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Partnership  
Forum 2019

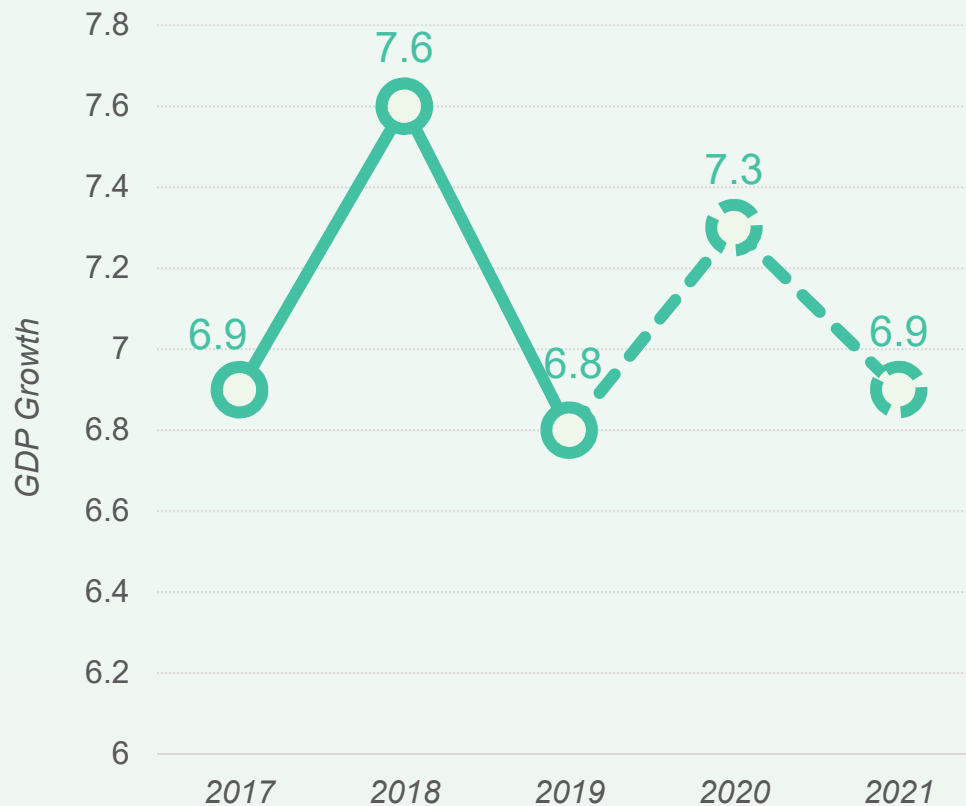
# Macroeconomic and Fiscal Overview



# Economic Growth



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**7%** Medium term  
average growth

driven by:

- strong tourism
- continued public investments
- investing in the Blue Economy
- improving productivity
- private investments

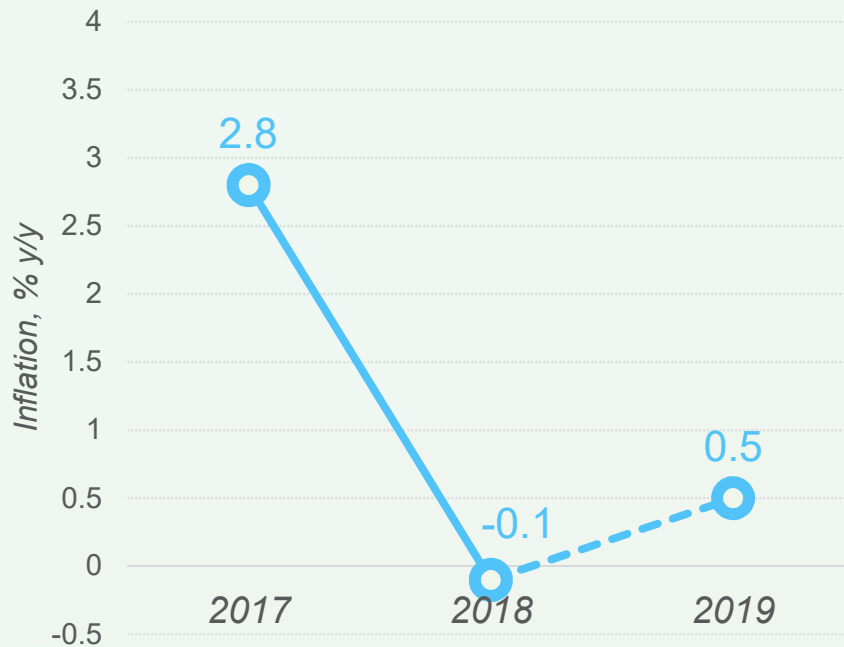
# Inflation and Money



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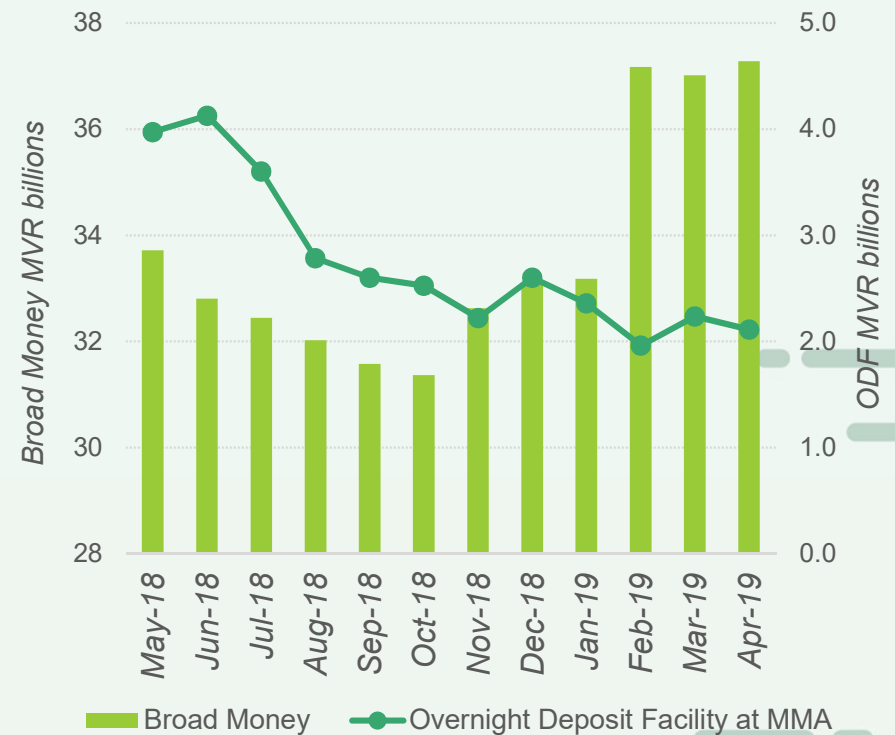
## Inflation

- Low inflation
- Potential to drive growth without overheating the economy



## Money and Banking

- Steady growth in money supply
- Adequate MVR liquidity in the banking sector

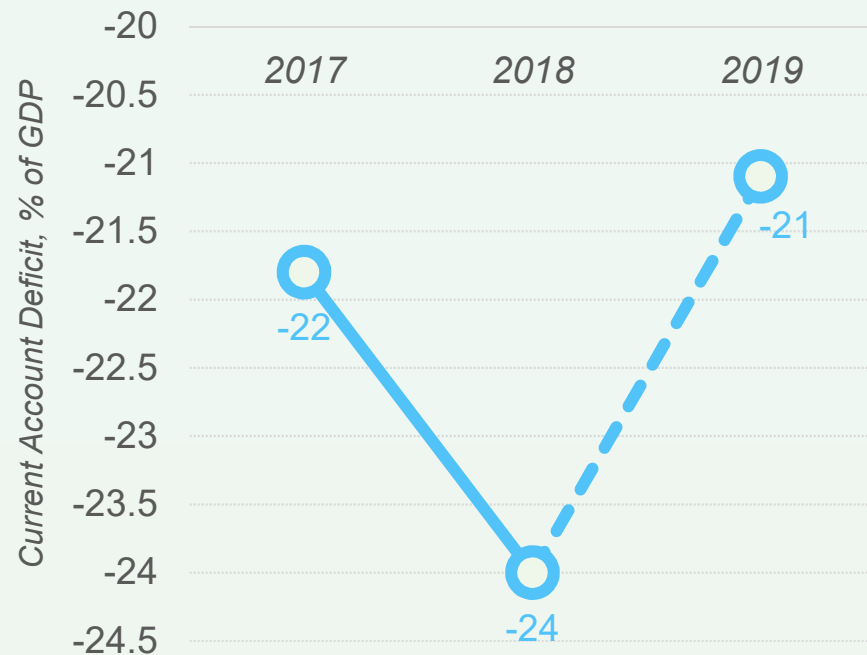




# External Sector

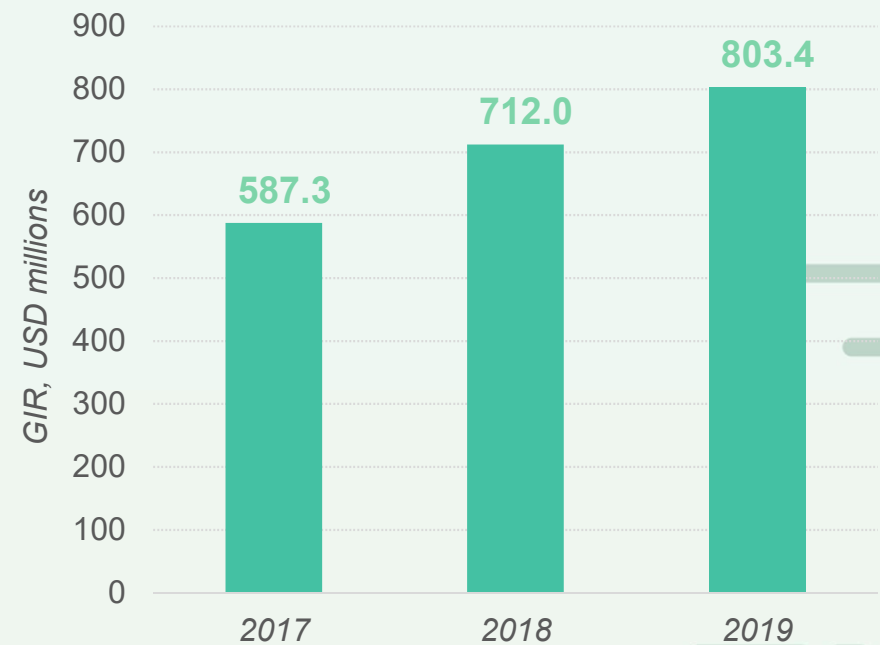
## Current Account

- Transitory high current account deficit, on the backdrop of large public and private investments



## International Reserves

- Gross International Reserve increased to record high levels
- Target to raise GIR to USD 1 billion by 2023



# Fiscal Outlook



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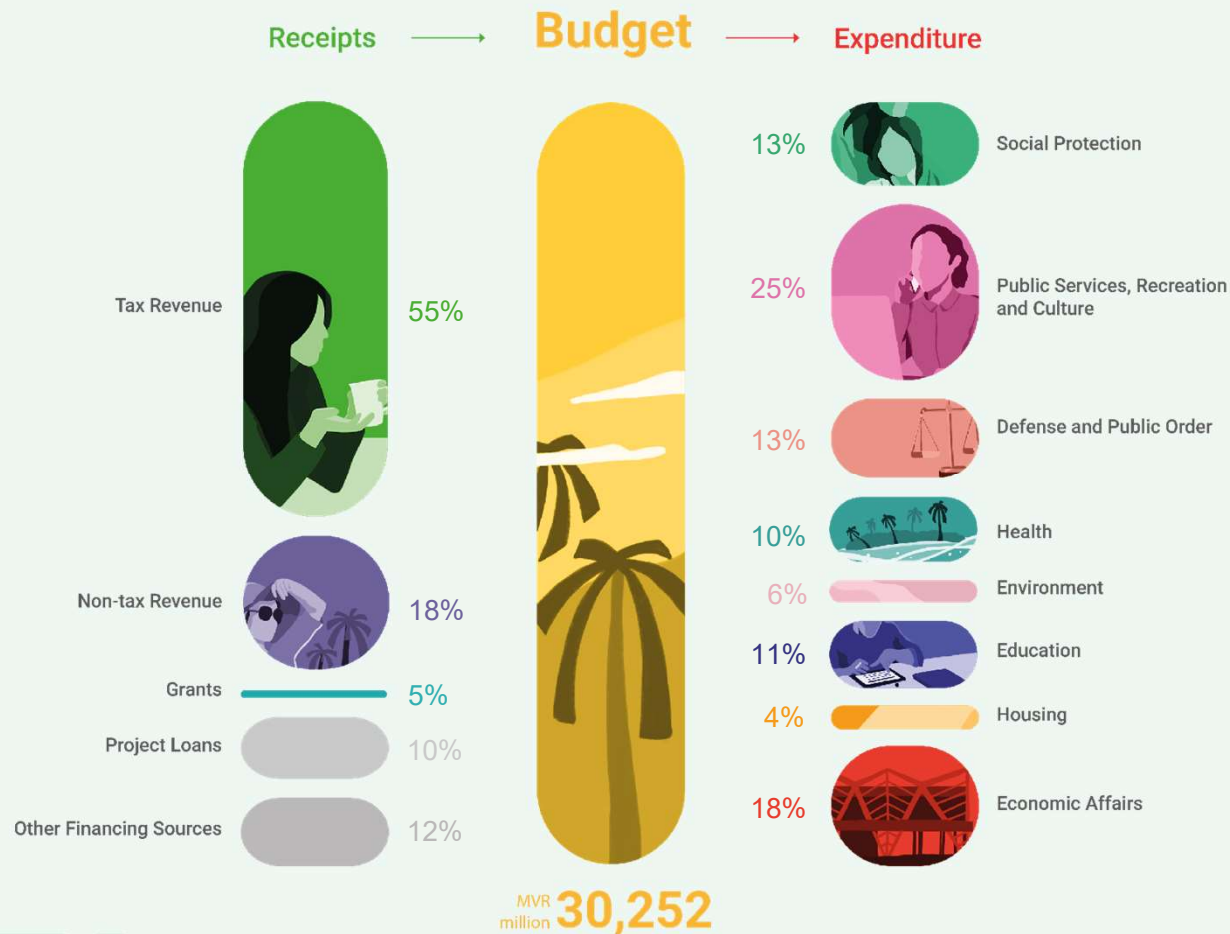
	2018 Revised Estimate		2019 Approved	
	<i>MVR (million)</i>	<i>% GDP</i>	<i>MVR (million)</i>	<i>% GDP</i>
Revenue (incl.grants)	21,323	25.8%	23,340	25.9%
Expenditure	25,837	31.3%	27,342	30.3%
o/w Recurrent	17,114	20.7%	18,529	20.5%
o/w Capital	8,723	10.6%	8,813	9.8%
Overall Balance	-4,514	-5.5%	-4,003	-4.4%
Primary Balance	-2,936	-3.6%	-2,001	-2.2%

- Revenue on an increasing trend.
- Recurrent expenditure in budget 2019 accounts for 21% of GDP; capital expenditure accounts for 10%.
- Recurrent expenditure mostly comprises salaries, operational expenditures and subsidies.
- Capital expenditures mostly for PSIP projects
- Overall deficit expected to reduce from 5.5% to 4.4% of GDP in 2019.

# 2019 Budget



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- Total budget for 2019 is MVR 30,252 million
- Budget 2019 to be spent on public services, economic affairs, and social protection
- Budget 2019 is implemented mainly through receipts from tax and non tax revenues
- Major PSIPs and other recurrent programs are planned to be carried out through financing sources

# Public Investments in 2019



Maldives Partnership Forum 2019

Total Public Sector Investment Program for 2019

MVR

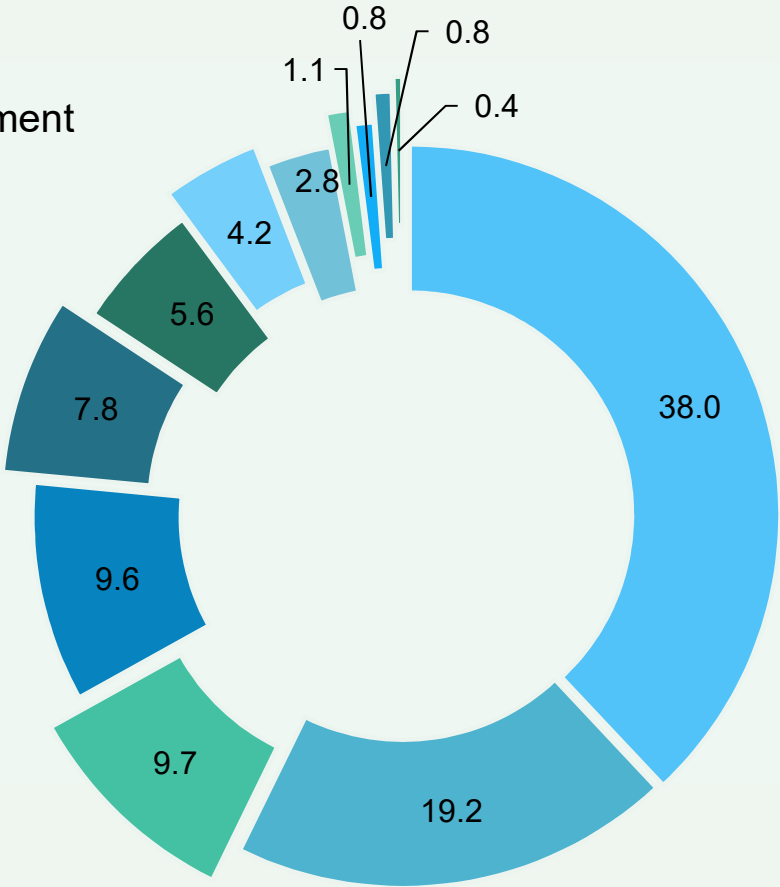
7.1

billion

23%

of 2019 budget

*As a % of PSIP budget*



- Harbours, Bridges and Airports
- Water and Sewerage
- Health & Social Services
- Land Reclamation & Road Construction
- Environmental Protection
- Housing & Infrastructure
- Education Sector
- Mosques
- National Security & Public Order
- Fisheries & Agriculture
- General Administration
- Others

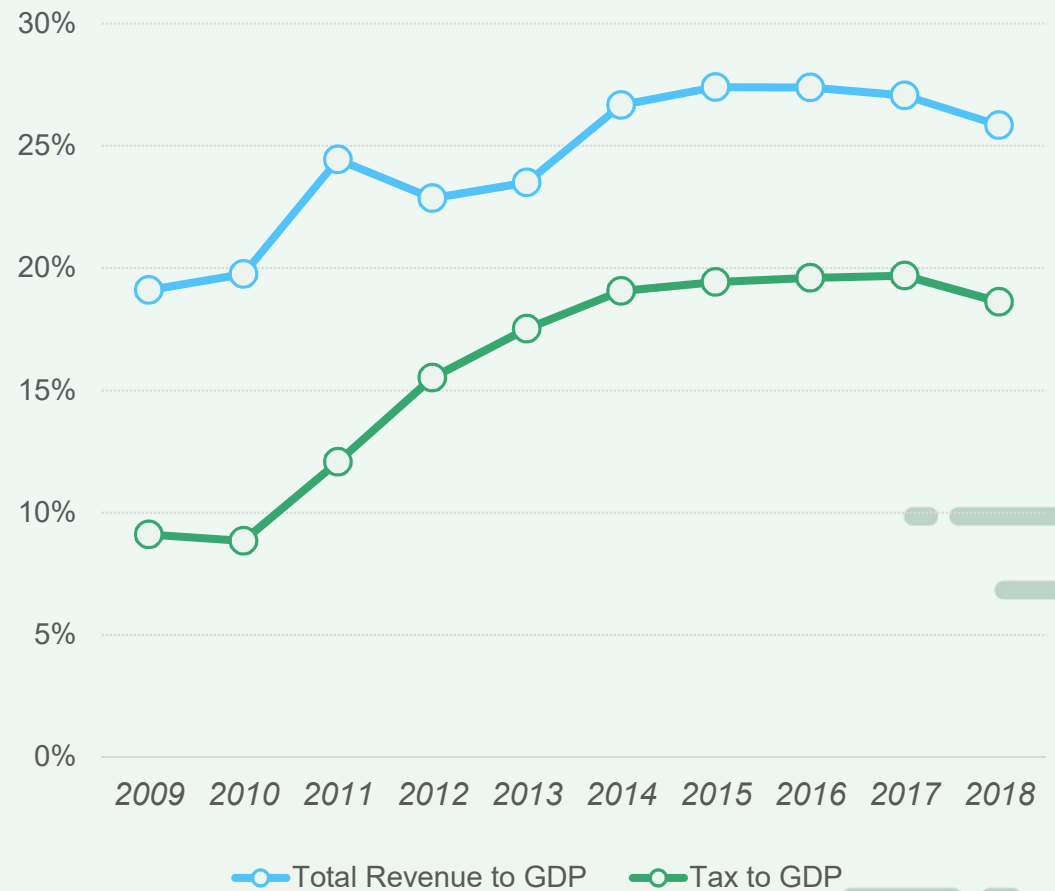
# Revenue Reforms



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- Established a modern tax system in 2011. Revenue to GDP rose to 26% in 2018 from 20% in 2009.
- Increased Airport Service Charges and introduced Airport Development Fee, resulting in an incremental revenue of over MVR 700 million.
- Tax revenue increased from 9% of GDP in 2009 to 19% in 2018.
- Established a Tax Policy Unit at the Ministry of Finance.
- Planned to introduce a Progressive Income Tax from 2020 onwards.
- Aims to increase revenue from MVR 21 billion in 2018 to MVR 30 billion by 2023. This is a 43% increase.

Revenue to GDP





# Key PFM Reforms



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## • Increased Transparency

- Regular publication of macroeconomic, fiscal and debt statistics

## • PFM automation

- Automation of budget preparation and execution
- Online portals to enhance MoF's engagement with governmental agencies, private sector and the public

## • Improved budget formulation

- MTEF Enhanced to incorporate a modern budget process
- National Development Plan and Strategic Action Plan to inform the budget

## • Reducing pending bills and managing commitments

- Centralizing utility payments
- Use of Materials Management to record commitments

## • Efficient government payments

- Working towards a Treasury Single Account
- Developing a financial management system for local councils

## • Pay harmonization

- Formulating a consolidated remuneration framework

## • Legal Reforms and fiscal rules

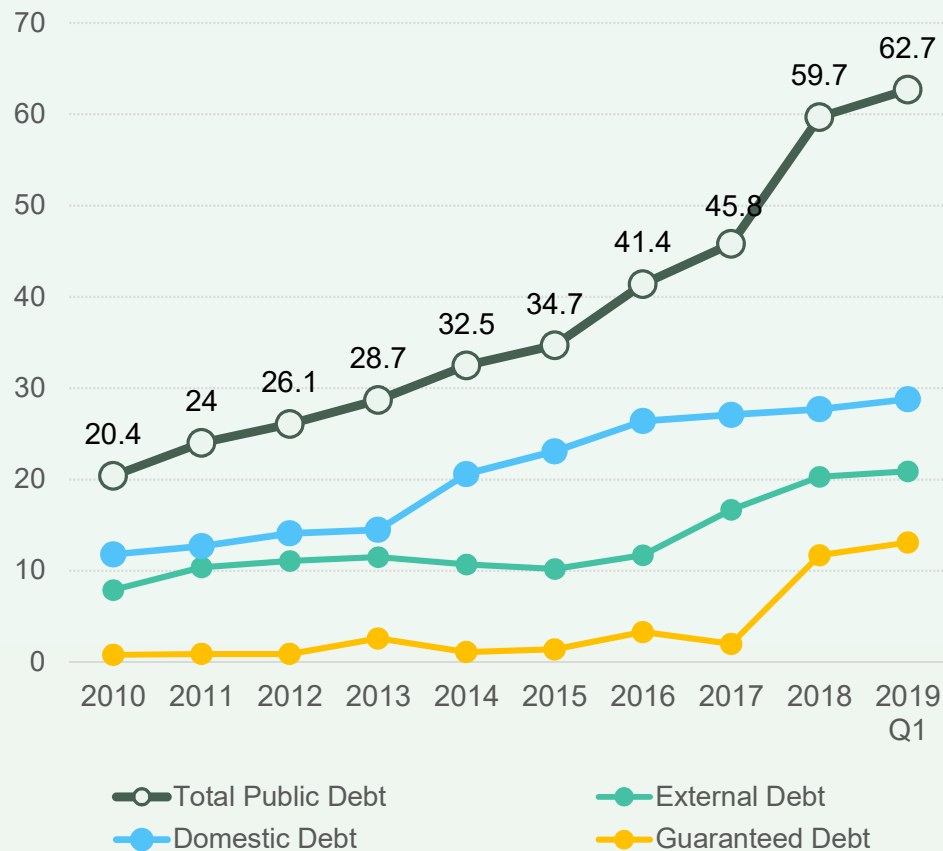
- Harmonizing public finance laws
- Strengthening procurement rules
- Virement rules introduced

# Public Debt



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Public and Publicly Guaranteed Debt in MVR billions



## Notable Developments

- **External Debt:** Debut issuance of a Eurobond in the international capital market; major investments in infrastructure projects.
- **Domestic Debt:** Longer term treasury bonds introduced; tap rates of T-bills reduced.
- **Guaranteed Debt:** Issuance of guarantees for projects of strategic importance.

## Major Debt Reforms and Plans

- Establishment of Sovereign Development Fund as a safeguard for future liquidity risks from increased external debt servicing.
- Reviewing of commitments made during the previous government(s) to ensure that most beneficial terms have been contracted.
- Exploration of options to retire existing high cost debt, to be replaced with more concessional, longer term borrowing.

# State Owned Enterprises Reform



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- Steps to reduce government support to SOE's and make them financially independent
- Signed performance contracts with SOE MDs
- Governance Code for SOE's introduced
- Quarterly monitoring and reporting of SOE's performance
- Study being conducted to assess efficiency of the SOE's.

# Fiscal Policy Goals



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Fiscal and Macro goals are geared to:

- **Improve livelihood of people**, and ensure all citizens reap benefits of prosperity
- **Promote inclusive growth** with the aim of providing equitable opportunities
- **Foster a resilient community** and safeguarding environment sustainability

MoF is committed to achieve the milestones of goals of the upcoming National Development Plan and Sustainable Development Goals (SDGs).





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Thank You