61.8	-60.1	-60.1	-50.4	-59.7	-61.3	-51.2	-41.2	-41.2
Commercial banks (net) <sup>2/</sup>	757.1	-515.8	-1849.8	-4324.3	-5599.9	-4733.6	-5432.7	-5726.4	-5983.9	-5732.3	-5590.1	-5599.9	-5394.0	-5460.2	-4367.0	-4295.7	-4110.6	-4168.9	-4281.1	-4281.1
Foreign assets	1015.7	603.3	871.2	1054.2	768.1	948.5	934.7	827.8	824.4	789.3	911.4	768.1	904.7	930.6	1785.3	1688.3	1723.1	1309.5	1091.8	1091.8
Foreign liabilities	-258.6	-1119.1	-2721.0	-5378.5	-6367.9	-5682.1	-6367.4	-6554.2	-6808.3	-6521.7	-6501.5	-6367.9	-6298.7	-6390.8	-6152.3	-5864.0	-5833.7	-5478.4	-5372.9	-5372.9
<b>Domestic assets (net)</b>	2621.5	4897.2	7031.7	10430.4	14898.8	12439.0	13912.4	14385.5	14932.2	14811.2	14824.8	14898.8	15153.3	15284.3	13913.8	14428.2	14471.0	14451.2	15155.0	15155.0
Domestic credit	4246.0	6911.4	9509.1	13820.2	19812.5	16827.5	18013.8	18692.5	19314.5	19354.2	19586.4	19812.5	20019.2	20189.5	19616.8	19727.4	19684.6	19909.7	20454.0	20454.0
Public sector	698.3	1430.9	1317.5	1600.5	3564.6	2859.9	2881.9	3013.7	3096.2	3431.3	3564.6	3840.0	4187.0	4187.0	3864.9	4072.9	4150.9	4448.0	4953.2	4953.2
Central govt. (net)	456.3	953.0	745.0	583.7	2188.7	1607.4	1533.5	1739.2	1746.7	1789.3	2074.2	2188.7	2561.9	2899.9	2608.6	2867.2	2953.5	3324.2	3778.2	3778.2
Gross claims on govt	1312.7	1630.5	1934.7	2361.4	4151.5	3299.4	2963.5	3082.6	3140.4	3068.6	3343.0	4151.5	4679.9	5177.9	6140.3	6415.0	5963.3	6598.2	7022.9	7022.9
Govt. deposits	-856.5	-677.6	-1189.7	-1777.7	-1962.8	-1691.9	-1430.0	-1343.5	-1393.7	-1280.4	-1268.8	-1962.8	-2118.0	-2278.0	-3531.7	-3547.7	-3009.8	-3274.0	-3244.8	-3244.8
Public enterprises	242.0	477.9	572.5	1016.8	1376.0	1252.5	1348.5	1274.5	1349.5	1412.8	1357.1	1376.0	1278.1	1287.1	1256.3	1205.7	1197.4	1123.8	1175.0	1175.0
Private sector	3547.8	5480.5	8191.7	12219.8	16247.9	13967.6	15131.8	15678.9	16218.2	16152.2	16155.1	16247.9	16179.3	16002.5	15751.9	15654.5	15533.8	15462	15501	15501
Other items (net)	-1624.6	-2014.1	-2471.4	-3389.9	-4913.7	-4388.5	-4101.4	-4307.0	-4382.3	-4543.0	-4761.6	-4913.7	-4866.0	-4905.2	-5703.0	-5299.3	-5213.6	-5458.6	-5299.0	-5299.0
<b>Broad money</b>	5983.7	6685.0	8063.3	9972.0	12326.4	11264.8	11748.3	12025.4	12221.3	12345.8	12492.7	12326.4	12573.8	12624.0	12946.1	13170.5	13392.7	13142	13560	13560
Narrow money	2476.9	3033.3	3707.2	4404.7	6082.2	5374.9	5476.8	5740.0	5882.7	6062.7	6049.6	6082.2	6373.7	6504.9	6624.3	6908.3	6820.5	6861.2	7113.6	7113.6
Currency in circulation	762.5	883.2	1067.8	1141.6	1509.9	1323.5	1399.6	1473.3	1566.3	1655.6	1547.9	1509.9	1447.6	1486.1	1536.2	1610.9	1608.4	1557.0	1583.8	1583.8
Public ent. deposits (Rf)	51.9	44.3	14.7	41.8	10.5	26.0	40.1	74.6	5.3	13.3	13.2	10.5	40.4	14.0	6.3	6.3	3.8	21.0	86.8	86.8
Demand deposits	1662.5	2105.8	2624.7	3221.4	4561.8	4025.4	4037.1	4192.1	4311.2	4393.8	4488.5	4561.8	4885.7	5004.8	5081.8	5291.0	5208.2	5283.2	5442.9	5442.9
Quasi money	3506.8	3651.7	4356.1	5567.3	6244.2	5890.0	6271.5	6285.3	6338.6	6283.1	6443.0	6244.2	6200.1	6119.0	6321.7	6262.2	6572.2	6280.7	6446.5	6446.5
<b>Memorandum items:</b>																				
Foreign currency deposits	3344.3	3441.2	4031.9	5304.8	5866.4	5653.7	6049.4	5862.6	5943.0	5864.1	6027.5	5866.4	5913.1	5815.6	5940.0	5784.7	5941.9	5672.0	5931.9	5931.9
Dollarization ratio <sup>2/</sup>	55.9	51.5	50.0	53.2	47.6	50.2	51.5	48.8	48.6	47.5	48.2	47.6	47.0	46.1	45.9	43.9	44.4	43.2	43.7	43.7

1/ Since July 2007, Net foreign assets represent a net liability position (due to the net liability position of commercial banks).

2/ Foreign currency deposits ( includes foreign currency deposits of commercial banks and MMA, excluding government and non-residence deposits) in percent of broad money.

Source: MMA Monthly Statistics, August 2009

Table 12. Summary of Balance of Payments, 2004 - 2009<sup>1/</sup>

(In millions of U.S. dollars)

Maldives Monetary Authority data

	2004	2005	2006	2007	2008	2009 <sup>2/</sup>
<b>A. Current Account</b>	<b>-122.3</b>	<b>-273.0</b>	<b>-302.0</b>	<b>-437.8</b>	<b>-651.3</b>	<b>-475.4</b>
<b>Balance on goods</b>	<b>-383.8</b>	<b>-493.8</b>	<b>-590.1</b>	<b>-736.8</b>	<b>-890.8</b>	<b>-679.2</b>
Goods: credit	181.0	161.6	225.2	228.0	330.5	264.2
Domestic exports f.o.b.	122.4	103.5	135.1	107.8	125.9	145.5
Other	58.6	58.1	90.2	120.2	204.6	118.7
Goods: debit	-564.8	-655.5	-815.3	-964.7	-1221.2	-943.4
Imports f.o.b.	-564.8	-655.5	-815.3	-964.7	-1221.2	-943.4
<b>Balance on services</b>	<b>350.2</b>	<b>109.8</b>	<b>320.7</b>	<b>379.8</b>	<b>355.7</b>	<b>266.6</b>
Services: credit	507.7	322.9	551.9	649.1	704.0	557.7
Travel	470.9	286.6	512.4	602.4	635.9	494.2
Services: debit	-157.4	-213.1	-231.2	-269.3	-348.3	-291.1
<b>Balance on income</b>	<b>-35.2</b>	<b>-31.0</b>	<b>-40.8</b>	<b>-67.2</b>	<b>-64.1</b>	<b>-40.9</b>
Income: credit	9.8	10.9	15.6	21.7	17.7	5.2
Income: debit	-44.9	-41.8	-56.3	-88.9	-81.7	-46.2
<b>Balance on current transfers</b>	<b>-53.6</b>	<b>142.0</b>	<b>8.2</b>	<b>-13.7</b>	<b>-52.2</b>	<b>-21.9</b>
Current transfers: credit <sup>2/</sup>	7.6	211.5	91.3	91.5	76.2	68.1
Current transfers: debit	-61.1	-69.5	-83.2	-105.2	-128.4	-89.9
<b>B. Capital Account</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>C. Financial Account</b>	<b>153.2</b>	<b>263.8</b>	<b>290.6</b>	<b>442.0</b>	<b>499.2</b>	<b>620.1</b>
<b>Direct Investment (net)</b>	<b>14.7</b>	<b>9.5</b>	<b>13.9</b>	<b>15.0</b>	<b>15.4</b>	<b>13.0</b>
Direct investment in Maldives	14.7	9.5	13.9	15.0	15.4	13.0
<b>Portfolio Investment (net)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Other Investment (net)</b>	<b>138.5</b>	<b>254.3</b>	<b>276.7</b>	<b>427.0</b>	<b>483.8</b>	<b>607.1</b>
Other investment assets	109.9	162.2	113.0	183.4	342.4	402.5
Banks	-15.5	32.2	-20.9	-14.3	22.4	-3.0
Other sectors	125.3	130.0	133.9	197.7	320.0	405.5
Other investment liabilities	28.6	92.1	163.8	243.6	141.4	204.6
Monetary authorities	0.1	6.3	-0.003	-0.0	-2.4	0.0
General government	25.0	18.6	38.6	36.0	66.6	129.9
o.w. Loans	25.0	18.6	38.6	36.0	66.6	129.9
Disbursements	46.5	42.5	62.7	65.0	101.1	196.9
Amortizations	-21.6	-23.9	-24.1	-29.0	-34.6	-66.9
Banks	3.6	67.2	125.2	207.6	77.3	74.6
Other sectors	0.0	0.0	0.0	0.0	0.0	0.0
<b>D. Net Errors and Omissions (sum of A, B, C &amp; E)</b>	<b>13.3</b>	<b>-8.0</b>	<b>56.5</b>	<b>72.7</b>	<b>84.3</b>	<b>-0.0</b>
<b>Overall balance (A+B+C+D)</b>	<b>44.2</b>	<b>-17.3</b>	<b>45.1</b>	<b>76.9</b>	<b>-67.8</b>	<b>144.8</b>
<b>E. Reserves and Related Items</b>	<b>-44.2</b>	<b>17.3</b>	<b>-45.1</b>	<b>-76.9</b>	<b>67.8</b>	<b>-144.8</b>
Reserve assets	-44.2	17.3	-45.1	-76.9	67.8	-144.8
Borrowing from IMF	0.0	6.2	0.0	0.0	0.0	0.0
<b>Memorandum Items</b>						
Goods and Services	-33.6	-384.0	-269.4	-356.9	-535.0	-412.6
Exports of Goods & Services (XGS)	688.6	484.5	777.1	877.1	1034.5	821.9
Current Account as a % of GDP	15.8	36.4	33.0	41.5	51.7	35.9

1/ 2008 data are estimates as of 16th March 2009 and 2009 data are projections of 2nd April 2009.

2/ 2005 includes US\$152 million as grants and US\$ 70.6 million as insurance claims received for resorts damaged by the tsunami.

Source: MMA Monthly Statistics, August 2009

Table 13. Composition of Imports, 2004 - 2009

(In millions of U.S. dollars)

Customs data

	<i>import 1/ weight</i>	2004	2005	2006	2007	2008	2008 <i>Jan-Jul</i>	2009 <i>Jan-Jul</i>
<b>Total imports c.i.f.</b>	<b>100.0</b>	<b>641.8</b>	<b>744.9</b>	<b>926.5</b>	<b>1,096.3</b>	<b>1,387.5</b>	<b>876.4</b>	<b>543.8</b>
<b>Consumer goods</b>	<b>41.3</b>	<b>239.8</b>	<b>247.7</b>	<b>317.7</b>	<b>368.2</b>	<b>458.6</b>	<b>265.8</b>	<b>226.4</b>
Food Items	20.2	111.4	109.8	141.2	175.0	211.3	122.3	112.1
Rice	1.1	6.3	6.7	7.5	9.7	14.2	8.0	8.4
Wheat flour	0.8	4.5	5.6	5.7	7.8	13.5	8.5	5.8
Sugar	0.7	3.5	4.3	6.1	5.0	4.5	2.3	2.9
Beverages	2.6	13.7	11.8	15.8	20.2	21.9	12.8	12.2
Other food items	14.9	83.5	81.4	106.0	132.4	157.2	90.7	82.9
Tobacco	1.1	6.3	6.4	7.2	7.2	8.7	5.0	5.1
Pharmaceuticals	0.9	5.0	6.0	6.9	7.5	10.7	6.2	5.5
Other consumer goods	19.1	117.1	125.4	162.4	178.4	227.9	132.3	103.6
<b>Petroleum products</b>	<b>12.6</b>	<b>90.4</b>	<b>115.3</b>	<b>181.4</b>	<b>202.9</b>	<b>298.2</b>	<b>197.4</b>	<b>113.3</b>
Petrol	0.9	8.1	10.7	15.8	20.5	23.1	15.0	9.8
Diesel (Marine gas oil)	9.8	70.0	90.6	145.2	166.5	234.5	152.3	86.3
Aviation gas	0.8	4.7	5.7	9.0	7.2	22.4	17.7	10.2
Other petroleum product (Lubricating oil, Kerosene)	1.1	7.5	8.3	11.5	8.7	18.2	12.4	7.0
<b>Intermediate and capital goods</b>	<b>46.1</b>	<b>311.6</b>	<b>381.8</b>	<b>427.4</b>	<b>525.2</b>	<b>630.8</b>	<b>413.3</b>	<b>204.1</b>
Construction	11.2	86.0	115.7	121.2	172.3	194.9	118.8	59.5
Cement & Cement products	1.2	7.2	9.2	13.6	16.1	20.3	10.4	6.4
Wood for construction purposes	3.4	29.9	37.0	44.4	58.8	64.6	38.2	17.9
Base metal & articles of base metal for construction purposes	2.9	22.7	33.2	31.8	42.0	51.0	31.2	14.7
Other construction related	3.8	26.2	36.3	31.4	55.3	58.9	39.0	20.6
Paper	0.4	2.1	2.0	2.4	2.9	3.5	2.2	1.8
Medical / Surgical supplies	0.4	2.8	3.5	5.7	4.8	5.2	3.1	2.4
Computer equipments and supplies	1.2	8.5	12.8	13.7	15.3	15.9	10.5	7.4
Machinery & mechanical appliances	1.6	11.1	18.2	18.9	22.5	25.7	15.5	10.4
Textiles	6.7	35.4	6.1	7.3	8.4	9.6	5.7	4.5
Chemicals & chemical products	0.7	4.3	4.7	6.5	7.2	7.7	4.9	3.7
Transport equipments and parts	8.9	46.9	50.4	76.1	78.8	155.9	121.7	28.9
Other Intermediate and Capital goods	15.1	114.5	168.3	175.4	213.0	212.4	130.7	85.4

Note: Composition of import data are available in this format only from 2000 onwards.

1/ Import weight is as a percent of 5 years total (2000-2004).

Source: MMA Monthly Statistics, August 2009

Table 14. Composition of Exports, 2004 - 2009

(In millions of U.S. dollars)

Customs data

	2004	2005	2006	2007	2008	2008 Jan-Jul	2009 Jan-Jul
<b>Merchandise Exports f.o.b</b>	<b>181.0</b>	<b>161.6</b>	<b>225.2</b>	<b>228.0</b>	<b>330.5</b>	<b>223.2</b>	na
<b>Domestic exports</b>	<b>122.4</b>	<b>103.5</b>	<b>135.1</b>	<b>107.8</b>	<b>125.9</b>	<b>72.0</b>	<b>41.2</b>
Total marine exports	89.9	101.8	133.1	105.6	123.9	70.9	40.5
Fish and fish products	87.5	100.0	132.1	104.8	123.3	70.5	40.3
Fish exports (excluding live fish)	84.4	96.6	128.8	102.5	120.7	68.8	38.7
Fresh, chilled or frozen tuna	56.0	66.6	100.9	79.5	100.8	57.4	24.9
Skipjack	25.9	33.6	59.3	42.0	54.6	28.9	7.7
Yellowfin tuna	24.6	26.5	35.9	35.4	43.4	25.9	15.5
Frozen reef fish	1.4	1.2	1.3	1.5	1.6	1.1	1.3
Canned	13.4	15.2	11.4	10.8	6.9	4.5	4.7
Dried fish	11.6	11.6	12.7	9.2	9.8	4.8	6.8
Salted fish	1.3	1.5	1.7	1.0	1.6	1.0	1.0
Salted reef fish	0.7	0.5	0.7	0.6	0.0	0.0	0.0
Live fish	1.4	1.3	1.5	1.1	1.4	1.0	0.8
Fish products	1.7	2.1	1.8	1.2	1.1	0.7	0.8
Other marine products	2.4	1.8	1.0	0.8	0.6	0.4	0.2
Garments <sup>1/</sup>	31.8	0.6	0.0	0.0	0.0	0.0	0.0
Other	0.6	1.1	2.0	2.1	2.0	1.1	0.8
Re-exports	58.6	58.1	90.2	120.2	204.6	151.2	na

<sup>1/</sup> With the expiration of the Multi-Fibre Agreement in December 2004 no garment exports were made after January 2005.

Source: MMA Monthly Statistics, August 2009

Table 15. External Debt and Debt Service, 2004 - 2009 <sup>1/</sup>

(In millions of U.S. dollars)

MMA/MOFT data

	2004	2005	2006	2007	2008	2009 proj.
<b>Total external debt outstanding &amp; disbursed</b>	<b>331.8</b>	<b>397.1</b>	<b>574.8</b>	<b>840.1</b>	<b>969.2</b>	<b>na</b>
<b>Medium- and long-term (DOD)</b>	<b>311.6</b>	<b>309.6</b>	<b>362.3</b>	<b>420.0</b>	<b>471.7</b>	<b>591.8</b>
Official creditors	212.4	220.3	270.9	317.9	342.7	361.7
Multilateral	182.4	181.1	227.4	272.4	284.1	289.4
Bilateral	30.1	39.2	43.5	45.5	58.6	72.3
Private creditors	99.1	89.3	91.4	102.0	129.0	230.2
Suppliers	89.7	78.1	77.2	74.5	59.0	91.5
Financial markets	9.4	11.2	14.1	27.5	70.0	138.6
<b>Short-term debt</b>	<b>20.2</b>	<b>87.4</b>	<b>212.6</b>	<b>420.2</b>	<b>497.5</b>	<b>na</b>
Maldives Monetary Authority	0.0	0.0	0.0	0.0	0.0	
Commercial banks	20.2	87.4	212.6	420.2	497.5	
<b>Debt service</b>	<b>29.1</b>	<b>31.2</b>	<b>32.1</b>	<b>39.7</b>	<b>49.5</b>	<b>82.8</b>
<b>Amortization</b>	<b>21.3</b>	<b>23.9</b>	<b>24.1</b>	<b>29.0</b>	<b>34.6</b>	<b>66.9</b>
<b>Interest payments</b>	<b>6.9</b>	<b>7.2</b>	<b>7.9</b>	<b>10.3</b>	<b>14.9</b>	<b>15.8</b>
Medium- and long-term	6.9	7.2	7.9	10.3	14.9	15.8
Public sector	6.9	7.2	7.9	10.3	14.9	15.8
Official creditors	2.4	2.5	2.6	4.7	8.8	6.8
Multilateral	1.9	1.9	1.9	3.9	7.9	5.6
Bilateral	0.5	0.6	0.7	0.8	1.0	1.2
Private creditors	4.6	4.8	5.3	5.7	6.1	8.9
Suppliers	4.0	4.2	4.3	4.1	3.8	4.1
Financial markets	0.6	0.6	1.0	1.5	2.3	4.8
Private sector	0.0	0.0	0.0	0.0	0.0	0.0
Short-term debt	0.0	0.0	0.0	0.0	0.0	-
Commercial banks	0.0	0.0	0.0	0.0	0.0	-
Total external debt outstanding & disbursed as % of GDP	42.7	53.0	62.8	79.7	76.9	-
Medium- and long-term (DOD) as % of GDP	40.1	41.3	39.6	39.8	37.4	44.6
Short-term debt as % of GDP	2.6	11.7	23.2	39.9	39.5	-
<b>Debt service ratio <sup>2/</sup></b>	<b>4.2</b>	<b>6.4</b>	<b>4.1</b>	<b>4.5</b>	<b>4.8</b>	<b>10.1</b>
<b>Memorandum items:</b>						
Nominal GDP <sup>3/</sup>	776.5	749.7	915.4	1,054.2	1,260.7	1,325.6
Exchange rate (avg mid)	12.8	12.8	12.8	12.8	12.8	12.8
Exports of goods & services (XGS)	688.6	484.5	777.1	877.1	1,034.5	821.9

1/ 2009 data are projections of March 2009.

2/ Ratio of debt service to exports of goods and services.

3/ Revised on April 2009

Source: MMA Monthly Statistics, August 2009

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