





Chairman: (Chairman's name in Dhivehi)

Chairman:

Very welcome to IMF members to be here with us. Today, we have this fine, today meeting is, in the parliament two committee was involved now in this meeting today. The one is Economy and Finance committee. The other one is the, we call it Iqthisoadhee committee. But it is related to economic, Economic Affairs Committee. This both committee jointly we are meeting with you. And, I would like to say once again congratulations. I know every year you're coming to this about this time to later to Ministry of Finance issues and financials strengthen our difficulties or problems what we have to find out. Normally, that is why you are coming to visit us. And therefore we very much warm welcome you to be here today. And, please let us know what is you want from us. Please go ahead.

Ms. Piyaporn Nikki Sodsriwiboon, Head of Mission, International Monetary Fund (IMF):

So, thank you so much for the very warm welcome. Good morning to all of you. So, perhaps let us start by introducing ourselves and what we are doing here. My name is Nikki Sodsriwiboon. I'm the mission chief for the Maldives from the IMF. And I'll ask my team to introduce themselves as well. Xin, would you like to start?

Mr. Xin Li, Economist, APD:

Hello, everyone. I'm Xin Li. I'm a technically economist of the IMF Asian Pacific department working on Maldives. My main responsibility is to conduct surveillance work on the monetary or financial sector issues.

Mr. Hamid Tabarraei, Senior Economist, APD:

Good morning. I'm Hamid Tabarayi. I'm also part of the Maldives team at the IMF and I'm covering the real sector and fiscal issues.

Mr. Manabu Nose, Economist, FAD:

Good morning everyone. My name is Manabu Nose. I'm from the fiscal affairs department as a department in the IMF and working on fiscal reforms for the team. Very nice to meet you.











Okay, thank you very much all of members and I would say the government is doing necessary, lot of reforming and our stability to continue to less reduction the expenditure and also increasing the revenue part. The government is doing a lot. I believe we are able to meet our, the target, according to our government is taken very strong steps to come to the level of our commitment to fill full. And that is what I would like to say. But let's see what other people, our members, will explain you in any question you may raise. And if you have answer to any other question, you want find out any other members regarding what just now, what we have hear from our, Nikki is what is one mention. And if you have any doubt or any problem, you can ask her and to find out from IMF team. I believe our government has able to settle this problem and what we have. All this is coming not because of this government. It is just only one year. But before what we have expenditure and like what you mentioned is already so many programs, we have like, I would like to say philanthropy, but I do not want to say subsidy. Maybe subsidy, but because of huge subsidy, we have in a way, if you say. That is because our country people is very poor normally than in an average. They don't have ability to sustain. Therefore, government is, every government has forced to do that. That is what it happened. And the democracy, every government try to be always famous than the other government. That is like auction, you know, it is not like any other things. This is in the democracy, the problem is, really. But this is real problem. It is every election is coming to like auction. That is why the government expenditure is increasing like a hell. Every government, it is not here only, everywhere in the world. I have seen this in Sri Lanka and also India. It is our neighboring in two countries, Very close friendship. Those days, about 25 years ago, I go Colombo. It is, our exchange rate is 16 to 17 rufiyaa I get or 20, I get from the Sri Lanka currency \$1. And India also the same almost, the same kind of amount there is money for 1\$. But today, look at it. 380 rufiyaa or 390 rufiyaa for Sri Lanka. In India, 87 rufiyaa. Why is that? Because, what we get, or any country they get, more than that they want, they have to spend. Because of this, and that is a sickness or problem of this democratic values. I mean, this is, I'm sorry, saying this. But of course, there are good things and also bad. But bad things is like this, it is coming. The good things is the fundamental rights and all kind of other things, it is there Of course. Any good thing, you have to change. There are always plus and minus, huh? This is what we understand. That is what is happening. It is not due to any government fault. In our country, I am talking about. I am not talking about any other country. It is like not because of MDP, or because of PPM, or either PNC, now it's PNC government. It is not that. Because of this, the people of the country, they





require so many things. Therefore, the subsidy has to increase. That is what it is happening. I am sorry, but we are able to manage, I believe. And this government is very much careful about that. And it spending, already, we have also a salary cut-down program as the president has requested. Our committee, already we are discussing about that subject. And also, the company's expenditure also some SOE's also, he is trying to decentralize or join together one ministry to the other. This is many angles he has taken, the government has taken to reduce the expenditure. Increasing the revenue, you know, that very difficult time. The government has increased a lot on the tax side. I mean, this is what we can proof. And we need more stable and more professionally to administration, I mean, administration has to be more professional and more better. He has taken all the dimension, the government and president is taken, the cabinet has taken the dimension. This is what I believe. Although we have this year budget, 20 billion rufiyaa deficit, the time has passed. But now, the president, yesterday, on 6th of February, he has given the figures. He will reduce not 20 billion, it will be 9 billion, rufiyaa. He would like to reduce that expenditure. That means some investment he will cut down, or either some other way, he will increase the revenue. What we believe, it can be done. I am sure it is. I have of course, confidence on the government. That is what I want to say. Any other? gentlemen's want to say anything else? Our members? Please open your mouth. Nothing to hide. It is open for everyone. Yes, Mr. Gafoor.

Mr. Abdul Gafoor Moosa, MP of Hanimaadhoo Constituency:

Last year, in our corruption index has gone to 2% down. Can you reason out and give your opinion regarding that? And also, we have been seen last two years, or one and a half years, government payroll has been increased by 400%. And SOE's profit has been decreased by 1 billion. That is a three months term. So, I think these are the areas where the government can get the money. There is excess staff in government and also government companies. So, this has not been mentioned from IMF or any other international organizations. I think even IMF and World Bank, they are making the balance report. You know, whatever the government is there, when previous government also there, you know, they have to be very specific and, you know, their recommendation should be very firm. That is not there. Just to balance and make happy the government. So, you are recommending things. Something like that way is happening. Then the government does not have actual picture to tackle the issues. So, these things we haven't seen in your reports. Can you give some idea and recommendations on this?





and including the members of the parliament. But yet, at the moment I didn't decide, we didn't decide it yet what to do. But we are looking on this very strongly. If it's necessary, we will cut down the salary even. That is make surely it is. We will come to the problem is come to overcome. But unfortunately, the problem is coming like I said before, is every government try to be better than the other government and want to, be better than the public. They are spending money for public. You know? Of course, there are always corruption in every country. It's not here only. In US, you can imagine, look at it how many. Now existing also numbers, if you look at it. It is huge amount of the money. And, also, our neighbor countries also the same. It is happening all over the world, but it's, therefore this is also part of the world. It's either small or big work. There are some problem, but government is attending. Every government is, to reduce this problem. No one wants to be corrupt, but it is somehow it is happen. But I believe this, this is it will be reduced in this government, and that part I know. The increasing the, the job and the government expenditure. In the beginning, always, this is the case. Every government, they are trying to do. Because in front of them, always there are another election, the parliament election. Because of that due to that, they increased some of the job. You know? Maybe that is what it is happening. It is necessary. Some people can say it's necessary. Other people will say not necessary to increase this number of job and this one, that one. But in their case, everywhere, the people is doing. This is also every government here in this country also doing the same. But we don't have to blame the other, but we have to try to be correct. We have to correct the things it is what is wrong immediately. And we have a problem, yes, this year and also, 2026. That is these two years, we have a big problem because of previous years we have taken lot of money for, because of the deficit budget. Accumulated deficit budget is it can increase a lot. This is why the problem is. Anyway, still, our government is trying to, put this currency matter also to bring down. And he has been, very strongly the president has been targeted and get it done and exchange that also to control, and that is what he's doing. Every message he's taken, he's, I have seen this. We are looking, we have been experienced on this. Therefore, I assure you, it will be okay with us and, but he needs any help from IMF, the government will know, but, or any other side. But at the moment, we are working hard to, without any help to get, I mean, IMF or World Bank, if you are willing to support us, we will come back to you. And I think this is what we have to do. In this moment, we are trying to manage ourselves. Okay? Thank you. Dr. Shamheed, you're from MDP you know.



Ms. Piyaporn Nikki Sodriwiboon, Head of Mission, International Monetary Fund (IMF):

Yes. If I may, thanks so much, Mr. Ibrahim. Indeed, I, we fully acknowledge and, very much aware of, you know, this problem with the fiscal situation and that this has been accumulated for quite some time. It's not, you know, the problem of one or the other. We very much appreciate that you, at least in this government you are recognize the problem. You have a plan to address the issues, and, you know, I really hope that this can be implement, to address some of the problem that you have. I mean, as you know, fiscal resources are limited everywhere. Especially here now in this current circumstance. And for any fiscal spending, it has to spend well. It has to generate maximum benefit for your people. Right? That's where we are coming from. On subsidy, we really hope that, you know, this can be launched, this year. We have seen, as I said, I mean, this blanket subsidy has raised significantly on the budget in the past year, Especially, when there's a situation where such high price in global oil prices. And that also come down to your budget as well. And then it eat up significant resource instead of where you can spend on you know, some of the project that can be beneficial for your population. No. But it has to, I mean have to be used as a part of subsidized for those oil prices increase. That is also unpredictable. Interestingly the World Bank hve also done some study. The main finding of that which I would like to share with you is also you know, like not all of the subsidy benefit your sort of like the poor and the vulnerable group of population in this economy. Precisely in the study in the Maldives where fuel and electricity are subsidized, we find that the majority of about 43% of this subsidy, actually benefit the ratio is 40% of the population rather than the poor. So what we are propose and actually what your Ministry of Finance is currently working on with us, with the world bank is to design a scheme that would be sort of like target to those who are in the most needed. You know, it's not that we would like to scrap everything subsidy, no. But we want to improve the scheme. We want to make it more beneficial to you know, to the vulnerable group of the population. That is the idea.

Chairman speaking:

Before Dr. Shamheed, I will give, I will say, this subsidy matter is actually and also the government is accumulated deficit came that high because of, we know that 19 this covid problem. Last government has been hit by a lot. This country, has because our main income come from tourism sector. And also the Fisheries. All these both has come very strongly hit by the. But the government has to run and also the people, country has to run. Due to that, and also oil price and all these things has come up so much. And











sustainability of public finance and that in this economy. Coming back to your question Mr. Shamheed, on capital expenditure. Indeed we have seen you know some announcement, but you know as we discuss so far in this meeting as well, fiscal resources are very much limited. And this has to spend well. You know we have provided sort of like technical assistance to your government since 2016 where we provide the public investment management assessment. Where we look at the processes of a public investment in this country. In the budget, in the process, approach at appraisal costing occur thing. So, we do find sort of the weaknesses in the public investment process. For example, on the costing and also on the appraisal that also the lack of the budget control related to capital spending. These are the deep root problem. And this also need to be improved. Right! In addition, as we discuss in the beginning of this meeting as well, that there have been massive infrastructure development over the past decades. And you know we have seen this infrastructure investment push. These have of course, as you have seen, it's add to fiscal deficit. It's add to debt. And we also see that the marginal growth impact of this spending seems to have diminished with a high of course, when you have to borrow at expensive you know, interest rate from, especially from other country to foreign loan and all that. That said, in the current circumstances where there is an urgent need to address the fiscal issues in this economy, we do recommend to really have a careful review of this investment portfolio, really prioritize it. You know just pick and be very selective for one that is most beneficial to the country, to your people. And scale back some of you know like, you know maybe unnecessary or wasteful spending. That's how we would advocate for. Yes! We are aware of there are IBIs as well. But then let me take a step back, you know why do we need this. Right! Over the past year I mean that's of course significant external pressure where we have seen a very large and persistent current account deficit. And that put a pressure of your foreign exchange reserve. It has been running down to a very low level. And importantly, as you know the Maldives has a currency pact. And based on you just sort of play the best practice where for the for any country that has have the pact currency regime. There is an adequacy level should you know be around, should be sufficient to support maybe at least three months of import. You're very far apart from that last year. And therefore, you know that this IBI swap is critical. I understand that the MMA has withdrawal to this swap to use it as part of reserve. And that help to be up your buffer. I mean it is important to maintain the currency pact. It's important to build resilience to prevent any you know shock to especially for import and financial spending need in this economy. So, yes, relatively short term is 6 month. I understand that your government is also working, you have a good dialogue with your neighboring country how to manage this and we are very much hopeful I mean if that can go through.













So, as we started this meeting with a positive note on growth in tourism sector, yes, I mean in the near term you know this seem to have continue. But then there's a number of vulnerabilities that you need to really work on. So yeah, I guess, I guess I am just keep repeating myself. But it's really depend on the policy action, and that you need to deliver to manage those vulnerabilities.

Chairman:

Before I am giving chance to the administration, I mean the PNC party member, I would like to say the government has been already announced the subsidy, also target subsidies they will provide. This country's subsidy is given by the public and it's a necessary people before also. But now this government is trying to more focus and target subsidy. That means it is already announced. The work is going on. Part of that already done. This is a opposition and also the ruling party. I am neutral party. I am, that is why I think I am here in the Chair. I think you are aware this opposition people will always try to come up the power and the other party will try to show their, the things. I have been before Finance Minister as well as the Central Bank Governor. I know what it is and how it is working on, going on. I have experienced a lot in various sectors in this country. Anyway, I don't want to say anything else. But I would like to say that is what I have confidence, hundred percent confidence this government will survive and it will go smooth-sail. But the previous, up to now from before, now MDP has 2 government. And the last government has been increased the deficit a lot. Because of, I told you before also, because of this Covid is one of the problem. The other thing is they have to provide the water system in all the islands and also the sewerage system and all these things. It's not because of a not necessary. It is necessary. It is in our Constitution, it has been. Every government has, they have to take this responsibility and do this for our people. That is why we are debt, this much debt. The corruption is of course it is everywhere. There are no government is want to be that kind of blame. But it is happening whatever it is, unfortunately. And that one, from that I have to give to the Chair again, once again for you. Please go ahead. A second chance. How much time you have?

Piyaporn Nikki Sodsriwiboon, Head of Mission, International Monetary Fund (IMF):

Unfortunately, we also have another meeting coming up at 11.

Chairman:

Then I have to close down the meeting. And then okay. I will give to Dr. Shamheed. And after that... (Off the record)

Mr. Ahmed Azaan Marzooq, MP of Hithadhoo Central constituency:







