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Statement by the Hon. **ALI HASHIM**,  
Governor of the Fund for **MALDIVES**

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Governor of the Fund for Maldives**

It is an honour to represent the Republic of Maldives in the 2020 International Monetary Fund (IMF) and World Bank Group (WBG) Annual Meetings. I would like to take this opportunity to extend my heartfelt appreciation and gratitude to the IMF and the WBG for the exceptional virtual arrangements, and the commendable effort to facilitate development and policy-oriented dialogue through the Annual Meetings, despite the unprecedented challenges posed by the COVID-19 pandemic.

As a Small Island Developing State (SIDs) heavily dependent on tourism and imports, the Maldives remains highly vulnerable to global shocks. The Maldives entered the COVID-19 crisis in a state of imminent risks and vulnerability, stemming from large macroeconomic imbalances and rising external debt. The unprecedented shock from the COVID-19 pandemic has had a severe impact on the Maldivian economy, further exposing the country's disproportionate dependence on the tourism sector, which accounts for over 60% of the gross domestic product and is the main source of foreign currency earnings.

Following a remarkable growth of 7% in 2019, the Maldivian economy is now estimated to plunge steeper than what was initially estimated for 2020. Reflecting the impact of the COVID-19 on the global economy, as well as the measures taken by countries across the world to contain the spread of the disease such as border closures, travel bans and quarantine requirements, the adverse effects are being felt deeply by tourism and related sectors of the country. Given the country's high dependence on tourism, the Maldives is among the countries expected to take the largest hit from the pandemic. Although the Maldives opened its international borders on 15 July 2020, to manoeuvre through the ongoing pandemic, the lacklustre rebound in tourist arrivals has been insufficient to ease the economic ravages. Hence, the projected slow recovery of the tourism sector is anticipated to hamper the overall economic revival in the Maldives in the short to medium-term.

The pandemic-led macroeconomic fallout poses an enormous challenge in meeting the country's foreign exchange requirements for both the public and private sector. With the objectives of mitigating the financial and economic disruptions caused by the COVID-19 and to provide support for economic activity, the Maldives Monetary Authority (MMA) has implemented several policy measures. These include necessary regulatory measures to facilitate debt moratoria on loan repayments for those impacted by the crisis, reduction of the minimum reserve requirement for both local and foreign currency deposits as well as continued expansion of intervention in the foreign exchange market, with focus on facilitating payments for medical supplies and essential food items. We are immensely grateful for the generous financial assistance we have received from the IMF and the WBG, as well as other international financial institutions and those received through bilateral and multilateral country arrangements, which have been pivotal in facilitating our country in alleviating the foreign currency shortage.

Looking at the public finance situation of the country, revenue from tourism for the year 2020 is anticipated to plunge to less than half of the receipts realised in 2019, resulting in extreme government revenue loss. On the expenditure side, fiscal policy has been geared towards pandemic containment and mitigation efforts, prioritizing expenditure related to COVID-19 and economic sustenance. To address the budgetary gap, the country has to resort to external financing, exerting further pressure on the debt burden and bringing the stock of debt close to an unsustainable level. The Maldives applauds the tremendous support extended by the international community such as the funding obtained through the IMF's Rapid Credit Facility, G20's debt moratorium initiative, to name a few. Nonetheless, the stringent conditions on debt relief and debt re-profiling programmes are aspects of concern for low and middle-income economies. The ripple effects of the recent downgrading of credit ratings for most economies are far more severe and consequential for such economies. Hence, we strongly urge the private and official creditors to open discussions for more cost-effective avenues covering a wider spectrum of instruments, in order to lessen the debt burden on the vulnerable economies.

The sluggish recovery of tourism poses the risk of worsening unemployment, leading to unprecedented loss of livelihood and widening income disparity. In the case of the Maldives, the adverse impacts of the pandemic on livelihood and income of the majority of the population was felt even before the virus hit the country. Those employed in tourism and related sectors; and the micro, small and medium enterprises are among the most severely affected. Through the Economic Recovery Plan announced by the government, measures were implemented as direct financial assistance or through financial institutions, to minimize the negative impact on the incomes of households and businesses. Against the backdrop of widening income disparity, the pandemic must be seen as an opportunity to re-devise our approach to sustainable and inclusive growth, in particular the roadmap to achieving the goals of the Agenda 2030.

Given the prevailing circumstances, the need of the hour calls for proactive international cooperation in this global battle, without which overcoming the socioeconomic repercussions of the present crisis seems improbable. Thus, the pathway to recovery must be multifaceted and dynamic. Tackling both the health and economic crisis concurrently is crucial for a swift and sustainable recovery. For the SIDs, the revival of tourism is the key to recovery, and global support for arrangements such as travel corridors or air bridges could undoubtedly assist the process. At the same time, there is also a pressing need for external financing and aid to counter the health crisis. The international community must come together to commit more resources to relieve the debt distress of the low and middle-income economies, by opening up negotiations for debt relief and re-profiling. During this unprecedented time, an urgent need has risen to holistically build back the economies. In this connection, we call upon the IMF and our global family to extend their joint support, through additional financing and policy advises tailored to help the vulnerable economies achieve their macroeconomic goals and successfully overcome the intensifying adverse impacts of the COVID-19 pandemic.

Undoubtedly, the road to recovery depends on the timely availability of therapeutics and vaccine for people in all countries. However, the lack of appropriate technical expertise and infrastructure to develop therapeutics or vaccines against the coronavirus puts low-income economies at an immense disadvantage, and could widen the unsynchronized

recovery from the pandemic. Therefore, continued international cooperation is needed to ensure developing countries have equal access to a safe and effective COVID-19 vaccine.

Similar to other global crises we have faced over the past decades, the novel coronavirus has once again reminded us of the importance of building resilience in our economies. There is no better time for SIDs like the Maldives to delve into the long overdue structural transformation to build resilience to future shocks. Following the 2008-2009 Global Financial Crisis, the Maldives introduced the guesthouse industry to ensure that the benefits of the tourism industry are extended to the island communities. However, the sole dependence on the tourism sector has proven to be inept and has further highlighted the need to direct our diversification efforts towards sectors beyond tourism which have the potential to expand foreign currency earnings and also those that minimise import dependency. More recently, a state-owned enterprise, the Agro National Corporation Ltd, has been established to support farmers and encourage investment in the agriculture sector, as a stepping stone towards reducing excessive reliance on food imports.

Looking ahead, investment in businesses that reap higher value and investing in people to build human capital is much needed to strengthen resilience. Furthermore, strengthening the domestic foundations through investment in a fiscal reserve or a crisis fund would aid us better in times of uncertainty. We also look forward to exploring the vast opportunities in FinTech, an ever-evolving intersection between technology and financial services, to accelerate financial inclusion and support a more inclusive and resilient recovery.

We sincerely hope that the discussions during this year's Annual Meetings will lay a strong foundation to enable significant international cooperation to overcome the current crisis. I would also like to express my sincere gratitude to the international community, in particular, the IMF and the World Bank, for the rapid and decisive actions taken to alleviate the impact of the pandemic.