

Maldives

Economic Update
2020

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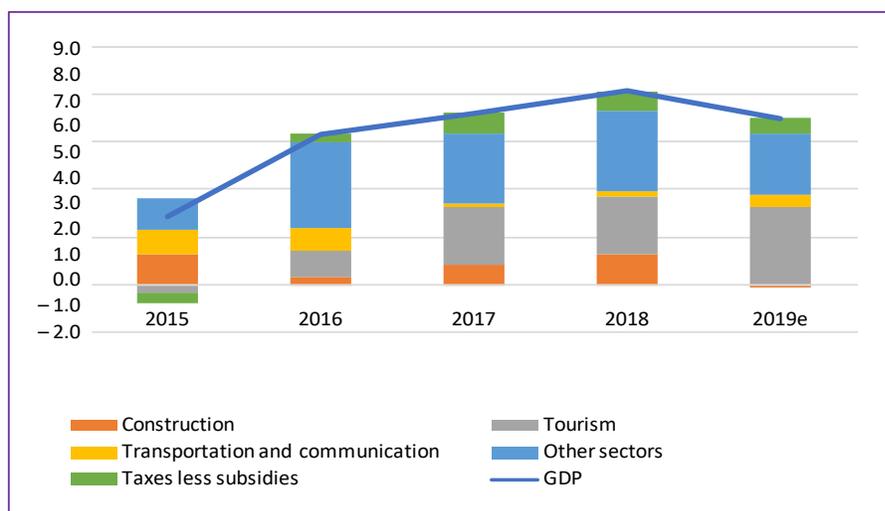
I. The Economy in 2019

“Despite higher growth in tourist arrivals... growth in travel receipts slowed sharply from 10.4% in 2018 to 4.3% in 2019...”

Economic growth grew moderately from 8.1% in 2018 to an estimated 7.0% in 2019 as construction significantly weakened, growth in tourism income slowed, and other sectors including fishery contracted (Figure 1).¹

Construction growth dropped from 20.5% in 2018 to -0.3% in 2019 as large projects were completed, substantial delays slowed the implementation of the government’s investment program, and expansion in privately led projects eased. Growth in tourist arrivals increased from 6.8% in 2018 to 14.7% in 2019 to reach a record of 1.7 million visitors in 2019. Arrivals benefited from political stability, increased flight connections, the opening of new resorts, extensive marketing campaigns, and the economic recovery of main tourist markets. European tourists sustained strong growth and maintained the highest regional market share at 49.0% while Asian tourist arrivals substantially recovered from a 1.0% decline in 2018 to expand by 13.8% in 2019 largely due to an 83.5% increase in visitors from India, accounting for 34.6% of growth in arrivals.

Figure 1: Supply-side Contributions to Growth



e = estimate, GDP = gross domestic product

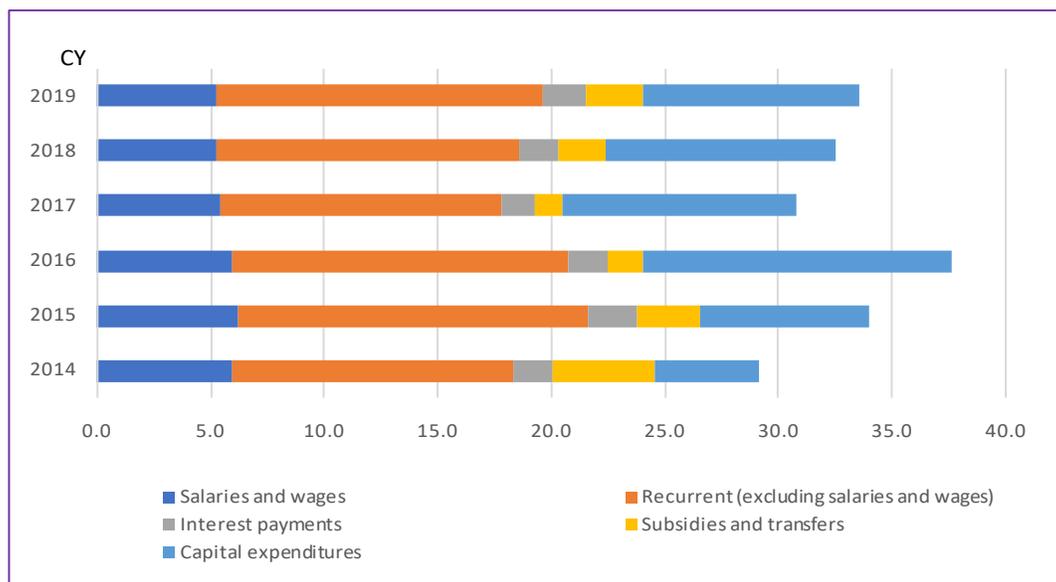
Source: Maldives Monetary Authority. 2020. *September 2020 Monthly Statistics*. Malé.

¹ This section is an updated economic developments writeup of Maldives chapter from ADO 2020. A. Ali, M. Mallari, and M. Nakane. 2020. In *Asian Development Outlook 2020. What Drives Innovation in Asia?* 237–241. Manila: Asian Development Bank.

Despite higher growth in tourist arrivals, preliminary estimates show growth in travel receipts slowing sharply from 10.4% in 2018 to 4.3% in 2019, indicating weaker tourist spending. The failure of income growth to match increased arrivals may reflect more tourists staying at the country's new mid-priced hotels and fewer at luxury resorts.

Fish exports in 2019 fell by 14.3% in volume terms and by 13.2% in earnings as both international demand and global prices for big eye and skipjack fell. Financial services, transportation and communication performed well in 2019. **Average inflation** remained subdued at 0.2% in 2019, owing mainly to the government's administrative price controls on the staples rice, flour, and sugar, as well as lower global prices for oil and food products.

Figure 2: Expenditures as a Proportion of Gross Domestic Product (%)

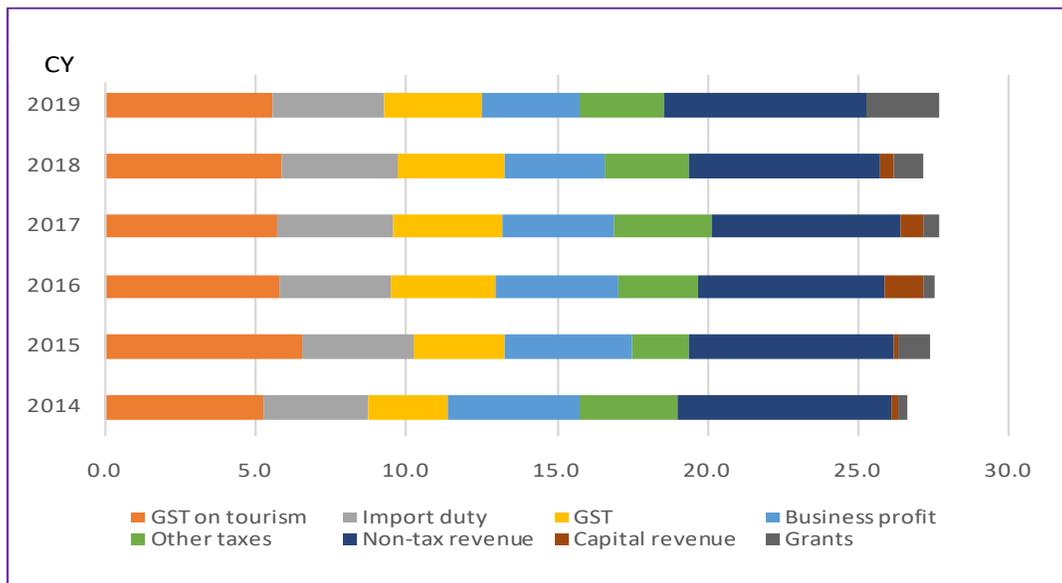


CY = calendar year, GDP = gross domestic product.

Source: Maldives Monetary Authority. 2020. *September 2020 Monthly Statistics*. Malé.

Fiscal policy was expansionary. The budget deficit increased from an equivalent of 5.3% of gross domestic product (GDP) in 2018 to 5.8% in 2019 given a supplementary budget approved during the year. Recurrent expenditure increased by 14.0%, mainly reflecting the first full year of a new pay structure for civil servants introduced in 2019 and the additional employees recruited for newly established government agencies. This increase pushed growth in total expenditure, despite weak capital expenditure up by 9.6%, raising expenditure as a percentage of GDP from 32.5% in 2018 to 33.5% in 2019 (Figure 2). Total revenue as a share of GDP marginally increased from 27.2% in 2018 to 27.7% in 2019 with large grants and the 2.8% increase in domestic revenue. As a percentage of GDP, domestic revenue slipped from 26.2% in 2018 to 25.4% in 2019 (Figure 3).

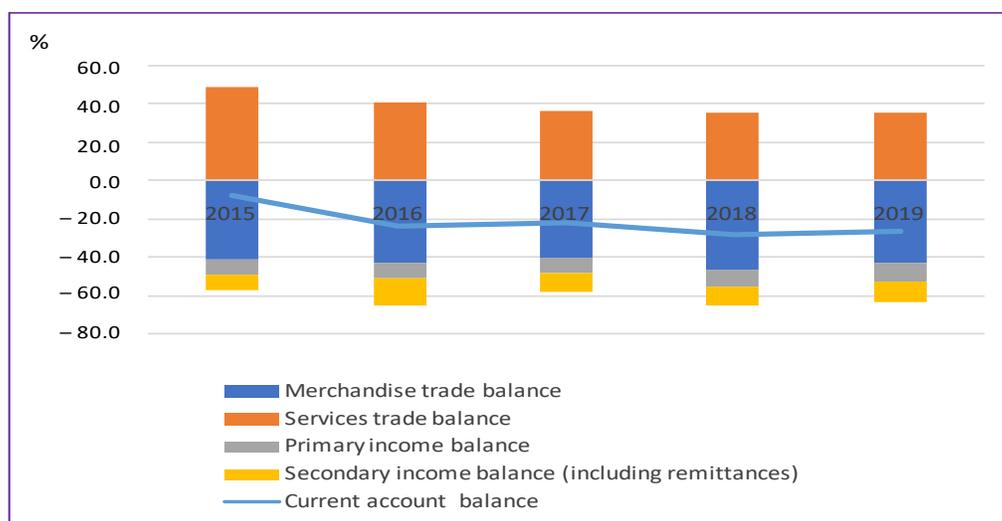
Figure 3: Revenues as a Proportion of Gross Domestic Product (%)



CY = calendar year; GDP = gross domestic product, GST = goods and services tax.
 Source: Maldives Monetary Authority. 2020. *September 2020 Monthly Statistics*. Malé.

Given revised GDP in October 2020, public external debt rose to 40.1% of GDP to reach 34.8 billion rufiyaa (Rf) in 2019 including Rf12.7 billion in state loan guarantees, mainly with the disbursement of guaranteed loans to state-owned enterprises. Public domestic debt likewise increased to 38.2% of GDP in 2019 from 36.0% in 2018 and amounted to Rf33.2 billion including Rf977 million in debt guarantees. At the end of 2019, **total public debt** including state guarantees was estimated to have swelled by 12.7% to Rf68.0 billion, or 78.4% of GDP, underscoring an International Monetary Fund assessment that Maldives continues to face a high risk of public external debt distress.

Figure 4: Current Account Balance as a Proportion of Gross Domestic Product (%)



GDP = gross domestic product.
 Source: Maldives Monetary Authority. 2020. *September 2020 Monthly Statistics*. Malé.

The **current account deficit** as a percentage of GDP narrowed from 28.4% in 2018 to 26.9% in 2019 as merchandise trade deficit reversed 27.1% deterioration a year earlier with 1.3% improvement. Imports fell by 0.4% due to lower demand for construction goods, machinery, and electrical equipment as investments slackened, while exports moderated from 6.6% to 6.3%, with slower growth in fuel reexports. The current account deficit was financed by net financial account inflow, mainly foreign direct investment and other investment liabilities predominantly incurred by state-owned enterprises with government guarantees (Figure 4).

Gross international reserves climbed by about 6% to \$753.5 million in 2019 while usable reserves—gross international reserves less the foreign currency deposits of commercial banks—amounted to \$315.8 million. This provided cover for only 1.3 months of imports.

II. Midyear Economic Review

“...tourist arrivals plunged from February and were wiped out in the second quarter (Q2) as Maldives closed its borders on 27 March in response to the COVID-19 pandemic.”

A. Real Sector

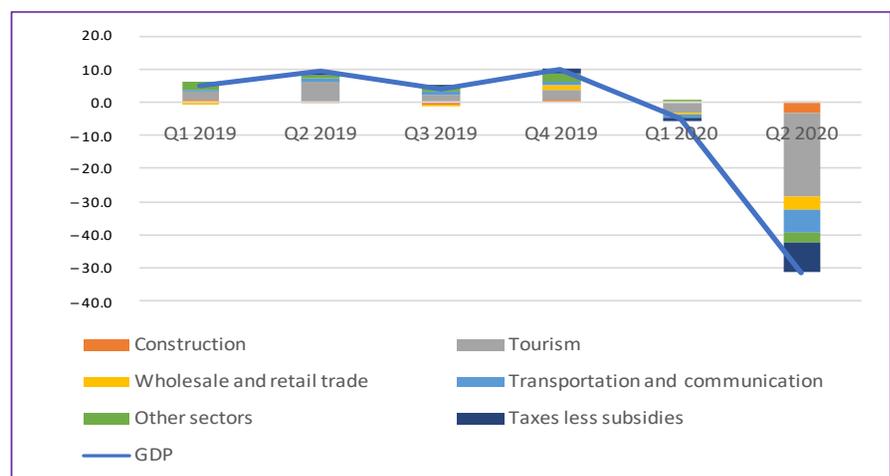
Gross Domestic Product

Initial estimate shows that gross domestic product for the first quarter of 2020 contracted by 5.0% and further by 51.6% in the second quarter (Q2) as almost all sectors slumped due to (COVID-19). The decline primarily came from tourism which on average accounted for 14.2% of the decrease during the first half of 2020, followed by transportation and communication and construction at 3.8% and 1.8%, respectively (Figure 5).

Tourism

After a strong start in January, tourist arrivals plunged from February 2020 and were wiped out in the second quarter as Maldives closed its borders on 27 March in response to the COVID-19 pandemic. Accordingly, total arrivals contracted by 55.6% in the first half (H1) of 2020 year-on-year (YOY) from 2019. Guests from the People’s Republic of China (PRC), the largest single source market, dropped by 75.8% from an increase of 10.1% in H1 2019 and largely pulled down arrivals from Asia by 68.9%. Drop in tourists from Asia and the PRC contributed 13.8% and 12.3% to the fall in H1 2020 tourists.

Figure 5: Supply-side Contributions to Growth (Q1 2019–Q2 2020)

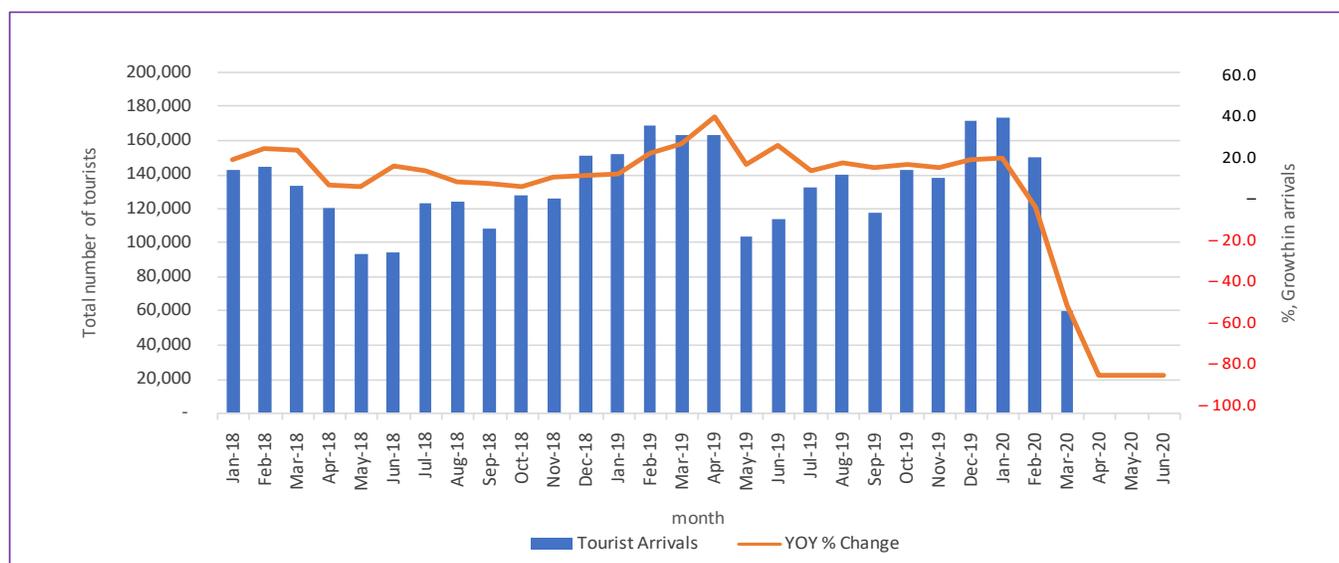


GDP = gross domestic product, Q = quarter.

Source: National Bureau of Statistics. 2020. *Quarterly National Accounts – 2020 Q2 2020 Monthly Statistics*. Malé.

Similarly, European tourists, which accounted for 62.5% of the market, fell by 44.9% YOY and contributed to 22.6% of the drop in total arrivals during H1 2020 (Figures 6, 7, and 8). Meanwhile, bed-nights sold, a proxy for tourism earnings, plummeted by 49.6% in H1 2020 from 15.1% in H1 2019. Given the significantly weak performance, preliminary estimate shows that the gross value added (GVA) of tourism to GDP in H1 2020 declined by 50.2% compared to the corresponding period in 2019.

Figure 6: Inbound Tourist Arrivals (Jan 2018–Jun 2020)



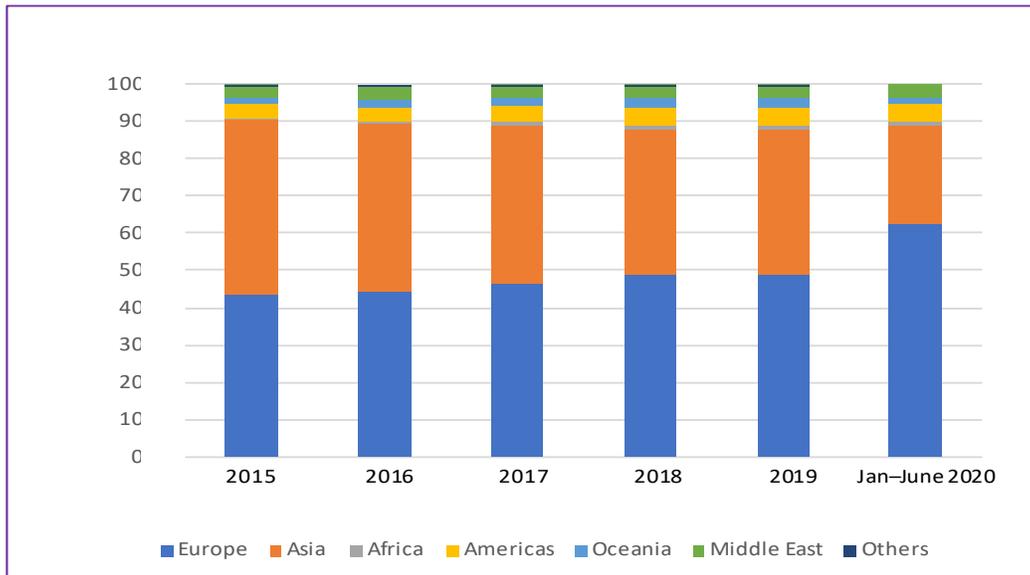
YOY = year-on-year.

Source: Maldives Monetary Authority. 2020. *September 2020 Monthly Statistics*. Malé.

Construction

Construction was likewise weak, evidenced by a 36.2% YOY decline in imports of construction materials in H1 2020. Although Public Sector Investment Program (PSIP) spending was 4.5% higher in H1 2020 than in H1 2019, the government suspended most of its new investment projects due to the weak fiscal situation and to prioritize COVID-19-related expenditures. Loans to construction as at June 2020 slowed to 6.9% from 13.1% in June 2019 as real estate also moderated to 9.1% in June 2020 from 15.3% in June 2019. According to the initial data released by the National Bureau of Statistics, growth in the construction sector shrank by 26.0% in H1 2020 from a growth of 2.8% in H1 2019.

Figure 7: Shares of Main Tourist Source Markets to Total Inbound Arrivals

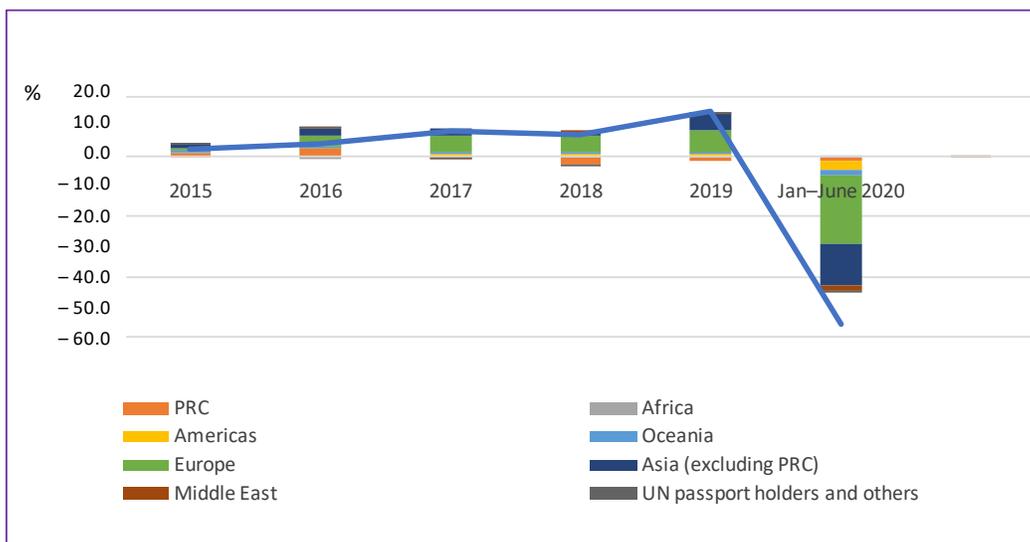


Source: Maldives Monetary Authority. 2020. *September 2020 Monthly Statistics*. Malé.

Fisheries

Fisheries fell from January–June 2020 with the growth in the volume, price, and value of fish exports contracting by 7.9%, 11.6%, and 18.6%, respectively compared to the corresponding period in 2019 as demand further weakened due to COVID-19-related lockdowns and decreased international price of big-eye tuna by more than 59%. Accordingly, the GVA of fisheries in H1 2020 significantly declined by to 32.4% from 13.5% in H1 2019.

Figure 8: Contribution of Tourist Source Markets to Growth in Tourist Arrivals



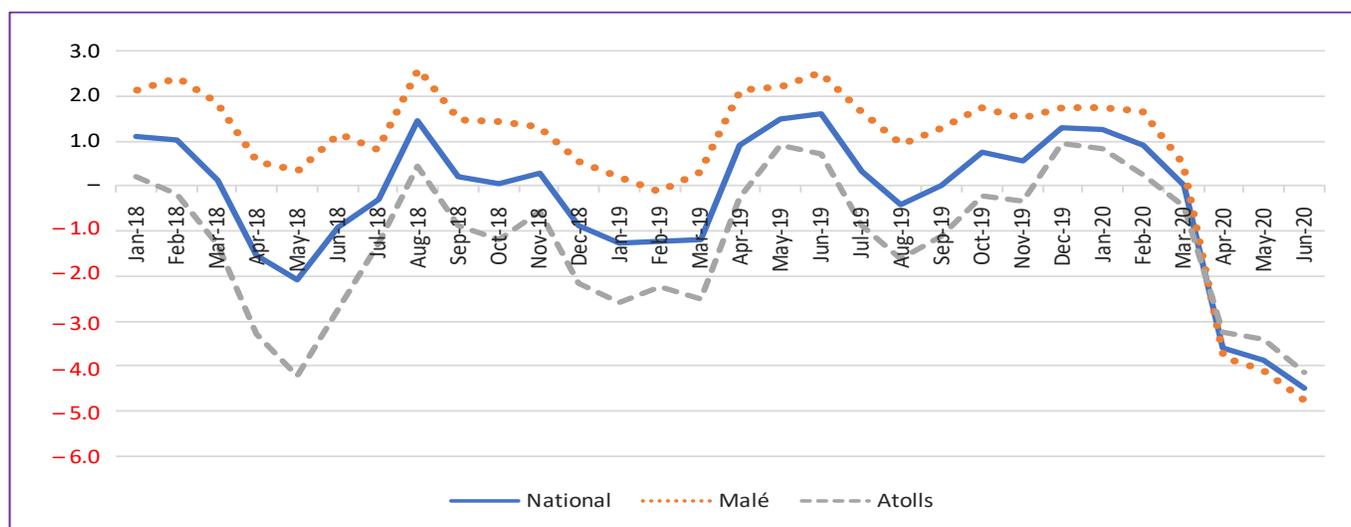
PRC = People's Republic of China, UN = United Nations.

Source: Maldives Monetary Authority. 2020. *September 2020 Monthly Statistics*. Malé.

B. Inflation

Average index of prices was down by 0.7% starting in Q1 2020, mainly due to free data provided by telecom companies from March 2020 in response to the COVID-19 and the almost 8% drop in the prices of information and communication equipment. Prices slid further to an average of -4.0% in Q2 2020 as economic activities came into halt and Greater Malé area was placed on lockdown, which further weakened consumer demand on most commodities. The price deceleration also reflected price control on certain food products during Ramadan, reduction in house rentals especially in Male' and the 30% electricity subsidies and 40% water subsidies given to households over two months as a relief during the crisis period. On balance, H1 2020 average inflation fell to -1.6% year on year (Figure 9).

Figure 9: Consumer Price Index (year-on-year, percentage change)



Source: Maldives Monetary Authority. 2020. *September 2020 2019 Monthly Statistics*. Malé.

C. Fiscal Sector

Public Finance

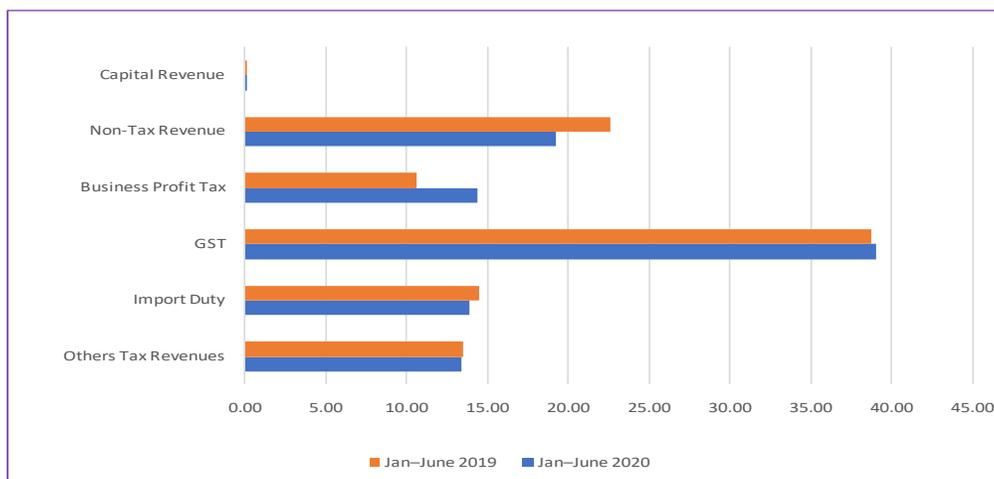
Total government revenue (including grants) from January to June 2020 reached Rf6.6 billion or a Rf5.1 billion fall from the corresponding period in 2019 due to substantial decline in tax revenues and grants. Government offices were closed since March 2020 due to COVID-19 delaying tax deadlines. Hence, tax collections, which accounted for 80.7% of the total revenue, went down to Rf5.3 billion in H1 2020 from Rf8.7 billion in the same period in 2019. Similarly, non-tax revenues plunged by 50.3% to Rf1.3 billion in H1 2020 from Rf2.5 billion in H1 2019, given substantial reduction in state-owned enterprises' (SOEs) dividends and resort rents. Despite increased spending with government's COVID health response and the economic response, total expenditures (excluding debt amortization) marginally fell by 0.2% to Rf12.5 billion during the first half of 2020 as compared to the same period in 2019 given drop in recurrent expenditure.

Recurrent expenditures declined by Rf281.3 million from January to June 2020 and totaled Rf 8.9 billion, driven by the reduced payment on salaries and wages especially for political appointees and high-ranking government officials, which accounts for almost 25.0% of current expenditures, cut in non-essential spending (e.g. foreign travels, repair and maintenance), freeze hiring and pay freeze. Conversely, capital expenses rose to Rf3.6 billion in H1 2020 from Rf3.3 billion in H1 2019, mainly from higher spending on existing PSIP projects while new ones were halted (Figures 10 and 11).

Fiscal Balance

Given substantial rise in expenditure and significantly lower revenues, the government deficit leaped to almost Rf6.0 billion during the first half of 2020 from Rf932.9 million in the same period last year, or more than 540% increase in fiscal gap.

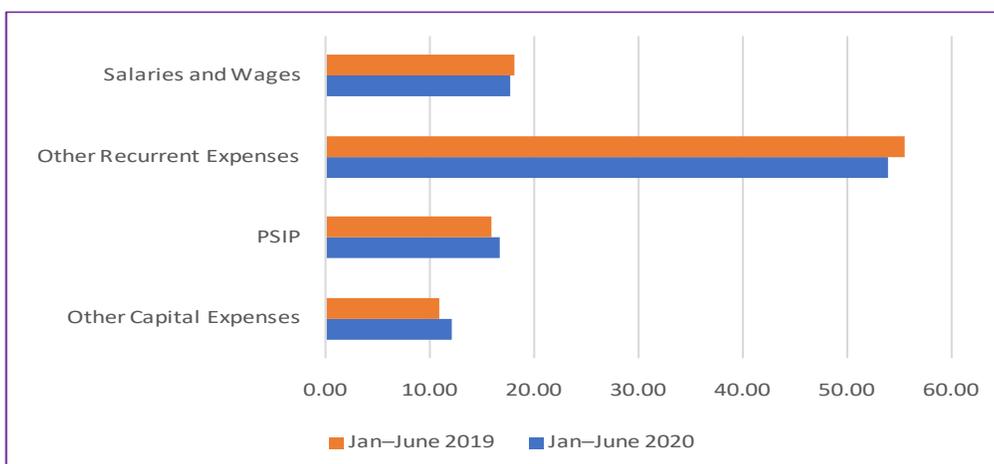
Figure 10: Share of Revenue Sources to Total Revenues (Jan–June 2019 vs. Jan–June 2020, %)



GST = goods and services tax.

Source: Maldives Monetary Authority. 2020. *September 2020 Monthly Statistics*. Malé.

Figure 11: Share of Expenditure Sources to Total Expenditures (Jan–June 2019 vs. Jan–June 2020, %)



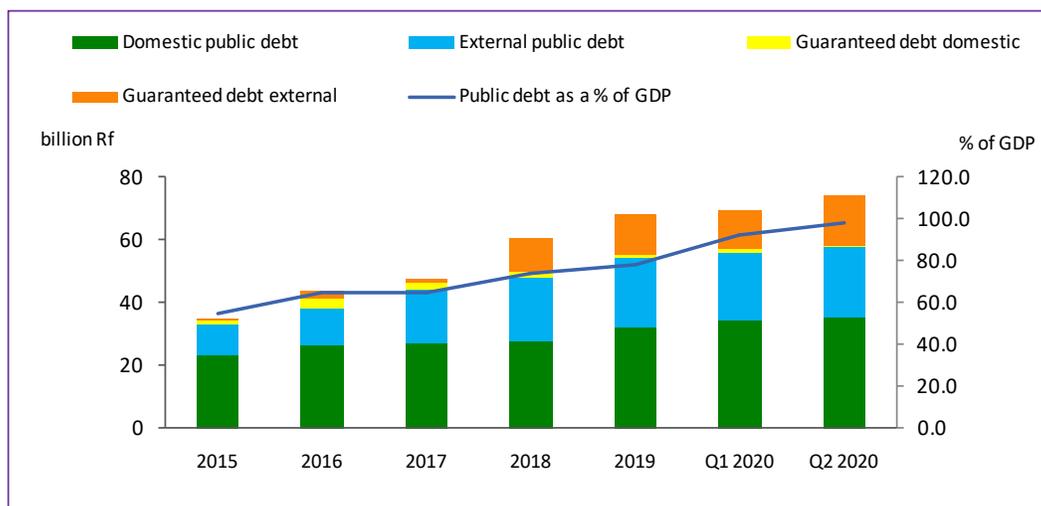
PSIP = Public Sector Investment Program.

Source: Maldives Monetary Authority. 2020. *September 2020 Monthly Statistics*. Malé.

Public Debt

With increased borrowings due to COVID-19, the total outstanding stock of public debt (including guarantees) by the end of Q2 2020 increased to Rf73.96 billion (\$4.8 billion) from Rf68.0 billion (\$4.4 billion) at the end of 2019. External debt, which accounts for more than 51% of public debt in Q2 2020, was Rf2.97 billion higher than end of 2019 to reach Rf37.9 billion (\$2.5 billion). Similarly, domestic debt rose to Rf36.2 billion (\$2.3 billion) at the end of Q2 2020 from Rf33.2 billion (\$2.2 billion) at the end of 2019 (Figure 12).

Figure 12: Total Outstanding Stock of Public Debt (including guarantees, 2015–Q2 2020)



GDP = gross domestic product, Q = quarter.

Source: Ministry of Finance. 2020. *Disbursed Outstanding Debt of Public and Publicly Guaranteed Debt as of 30 June 2020*. Malé.

As the Maldives' economy is expected to be hit hard by the pandemic, Fitch Ratings has downgraded in November 2020 the Maldives' long-term foreign-currency and local-currency issuer default ratings from "B" to "CCC." Similarly, in May 2020, Moody's downgraded the Government of Maldives' long-term local and foreign currency issuer and the foreign-currency senior unsecured ratings to "B3" from "B2" and maintained the negative outlook.

D. Finance Sector

Broad Money

The annual growth rate of broad money (M2 or money supply) marginally rose from 7.2% as of end-June 2019 to 7.4% by end-June 2020. The increase was largely contributed by the growth in demand deposits of the banking system which accounted for more than 70.0% of the broad money as at end-June 2020. Demand deposits grew from the increase in demand deposits for local denominated currency by the private sector and public nonfinancial corporations which offset the decline in foreign currency denomination.

Credit to Private Sector

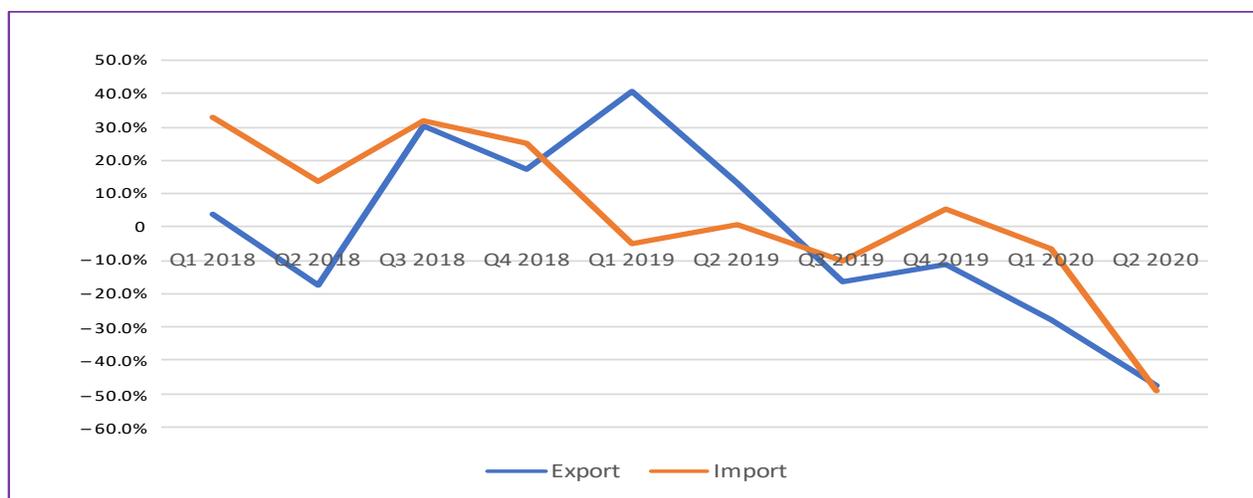
Commercial bank credit to the private sector moderated by 6.8% as at end-June 2020 from 7.4% from as at end-June 2019. Loans to real estate and tourism improved by 0.9 and 1.5 percentage points, respectively by the end of June 2020 compared to the same period in 2019. Increase in tourism loans was driven by credit extended for working capital and resort development. Similarly, growth of commercial loans rose from -0.1% as at end-June 2019 to 0.2% as at end-June 2020 with increased credit for the wholesale and retail market, offsetting the reduced loans extended to restaurants and cafes. However, loans to construction eased from 8.8% in June 2019 to 6.9% in June 2020. Credit to transportation and communication sector also contracted by almost 16% in June 2020 from a growth of 4.5% in June 2019. Tourism continued to dominate total private loans at 37.9%, followed by construction (21.6%), and commerce (11.9%).

E. External Sector

Merchandise Trade

Total merchandise exports in H1 2020 dropped by \$72.85 million or equivalent to a 35.5% decline compared to H1 2019 as both fish exports and fuel reexports plunged with weaker demand due to COVID-19. Growth in export of fisheries, garments, and other commodities fell to -19.4% during the first 6 months of 2020 from 0.7% in the same period in 2019, with fish exports, the largest product, contracting by almost 17% YOY. Fish exports fell due to supply chain disruptions with flight stoppage, drop of prices in the international market, and the lockdowns in Maldives' main export market, Europe. Similarly, jet fuel reexports to international carriers plummeted to 52.3% YOY as COVID-19 shut down and crippled the tourism and transportation sector. Meanwhile, the value of total merchandise imports in H1 2020 dropped to \$1.0 billion, a decline of 27.3% compared to the H1 2019 given significant cuts in all import categories (Figure 13).

Figure 13: Year-on-Year Percentage Change in the Value of Total Exports and Imports (Q1 2018–Q2 2020)



Q = quarter.

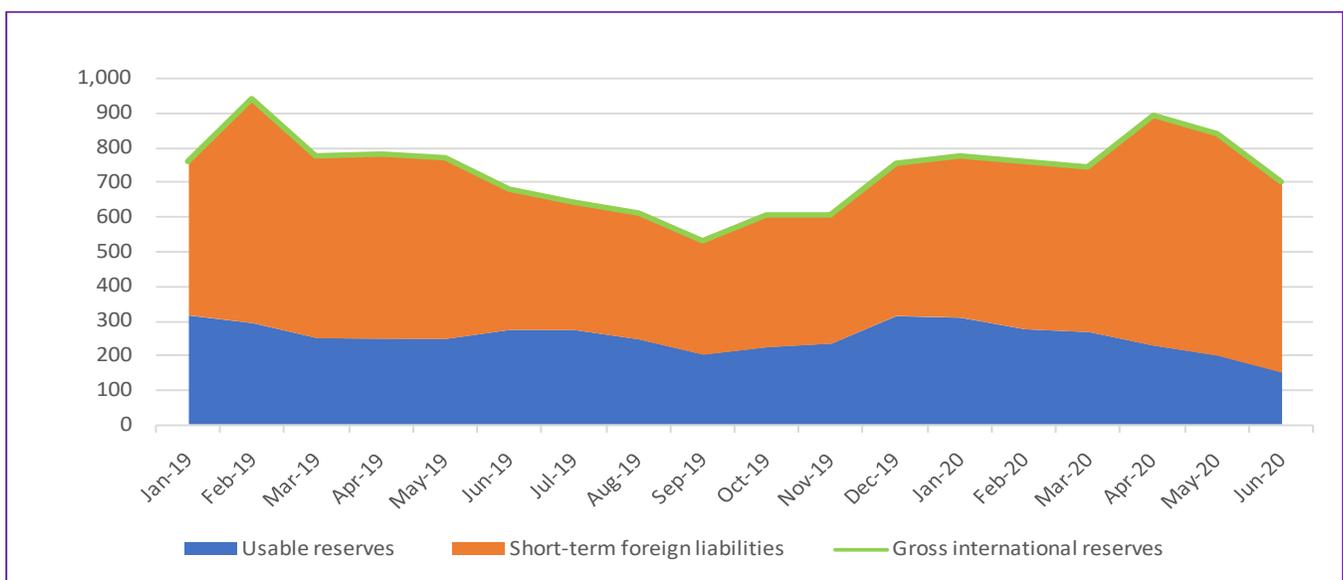
Source: Maldives Monetary Authority. 2020. *September 2020 Monthly Statistics*. Malé.

With the significant fall in imports and exports, trade deficit narrowed by 25.9% during the H1 of 2020 or an equivalent of \$887.4 million from \$1.197 billion in the H1 of 2019.

International Reserves

The gross international reserves (GIR) as of end-June 2020 fell by 6.8% compared to as end-2019 and amounted to \$702.3 million. The decline in GIR was mainly driven by decreased reserve position in the fund and special drawing rights holdings. Meanwhile usable reserves—GIR less commercial banks’ short-term foreign currency deposits—amounted to \$152.6 million as of end-June 2020, which provided for a little over a month of import cover (Figure 14).

Figure 14: Gross International Reserves (\$ million)



Source: Maldives Monetary Authority 2020. *September 2020 Monthly Statistics*. Malé.

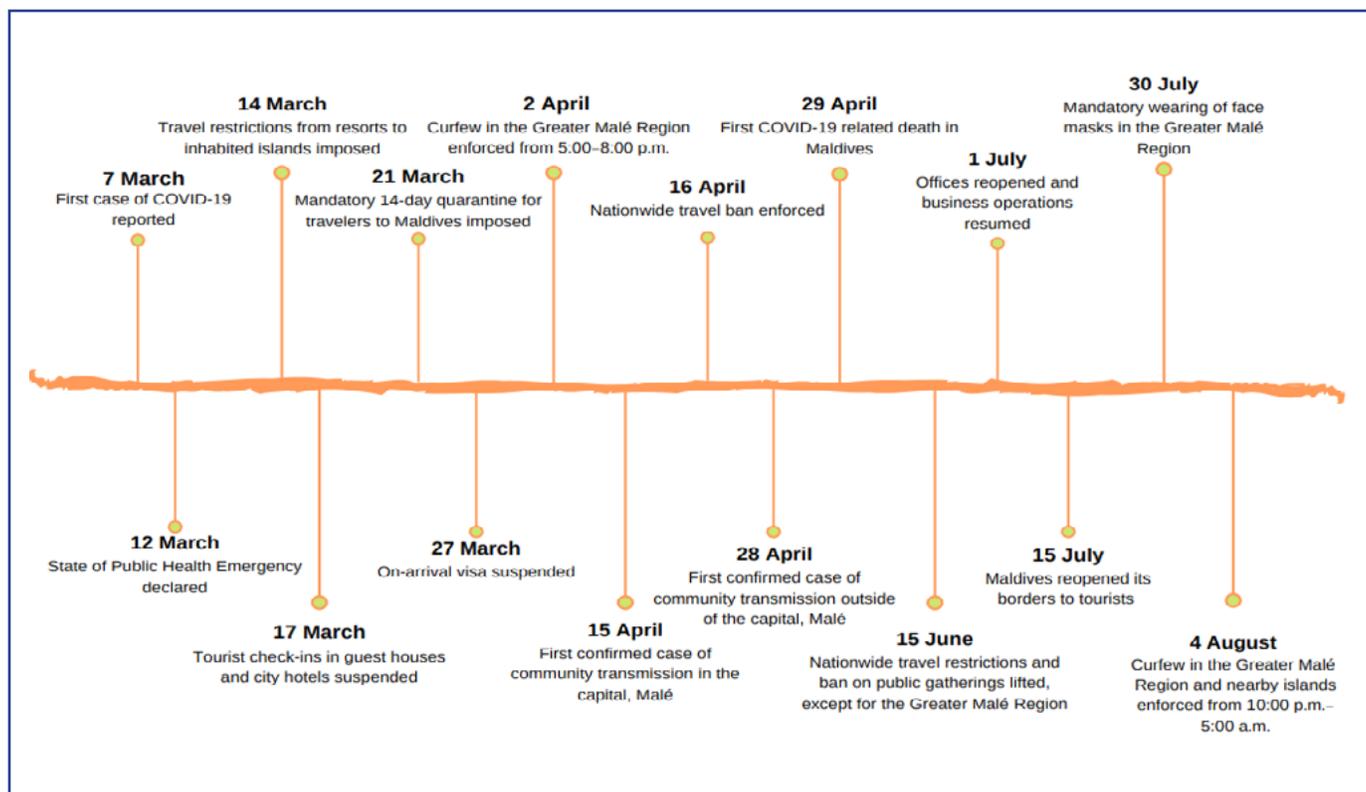
III. Special Report: COVID-19 in Maldives

A. Timeline

Maldives reported its first case of COVID-19 on 7 March 2020. The confirmed cases originated from two foreign nationals in tourist resorts. A state of public health emergency was declared by the Minister of Health on 12 March 2020, initially for 30 days, and subsequently extended until 6 September. The government declared a lockdown across the country to prevent community transmission in the islands, after COVID-19 cases were confirmed in the capital city of Malé on 15 April.

A number of containment measures were implemented by the government to stop the spread of COVID-19 in the country including banning travel from resorts to inhabited islands, temporary suspension of schools, limiting business hours in the islands, closing of borders, suspension of on-arrival visa, suspension of tourist check-ins to guesthouses and city hotels, and enforcing a 14-day resort and home quarantine.

Figure 15: Timeline of COVID-19 Outbreak in Maldives



COVID-19 = coronavirus disease.

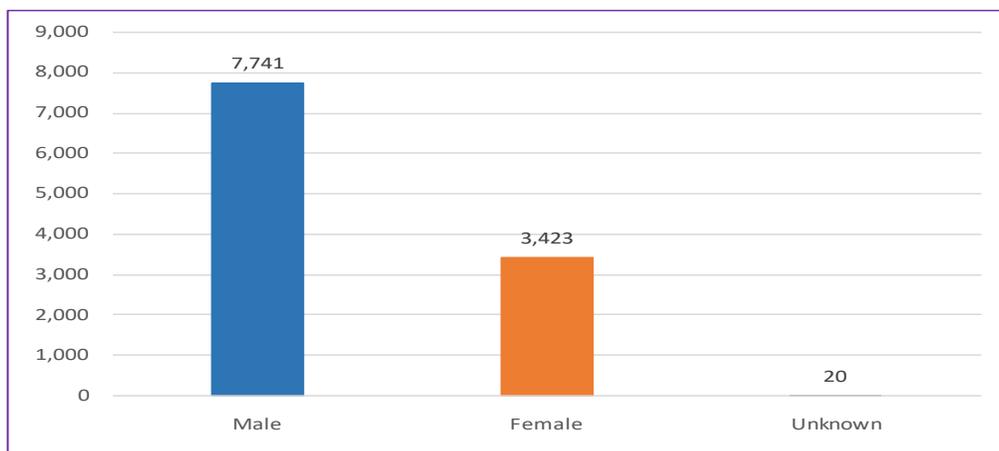
Source: Health Protection Agency, Ministry of Health, Maldives Immigration.

In mid-June 2020, the number of COVID-19 cases declined, allowing the country to ease restrictions and gradually resume economic activities. On 15 July, Maldives reopened its borders after more than 3 months of lockdown caused by COVID-19 pandemic. Since the easing of restrictive measures and opening of borders, there have been reported increase in local transmission of COVID-19 cases. Tightened measures were enforced such as mandatory wearing of face masks, limited public gathering, and imposing of curfew in the greater Malé area (Figure 15).

B. Health Statistics: Update

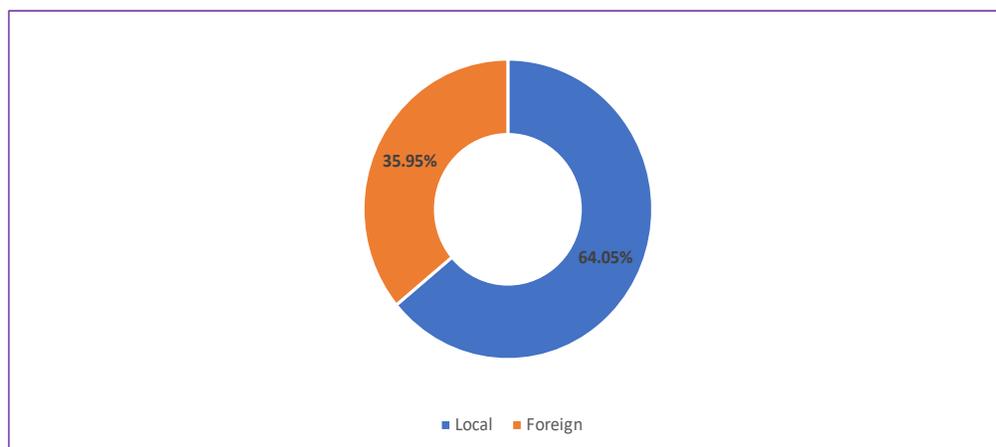
As of 18 October 2020, the total number of COVID-19 cases has reached 11,184, of which 10,124 have since recovered, with 1,024 active cases and 36 deaths. Data shows that COVID-19 cases are higher in male than female and more than 64.05% of the cases are locals while almost 35.95% are foreigners (Figures 16 and 17).

Figure 16: COVID-19 Cases Gender Distribution (as of 18 October 2020)



Source: COVID-19 Statistics Dashboard—Health Protection Agency, Ministry of Health.

Figure 17: COVID-19 Cases Local vs. Foreign (as of 18 October 2020)



Source: COVID-19 Statistics Dashboard—Health Protection Agency, Ministry of Health.

C. Response: Government and Donors

As part of the economic relief to address the adverse social and economic impact of COVID-19, the government rolled out a response package to provide financial support to households, individuals and businesses affected by the pandemic. The support package will include working capital for businesses and micro and small and medium-sized enterprises, loan moratorium for businesses and individuals, income support allowance to affected individuals, and utility discounts to households (Table 1).

Table 1: Summary of Government Response to COVID-19

Economic Response	Details
Income Support Allowance	<ul style="list-style-type: none"> Up to Rf5,000 allowance will be paid out to eligible individuals who are currently unemployed, on unpaid leave, or had their salaries reduced and earnings affected (for self-employed/freelance workers) due to COVID-19 pandemic. Income support allowance has been extended until December 2020.
COVID-19 Recovery Loan Scheme (Self-employed and Freelance Individuals) implemented via the COVID-19 Viyafaari Ehee loan product by SME Development Finance Corporation	<ul style="list-style-type: none"> Self-employed workers (with annual turnover less than Rf 10 million in 2019) may apply for the loan scheme. Up to Rf 30,000 will be paid out to eligible individuals at 6% interest per annum for a 3-year period. A grace period of up to 6 months is offered during which no interest is charged, and no payment of principal or interest is required. Funding is conditional on the individual having worked in 6 of the last 12 months and earned a verifiable income during this period.
Electricity subsidy	<ul style="list-style-type: none"> 40% in electricity utility bills for April, May, and June 2020.

Economic Response	Details
Water subsidy	<ul style="list-style-type: none"> • 30% in water utility bills for April and May 2020.
Debt Moratorium on housing loans from Housing Development Finance Corporation	<ul style="list-style-type: none"> • Six months debt moratorium on housing loans from Housing Development Finance Corporation. • Deferral of monthly principal and interest repayments for 6 months. • Initial loan periods extended by an additional 6 months.
Debt moratorium from Bank of Maldives	<ul style="list-style-type: none"> • Loans from Bank of Maldives are eligible for 6 months moratorium on monthly principal and interest repayments, except for overdraft facilities, credit cards, and BML Islamic Murabaha. • Loan tenor extended by 6 months. • Following the moratorium period, repayment amount would be reduced by 20% for a further 6 months. • Debt moratorium has been extended until the end of 2020.
Debt moratorium on student loans under the National Student Loan Scheme	<ul style="list-style-type: none"> • Deferral of student loan repayment for 6 months.
Financial aid for students abroad	<ul style="list-style-type: none"> • Students studying abroad and had their course financing negatively affected or interrupted due to COVID-19 may be eligible for financial aid for a maximum of 2 months. • Eligible students will get a daily allowance corresponding to living allowance for their country of study, capped at \$50 per day.

Economic Response	Details
<p>COVID-19 Recovery Loan Scheme for Large Businesses through Bank of Maldives</p>	<ul style="list-style-type: none"> • Resort establishments are eligible for loans up to Rf7.7 million. • Businesses with more than Rf10 million annual turnover in 2019 are eligible for loans up to Rf 1 million. • Loans are unsecured with 6% interest per annum for a 3-year period, including a maximum 6-month grace period.
<p>COVID-19 Recovery Loan Scheme for SMEs via Viyafaari Ehee loan through the SME Development Finance Corporation</p>	<ul style="list-style-type: none"> • Eligible SMEs (with annual turnover of less than Rf10 million in 2019) may apply for loans up to 10% of its annual sales turnover for the past year (capped up to Rf500,000) at 6% interest per annum for a 3-year period. • Repayment period excludes the grace period of up to 6 months in which no interest is charged. • Funding is contingent on SMEs not laying off local employees due to the COVID-19 outbreak and during the funding period.
<p>Debt on business loans from Bank of Maldives</p>	<ul style="list-style-type: none"> • Debt moratorium on monthly principal and interest repayments for 6 months. • Loan tenor extended by 6 months. • Following the moratorium period, repayment amount would be reduced by 20% for a further 6 months.

Economic Response	Details
Debt Moratorium on loans from SME Development Financing Corporation	<ul style="list-style-type: none"> • Deferral of monthly principal and interest repayments for 6 months. • Interest rates for all loans are reduced to 4% during moratorium period. • SDFC has extended the loan repayment period until the end of 2020.

COVID-19 = coronavirus disease, SME = small and medium-sized enterprises.
Source: Economic Response to COVID-19, Ministry of Finance.

International financial institutions and bilateral development partners swiftly responded to help the government's financing requirements in mitigating the impact of COVID-19 pandemic. The list of support is shown in Tables 2 and 3.

Table 2: Summary of Donors' Financial Support for COVID-19 (as of 30 Sep 2020)

Donor	Amount (\$ in million)	Type	Details
ADB			
	1.3	Technical Assistance and Grant	ADB's Asia Pacific Disaster Response Fund for \$500,000 with an additional technical assistance of \$798,000 to support the government's response efforts to COVID-19 pandemic.
	50.0 0.50	50% Grant and 50% Loan; and Technical Assistance	ADB's COVID-19 Active Response and Expenditure Support Program to support implementation of the government's COVID-19 health response measures by setting-up and scaling-up testing and treatment facilities and capacity; and technical assistance of \$500,000 for Improved Implementation of the COVID-19 Response Package.

Donor	Amount (\$ in million)	Type	Details
	1.0	Grant	ADB's Asia Pacific Disaster Response Fund for the procurement of essential supplies related to COVID-19, provision for overtime salary and transportation for health and frontline workers, recruitment of emergency health workers and laboratory experts, financing of transport and supply-chain logistics, and provision of any additional goods or supplies required for disease preparedness.
Asian Infrastructure Investment Bank			
	7.3	Loan	Co-financed with the World Bank for the COVID-19 emergency response and health preparedness project.
European Investment Bank			
	22.6	Loan	To help sustain small and medium-sized enterprises operating in tourism and industry sectors.
International Monetary Fund			
	28.9	Interest Free Loan	Rapid Credit Facility to support the country's balance of payment.

Donor	Amount (\$ in million)	Type	Details
Government of India through State Bank of India (Malé Branch)			
	250.0	Domestic Treasury Bond	The Government of India has provided a financial assistance of US \$250 million by investing through the State Bank of India (Male) in the GOM Domestic Treasury Bond as budget support.
International Finance Corporation			
	20.0	Loan	Loan to the Bank of Maldives as support to the private sector of the tourism industry.
International Fund for Agriculture Development			
	4.5	27% Grant, 73% Loan	Support for Maldives Agribusiness Programme to increase income, food security and nutrition status of small farmers.
Islamic Development Bank			
	15.1	Grant and Loan	The International Islamic Trade and Finance Corporation has provided an emergency loan and grant to State Trading Organization for the procurement of medicines, food, and medical equipment.
	0.6	Loan	IsDB has provided emergency financing by diverting funds from the completed Harbor Istisna'a Project towards the provision of ICU equipment and devices for a regional hospital and related costs.
	20	Loan	IsDB has provided financing under its emergency response to COVID-19 pandemic (Phase 2) for the strengthening of critical care services, prevention of infections, protection of frontline health workers, strengthening MoH diagnostic capacity for out-breaks and enhancing disease surveillance capacity.

Donor	Amount (\$ in million)	Type	Details
Japan International Cooperation Agency			
	47.5	Loan	JICA has provided a loan of 5 billion Japanese Yen for supporting the Government of Maldives in its response to COVID-19 crisis response. The objective of the project is to mitigate the negative social and economic impact of the pandemic through concessional financing to implement the economic policy and expansion of the social welfare for the vulnerable population. The Project will be cofinanced with the COVID-19 Active Response and Expenditure Support Program by the Asian Development Bank.
OPEC Fund for International Development			
	20	Loan	Budget support loan for the government's Public Sector Investment Program.
World Bank			
	10.0	50% Grant and 50% Loan	Catastrophe Deferred Drawdown Option
	12.8	50% Grant and 50% Loan	COVID-19 Emergency Income Support Project
	7.3	50% Grant and 50% Loan	COVID-19 Emergency Response and Health Systems Preparedness Project
	1.0	Grant	WB's Pandemic Financing Facility to acquire diagnostic tests, medical and laboratory supplies and equipment.

ADB = Asian Development Bank, COVID-19 = coronavirus disease, MOH = Ministry of Health, OPEC = Organization of the Petroleum Exporting Countries, WB = World Bank.

Source: COVID-19 Financial Assistance, Financing Received for COVID-19 from Donors, Ministry of Finance.

Table 3: Summary of Donors' In-Kind Support for COVID-19 (as of 30 Sep 2020)

Donor	Amount (in \$ unless stated otherwise/Type)	Details
Australia	In kind	PPEs
Bangladesh	In kind	Medical team
		PPE, medicines and commodities, food aid
Canada	Project Support Can\$100,000 (approx. MVR1 million)	Basic needs and capacity building support those who may be impacted by the pandemic
China, Peoples' Republic of (PRC)	In kind	PPE, Diagnostic equipment, care beds and ventilators
PRC – Wellwishers	In kind	PPE, Diagnostic equipment, care beds and ventilators
European Union	Grant: €3 million	
India	In kind	Evacuation of students in Wuhan, PRC (with help of the Government of India)
		Medical team
		PPE and medicines, food aid
Japan	In kind	PPE and medicines
	Grant: UNICEF: 356,400 Red Crescent: 185,000	Emergency grant to UNICEF and Red Crescent for procurement of medical equipment/consumables, technical assistance and education sector.

Donor	Amount (in \$ unless stated otherwise/Type)	Details
Japan	UNDP: 1.4 million	UNDP grant to support SMEs affected by COVID-19
	5.6 million	Grant to promote economic and social development of the country
Japan - Wellwishers	In kind	PPE
Korea, Republic of	In kind	PPE
Malaysia – Wellwishers, CP Stationery	In kind	PPE
Maldives – Wellwishers, Owners of Velaa Private Island	In kind	Diagnostic equipment
Singapore – Wellwishers, Owner of Pontia Land Group	In kind	PPE
Singapore – Wellwishers, Former High Commissioner of Singapore to Maldives, H. E. Chua ThianPoh	In kind	PPE
Singapore – Wellwishers, Owners of HiapHuat Paints Co.	In kind	PPE
Singapore – Wellwishers, Owners of Hotel Properties Limited Singapore	In kind	PPE and ventilators
Singapore – Wellwishers, Minor Group	In kind	Diagnostic equipment
Thailand – Wellwishers, Director of Crown Company	In kind	PPE

Donor	Amount (in \$ unless stated otherwise/Type)	Details
Thailand – Wellwishers, Thai Travel Agent, Consulting Manager of Maldives Travel Expert Co. Ltd	In kind	PPE
UNICEF	In kind	E-learning support for AV classrooms
	Technical Support	Technical assistance in preparing SOPs for emergency response for education sector
United Arab Emirates	In kind	PPE, diagnostic equipment
UAE – Wellwishers, UAE Royal Family	In kind	PPE, diagnostic equipment, ventilator
United States	In kind	PPE and medicines, diagnostic equipment
	Grant	Economic recovery support
	Grant: 750,000	Assistance for schools and community spaces to reopen safely

Can\$ = Canadian dollar, COVID-19 = coronavirus disease, PPE = personal protective equipment, SOP = standard operating procedure, UNDP = United Nations Development Programme, UNICEF = United Nations Children Fund
 Note: In kind refers to non-cash assistance.

Source: COVID-19 Financial Assistance, Bilateral Partners and UN Agencies, Ministry of Finance.

IV. Near-Term Outlook and Insights on Midterm Recovery

“Economic growth is expected to sink to record low in 2020 as the economy, especially tourism, gets pounded by COVID-19. Improvement in 2021 is expected but recovery will be slow...”

A. Real Sector

Gross Domestic Product

Economic growth is expected to sink to record low in 2020 as the economy, especially tourism, gets pounded by COVID-19. Improvement in 2021 is expected but recovery will be slow with risks remaining tilted to the downside.

Maldives’ economy is projected to decline significantly in 2020 due to the severe impact of COVID-19 pandemic on tourist arrivals, amid strict measures taken by governments across the world to contain the spread of COVID-19.²

Recent tourism indicators showed that the sector suffered heavily after the government implemented restrictive measures starting February and closed borders on 27 March due to COVID-19. Maldives has reopened its borders on 15 July but with weaker demand, few airlines are expected to operate flights until October.³ Travel demand has not improved and even weakened as shown in the survey conducted by International Air Travel Association in June 2020 where only 45% of the respondents expressed willingness to return to travel when the pandemic subsides, a marked fall from the 61% recorded in April survey. Notwithstanding this, the government has been taking steps to ramp up tourist arrivals in the country. In August, Maldives and India initiated an air travel bubble agreement, which will help Maldivians to travel to India for medical treatments and Indians to visit Maldives for vacation.⁴

² Maldives Monetary Authority 2020. *Economic Update September 2020*. Volume 2, Issue 9. Malé.

³ Based on Ministry of Tourism records, the following international flights operated from 15 July to 31 October 2020: Currently, Emirates, Qatar Airways, Aeroflot, Indigo, Turkish Airlines, Maldivian, Sri Lankan Airlines, Etihad Airways, Air India, British Airways, Edelweiss, Flydubai, Spicejet, Lufthansa, and Flyme.

⁴ Travel bubbles, also known as travel corridors and corona corridors, are essentially an exclusive partnership between neighboring or nearby countries that have demonstrated considerable success in containing and combating the COVID-19 pandemic within their respective borders. These countries then go on to reestablish connections between each other by opening up borders and allowing people to travel freely within the zone without having the need to undergo on-arrival quarantine.

With the sharp decline in tourist arrivals, knock-on effects on all major sectors of the economy are expected such as transport and communication, construction, and wholesale and retail trade. Fisheries will likewise suffer a major blow as demand from major markets for fish exports particularly Europe and Asia are expected to drop.

Lost income will markedly weaken private consumption. This will aggravate further consumer expectations (demand), subsequently inducing a downward spiral in all production sectors. The drop in the tourism sector, coupled with the softening of domestic demand, is also expected to dampen private investments. Resort expansions originally planned for 2020 and 2021 may look to holding off investment undertakings until concrete COVID-19 preventive measures are established. In turn, ancillary firms may also push back on their investment plans, at least for the near-term.

Together with the major economic contraction, the government's capacity to generate much needed revenues will be severely hampered. This will impede plans to boost capital spending under the Public Sector Investment Program. The fiscal policy response will focus on the reallocation of resources toward COVID-19 mitigation measures and recovery planning, with reduction of non-priority spending in the short term.

Based on the government's estimates, Q1 2020 GDP growth fell by -5.0% YOY. Contraction is expected to be larger for the succeeding quarters, especially for Q2 2020 when GDP fell by -51.6% YOY, with tourist arrivals being substantially lower compared to the corresponding period of 2019.

For 2021, GDP is projected to make a rebound, on the back of improved prospects for global economic recovery. Although recovery is expected to be moderate and risks tilted to the downside. The main downside risk to this forecast is a persistent COVID-19 pandemic resulting in a weaker global economy, eventually dampening tourism. This could further imperil fiscal and debt sustainability, given Maldives' very high public debt and meager foreign exchange reserves. Table 4 shows a number of possible growth scenarios for 2020 and 2021 which depend largely on how fast the tourism industry can bounce back.

Inflation

The average index of consumer prices is expected to dip in 2020 as the lockdown weakened demand and households received electricity and water utility subsidies as COVID-19 relief. Inflation is expected to pick up in 2021 as containment eases and tourism revives, with expected improvement in domestic demand.

Table 4: Projections for Selected Economic Indicators (2020 and 2021)**Table 4.1. BEST CASE Scenario**

Tourist arrival forecast: 40% to 45% decline in 2020; 30% increase in 2021
Selected economic indicators (%)

	2019	2020	2021
GDP growth	5.9	-14.8	13.4
Inflation	0.2	0.4	2.1
CAB/GDP	-26.0	-19.0	-29.0

CAB = current account balance, GDP = gross domestic product.

Source: ADB estimates.

Table 4.2. BASELINE Scenario

Tourist arrival forecast: 55% to 60% decline in 2020; 20% increase in 2021
Selected economic indicators (%)

	2019	2020	2021
GDP growth	5.9	-20.5	10.5
Inflation	0.2	0.5	1.5
CAB/GDP	-26.0	-17.0	-28.0

CAB = current account balance, GDP = gross domestic product.

Source: ADB estimates.

Table 4.3. WORST CASE Scenario

Tourist arrival forecast: 70% to 75% decline in 2020; 10% increase in 2021
Selected economic indicators (%)

	2019	2020	2021
GDP growth	5.9	-28.5	7.8
Inflation	0.2	0.7	0.9
CAB/GDP	-26.0	-14.0	-27.0

CAB = current account balance, GDP = gross domestic product.

Source: ADB estimates.

External Account Balances

The trade deficit in goods is projected to narrow in 2020 as imports are expected to fall across the board (particularly lower imports for construction). The service trade surplus will show a marked weakening as travel receipts dry up.

The COVID-19 shock created a large external financing gap, for which the government turned to the Rapid Credit Facility of the International Monetary Fund, COVID-19 Active Response Expenditure Support Program by Asian Development Bank (ADB), and substantial financing lines from other development partners.

B. Insights on Midterm Recovery

The speed and trajectory of Maldives' medium-term recovery from the ravages of COVID-19 critically depend on global tourism revival and government fiscal policy transformation. There is increasing likelihood that the recovery in the next 5 years will be gradual and potentially uneven as the global community continues to grapple with solutions to the COVID-19 pandemic.

For the revival of tourism, the key issues include:

- Will the COVID-19 pandemic result in a permanent apprehension (reduced consumer appetite) in leisure travel? Maldives will need to take into account the fact that this shock has disproportionately affected its top tourist markets in Asia and Europe. It is possible that high-end tourism will not return to its robust pre-COVID level of demand in the next 5 years, as the loss in global wealth that has occurred as a result of the pandemic may impinge on tourism.
- How will the travel and tourism sector evolve (especially in the use of digital technology) to enable a safe, secure, and seamless end-to-end experience, whilst supporting the sector's recovery? The country's "one island, one resort" concept gives it an advantage over competitors, as travellers can be more readily assured of physical protection via resort isolation/seclusion. But the supply-side support mechanisms—from booking, transport, all the way to resort facilities management—need to adopt to the new hospitality industry landscape. There will also be significant transformation in the retail business, with increased digital engagement, high-quality experiential and meaningful flagship destinations may prove to be the key ingredient to attracting tourists.

- How will the travel and tourism sector transform to address the broad sustainability issues (economic-, social-, and environment-wise) highlighted by the COVID-19 pandemic? The Government of Maldives needs to formulate a comprehensive tourism recovery plan, to rebuild destinations, encourage innovation and investment, and rethink the tourism sector. Moreover, enhanced participation in the international community is necessary to achieve coordination in travel protocols and ensure that the travel and tourism sectors in Maldives survive in the “new normal.”

In the realm of public policy, fiscal, in particular, the key issues to tackle are:

- With government funding heavily reliant on tax and non-tax revenues derived from travel and tourism, a protracted (or even lasting) slowdown in these sectors will definitely reshape the government’s capacity to support public service provision. Maldives’ government will have to make a fine balancing act between socioeconomic support (safety nets) and fiscal prudence.
- In the medium-term, revenue generation will be challenging for the government. Apart from the fallout in travel- and tourism-related public revenues, the broad weakening of the domestic economy will manifest into muted imports and exports further resulting in low customs revenues. The government may have to depend on strategic cross-border partnerships for resource lifelines.
- With government expected to be hardpressed for financial resources, the ability to continue with big public infrastructure projects will be put into question. The substantial subsidies provided by the government will have to be recalibrated against the impending resource constraints. Crucially, the government will have to maneuver a tricky path toward debt servicing.
- The government’s capacity to support SOEs will definitely be strained. There will be very little room for government cost subsidies. With rising public debt, government’s ability to borrow in behalf of SOEs or even to guaranty SOE debt will be curtailed. Thus, SOEs need to accelerate reforms to increase their efficiency and contributions to the economy.

Finally, the government’s overall economic policy may need to address an accelerated structural rebalancing effort that would increase Maldives’ resiliency to global shocks. The COVID-19 pandemic clearly shows the precariousness of an economy that is skewed or heavily dependent on a single sector. For a small island developing economy like Maldives, this becomes more apparent as implementing economic diversification strategies become more difficult owing to its geographical dispersion. Structurally transforming Maldives’ economy will require a long-term view. But the pandemic highlights the need for expeditious and unhesitating economic rebalancing solutions to improve the country’s resilience.

V.

Feature Stories

- ▶ How Ready is Maldives' Health Sector for Another Pandemic?
- ▶ Impact of COVID-19 on Tourism and Restarting Tourism in Maldives
- ▶ An Assessment of Information and Communication Technology Sector in Maldives
- ▶ Agriculture in Maldives: Challenges and Potentials
- ▶ Reform of State-owned Enterprises in Maldives
- ▶ Maldives Rising Burden of Noncommunicable Diseases
- ▶ Maldives' Education Sector Assessment

A. How Ready is Maldives' Health Sector for Another Pandemic?

Introduction

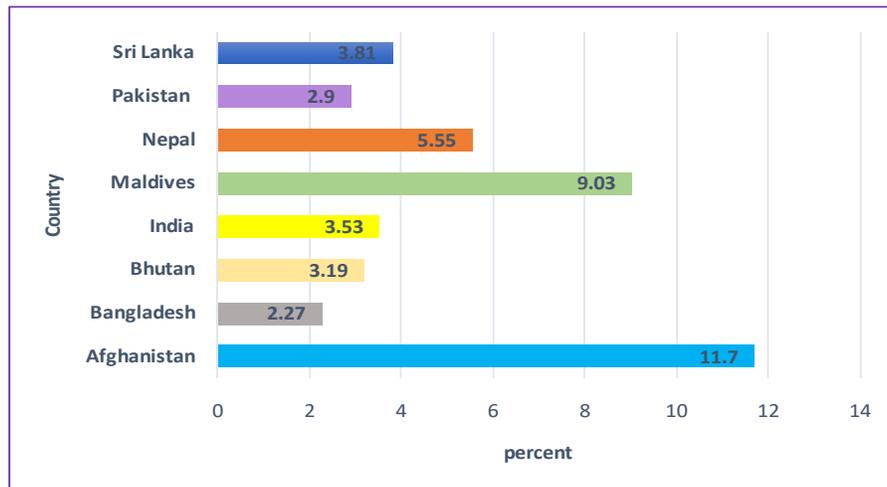
Not until COVID-19, the country has never really suffered from any major health outbreak. Recent history of epidemics reported in Maldives was in the mid-60s to late-70s namely gastroenteritis (1965), typhoid (1966), diarrhea (1968), and cholera (1978). The country's health indices have improved dramatically over time and even outperformed its Asian neighbors. The communicable disease has been eradicated or controlled with HIV and tuberculosis at very low levels during the last decade, according to the Maldives Health Profile 2016; although noncommunicable disease has been rising and is the leading cause of death and disability for all ages particularly between 2007-2017.⁵ Government provides curative and preventive health services across the islands free of charge. Under Child Protection Act 19/2019, it is mandatory for parents to ensure their children are vaccinated. The current healthcare spending at more than 9.0% of GDP in 2017, was one of the highest in South Asia, second only to Afghanistan, and way better than its peers whose spending was only around 2% to 6% of GDP (Figure 18).⁶ However, dealing with pandemics such as COVID-19 has exposed the remaining vulnerabilities in the country's healthcare system which is further complicated by the unique challenges facing Maldives as a small island nation.

Challenges in the Health Sector

Even though health expenditure is high in the country, the health sector is still confronted with problems in terms of human resource and health infrastructure which if not addressed can contribute to the deterioration of health service delivery. Worryingly, COVID-19 pandemic brought additional challenges specifically after local transport and international borders were closed which resulted in the shortage of essential items needed for COVID-19 response and the need for additional facilities as the COVID-19 cases surge.

⁵ Maldives Country Profile. 2017. Institute of Health Metrics and Evaluation. <http://www.healthdata.org/maldives>.

⁶ World Bank. World Development Indicators Database (accessed 31 August 2020).

Figure 18: South Asian Countries' Current Health Expenditures as a % of Gross Domestic Product, 2017

Source: World Bank. World Development Indicators Database. (accessed 09 September 2020).

Lack of health professionals and the need for capacity development

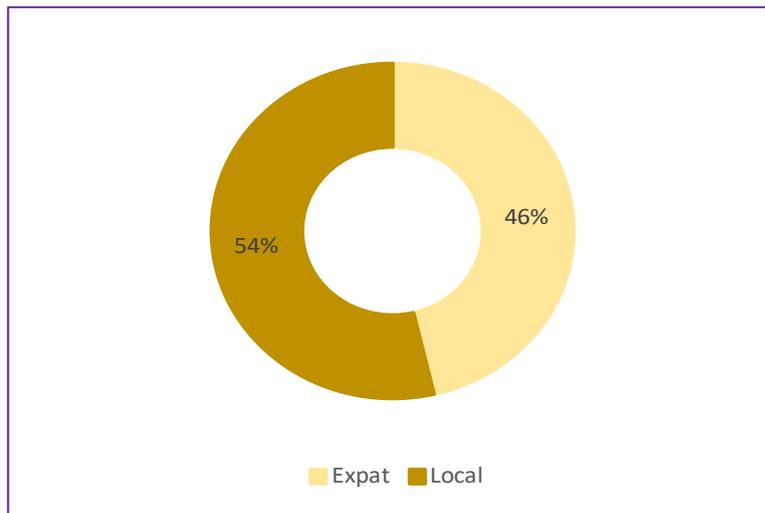
Providing adequate health professionals to all the islands is a challenge for Maldives. As identified in the World Health Organization's (WHO) Country Cooperation Strategy Republic of Maldives 2013–2017, the country has a shortage of national health professionals at all levels, thus it depends on foreign health workers to address this gap. As of 2018, 70% of the medical doctors and 45% of nurses were expatriates and along with other allied health staff constitute the 46% total international health professionals in the country. Consequently, most of the remote islands are left without local health professionals except for some primary health care workers and nurses (Figure 19). Retaining local doctors in the atolls and remote islands is also difficult because of limited resources in the health care facilities and the lack of opportunities for further career development. With low health care demand and fewer patients, health care providers likewise feel that their years of education and internship would only go to waste in the islands. Figure 20 provides a comparison of the number of doctors and nurses in the capital and atolls.

As COVID-19 hits Maldives, human resource is once again proven as a big challenge. The country has no local expertise and the government had to seek assistance from India to help set-up testing labs and train local medical professionals to deal with the pandemic.⁷ With arrangements from international governments, medical experts from South Africa, the United Kingdom and the United States were also brought in to provide necessary trainings for local medical teams including setting up testing laboratories for COVID-19.⁸ Volunteer Maldivian medical students in Bangladesh, India, and Nepal have to be flown in to join the local teams in preparation for COVID-19 response.⁹

⁷ *The Times of India*. 2020. Covid-19: India readying rapid response teams for Bangladesh, Bhutan, SL and Afghanistan. 22 April; and, *Raajje*. 2020. Covid-19: 6,000 more test kits brought to Maldives. 15 March.

⁸ Rae Munavvar. Team of Foreign Experts Arrive in Maldives to Assist with COVID19 Pandemic. *The Edition*. 19 March.

⁹ *Raajje*. Covid-19 Medical Workforce:78 Medical Students Join Workforce. 22 April.

Figure 19: Percentage of Local to Expatriates Health Personnel, 2018

Source: National Bureau of Statistics. 2019. *Statistical Yearbook of Maldives, 2019*. Malé.

Inadequate health facilities

The health facilities in the country are structured into health centers, atoll hospitals, regional, and tertiary hospitals. Basic health services are provided at health centers including emergency care and are manned by doctors and trained nurses. The atoll hospitals have additional services such as pregnancy and child birth services and X-ray services while regional hospitals have services such as surgery, physiotherapy, dental, dialysis, etc. The current government has initiated projects to decentralize health services in the country. Under this project, five hospitals within the atolls will be developed to the tertiary level. One of them, the Addu Equatorial Hospital (AEH) has already been upgraded and made an independent entity being governed by an executive board.¹⁰

The outbreak of COVID-19 created a demand for additional facilities such as testing, isolation, quarantine, and treatment centers across the country. When the very first COVID-19 cases in Maldives were reported on 7 March, from a 69-year-old Italian tourist followed by two employees of the resort, testing facilities were not available in the country. As a result, samples were sent to Pune, India for testing.¹¹ As the threat of the virus became serious and local transmission inevitable, the government needed to act quickly. In a short span of time, the government had procured testing equipment, trained personnel, and established PCR testing facilities in Indira Gandhi Memorial Hospital, Hulhumale Hospital, AEH, and Kulhudhuffushi Regional Hospital as well as forensic laboratory of Maldives Police Service. As of mid-November 2020, on average, over thousand samples are tested for COVID-19 in the country.¹²

¹⁰ PSM News. 2020. Two more hospitals to be upgraded to tertiary levels by February. 13 November.

¹¹ Steffy Thevar. 2020. To Fight Coronavirus, India gets requests from Maldives, Afghanistan and Iran. *Hindustan Times*. 10 March.

¹² PSM News. 2020. PCR testing to be made available at MFDA and Hulhumale' Hospital. 8 September.

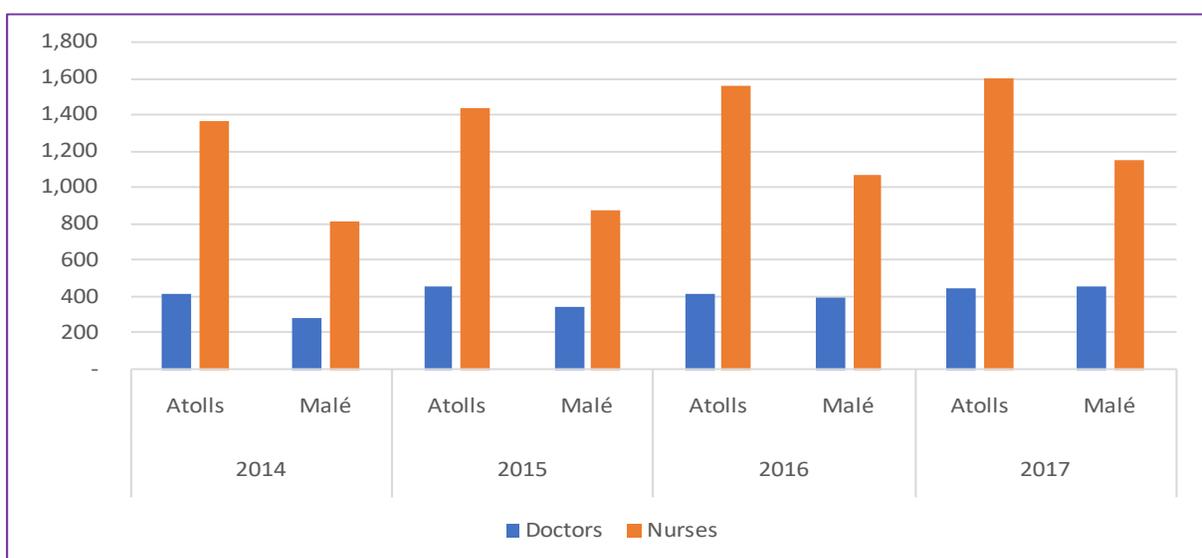
Handling of the COVID-19 pandemic

The State of National Health Emergency was declared in Maldives on 12 March 2020 for a period of 30 days but has been extended four times since then with an end date of 6 September 2020. The government formed a Ministerial Committee with members from all relevant sectors including National Disaster Management Authority, Health Protection Agency, and related agencies needed to address the national emergency. A National Emergency Operation Center (NEOC) was formed with a Technical Advisory Group consisting of medical professionals to advise the government on handling the pandemic. When the number of positive cases started to decline in June, the NEOC was downgraded to Health Emergency Operation Center.

With the country's unique remote geographic structure with limited treatment facilities for a pandemic such as COVID-19, isolation and quarantine became a challenge. At the start, the government converted the already vacant luxury resorts and hotels to isolation and quarantine facilities, where those who tested positive to COVID-19 completed their 14-day quarantine period before being cleared to go home.

Meanwhile, only patients needing hospitalization were moved to COVID-19 treatment facilities. Speed boats and seaplanes were mainly used to transport COVID-19 patients. The government also worked closely with private sector especially the private health care providers such as Tree Top Hospital and ADK Hospital to help in the response.

Figure 20: Distribution of Doctors and Nurses in the Capital and Atolls



Source: National Bureau of Statistics. *Statistical Yearbooks of Maldives 2014–2018*. Malé.

As more support poured in, the government in a span of 5 months had increased health care facilities across the country—seven regional locations to test for COVID-19 and five designated COVID-19 treatment facilities with ICUs and ventilators. The government also coordinated with and sought assistance from international agencies, donors, and private sector to acquire needed equipment for fighting the pandemic and adequate resources for the establishment of COVID-19 facilities. Overall, the government’s response has been appropriate and working. However, the situation has worsened starting in August with the daily cases at three-digit high and the 300-bed capacity established in the capital reaching its full capacity. This is likely due to easing of restrictions and border opening on July 15. The already limited number of health professionals are also overwhelmed with treating both COVID- and non-COVID patients. If the increase in the number of cases will not be slowed, Maldives healthcare system will be overburdened and might eventually lead to collapse.

Way Forward

The pandemic undeniably tested the country’s health capacity on many aspects but it likewise imparted lessons for Maldives on handling future health emergencies. While there is improvement in the infrastructure and regulatory environment, more needs to be done especially in increasing human resource capacity, retaining trained locals across the country to serve communities, and establishing pandemic-ready facilities. The pandemic also underscored the importance of partnerships with donors and private sector since they complement and bolster government’s response efforts. More importantly, the fight for COVID-19 can only be won when society works and cooperates with the government such as strictly adhering with the WHO and Health Protection Agency’s guidelines (e.g., using face masks, keeping adequate distance, frequent hand washing, and staying home).

Moving forward, the government should consider transforming the lessons learned into meaningful and comprehensive reforms to make Maldives health sector more responsive, efficient, and resilient especially in times of a pandemic.

B. Impact of COVID-19 on Tourism and Restarting Tourism in Maldives

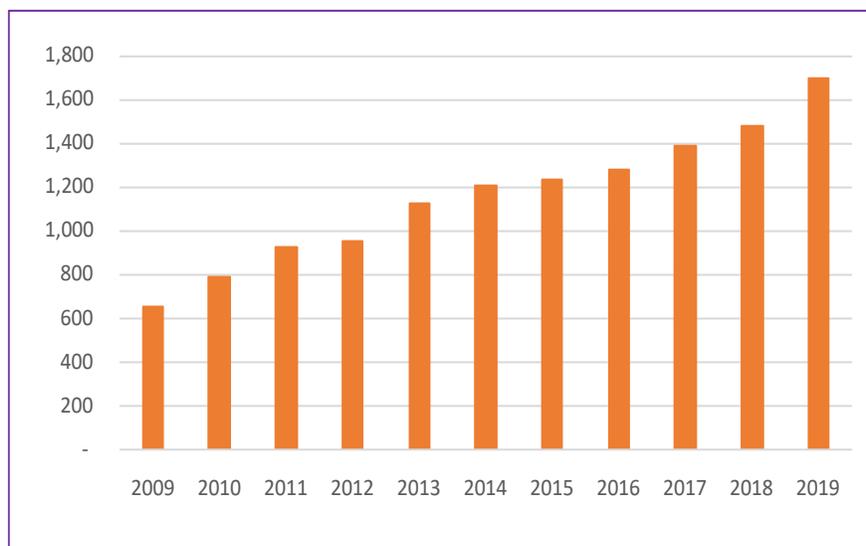
Introduction

Maldives has been known as an exclusive resort island destination since tourism was first introduced into the country in the early 1970s. The success of the Maldivian tourism industry largely driven on its unique tourism concept “one resort, one island” and by the end of February 2020, 155 such islands in different parts of the country operated as exclusive tourist resorts. Further, the introduction of affordable guesthouses in local islands also played a role to increase tourist arrivals in recent years as it has made it more affordable for many budget-conscious travellers. The industry has expanded rapidly over the last 5 decades.

Tourist Arrivals

The country received a record 1.7 million visitors in 2019 and according to official estimates, 8% growth was expected in tourism sector in 2020. The year 2020 started strongly with an increase in tourist arrivals by 14.4% in Jan 2020 YOY. However, arrivals declined by 11.1% in February with restrictive measures, and it further dropped by 63.4% in March.¹³

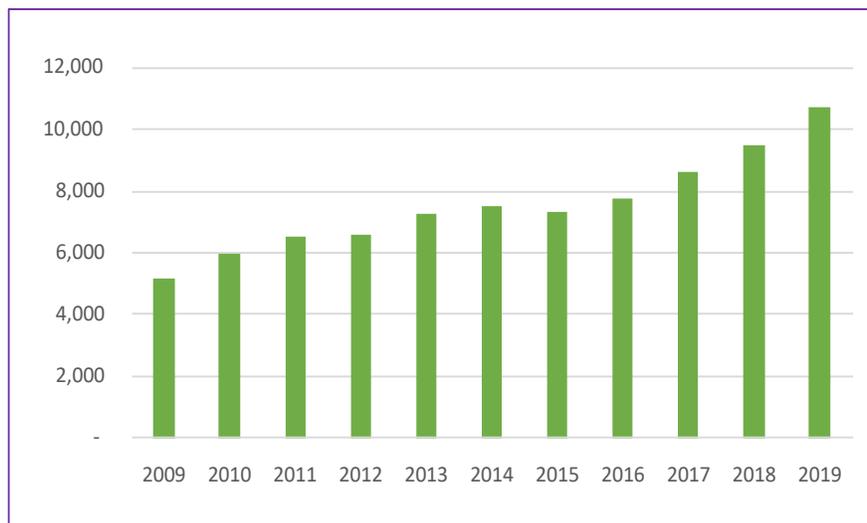
Figure 21: Tourist Arrivals (thousands)



Source: Maldives Monetary Authority. 2020. *July 2020 Monthly Statistics*. Malé.

The government declared a state of public health emergency on 12 March 2020, and on 17 March a nationwide shutdown of all guesthouses and city hotels. On 27 March, the country closed its borders in response to the global COVID-19 pandemic—there were no new tourist arrivals in the second quarter of 2020.

¹³ Maldives Monetary Authority. 2020. *July 2020 Monthly Statistics*. Malé.

Figure 22: Bed-nights (thousands)

Source: Maldives Monetary Authority. 2020. *July 2020 Monthly Statistics*. Malé.

Total tourist arrivals contracted by 55.6% in the H1 of 2020 YOY with guests from the PRC, the largest single source market, dropping by 75.8% and Europe by 44.9%. Bed-nights sold, a proxy for tourism earnings, plummeted by 49.6% in this period. As tourism is the single largest driver of growth, Maldives is among the worst hit countries due to COVID-19 pandemic (Figures 21 and 22).

Employment

Tourism is the biggest employment generator in the country, as it provides jobs to more than one-fifth of the 205,570 employed residents in the country based on 2014 Census. The “Rapid COVID-19 Livelihoods Assessment” conducted by the Ministry of Economic Development (MED) with support of the United Nations Development Program reveals deep, widespread, and cross-cutting impact on Maldives’ tourism sector. The findings also reveal that more than 45,000 employees in tourist resorts are directly affected from COVID-19, which includes approximately 22,000 Maldivians. Many people working for third-party service providers of the resorts are affected as well. As per the assessment, job losses were greatest among young employees who have worked for less than 2 years.

Table 5: Selected Economic Indicators

Indicators	2019	2020
GDP growth, H1	6.9	-27.1
Tourism growth, H1	15.1	-50.2
Tourist arrivals: Jan to Jun (in thousands)	863	386
Bed nights: Jan to Jun (in thousands)	5,439	2,740
Total revenues and grants: Jan to Jun (Rf million)	11,642.5	6,552
Overall deficit: Jan to Jun (Rf million)	932.9	5,979.5
Public and Publicly Guaranteed Debt as a % of GDP: Jan to Jun ^a	72.0	108.0
Usable reserves (\$ million)	276.0	152.6

GDP = gross domestic product, H = half year.

^a GDP figures are based on government's earlier revised 2019 nominal GDP estimate of Rf88.8 billion and 2020 nominal GDP forecast of Rf68.3 billion.

Sources: Maldives Monetary Authority and Ministry of Finance.

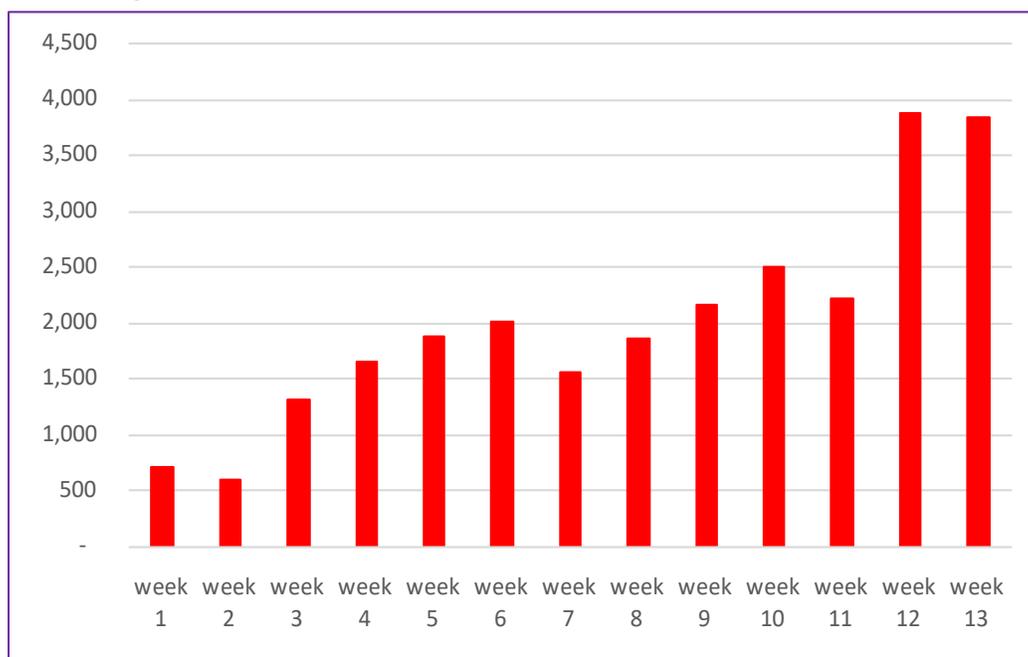
According to MED, roughly 52% of the complaints regarding employment and income lodged through its online portal by 20 April came from resort workers. It also reports that 93% of them are male while 7% are female.

The assessment further indicates that 16% of employees were terminated while 84% were retained with reduced pay. Among the employees retained, most of them have lost their incomes completely or partly as they were put on either no-pay or reduced pay for the period between April–June 2020. Even with employees who were retained up to June 2020, there is a potential risk of losing their jobs if resorts delay their reopening plans and opt for minimal operations given the slow recovery. This is likely to have a major impact on the income of households and families.

Restarting Tourism

At the end of June 2020, the government introduced a guideline for restarting tourism in the Maldives. There are strict restrictions on the guideline to make tourists' stay safe. The government has made it mandatory for all tourists and short-term visitors to present a negative polymerase chain reaction (PCR) certificate on arrival effective 10 September. Further, they are required to test for COVID-19 before departing from Maldives, depending on their home country requirements. The first South Asian air bubble has been established between Maldives and India. Initially, guesthouses were closed, tourists could have stayed in tourist resorts, safari vessels, and liveboards. Guesthouses have reopened in mid-October 2020 under strict guidelines.

Figure 23: Weekly Tourist Arrivals Since 15 July 2020–13 October 2020



Source: Maldives Immigration website <https://immigration.gov.mv/statistics/>

Maldives reopened its borders on 15 July 2020 and a total of 27,217 tourists visited the country (Figure 23). The highest number of tourists arrived from Russia (4,842), the United Arab Emirates (3,255), and the United States (2,454). With weak global demand and ongoing local transmission of the COVID-19 in the country, recovery is likely to be slow. 110 resorts, 5 hotels, 119 safari vessels, and 29 guesthouses have been given permission to resume operation by the end of October. Currently, few airlines operate scheduled flights to the country, and many are not expected to start until October 2020, thus a significant fall in tourist arrivals in 2020 is foreseen.

Outlook

Given the weak arrival numbers in the first 2 months since reopening borders, the government has downgraded its earlier projection from additional 460,000 to 76,000 visitors for the last 2 quarters. Tourist arrival numbers have slowly started to pick up from October with the resumption of more scheduled flights albeit slower than earlier projection. However, the recent lockdown measures in major European markets will likewise drag down tourism recovery from the last quarter of 2020 onwards. Consequently, tourist arrivals are projected to dip further by 75% in 2020. The negative impact on tourism is expected to bring significant contraction in GDP growth and a decline in government revenue.

The International Air Transport Association (IATA) reports that passenger numbers may not recover to the 2019 level until 2024,¹⁴ and the recovery of tourism is expected to be slow in Maldives, too. However, Maldives' "one resort, one island" tourism model may provide an edge over competing destinations due to ingrained social distancing and health safeguards in the medium term. But that largely depends on how soon the country can contain and control the local transmission of the virus. Moreover, an effective marketing campaign, a comprehensive recovery plan, and a clear communication strategy with both local and international stakeholders are critical to reviving the industry under the "new normal."

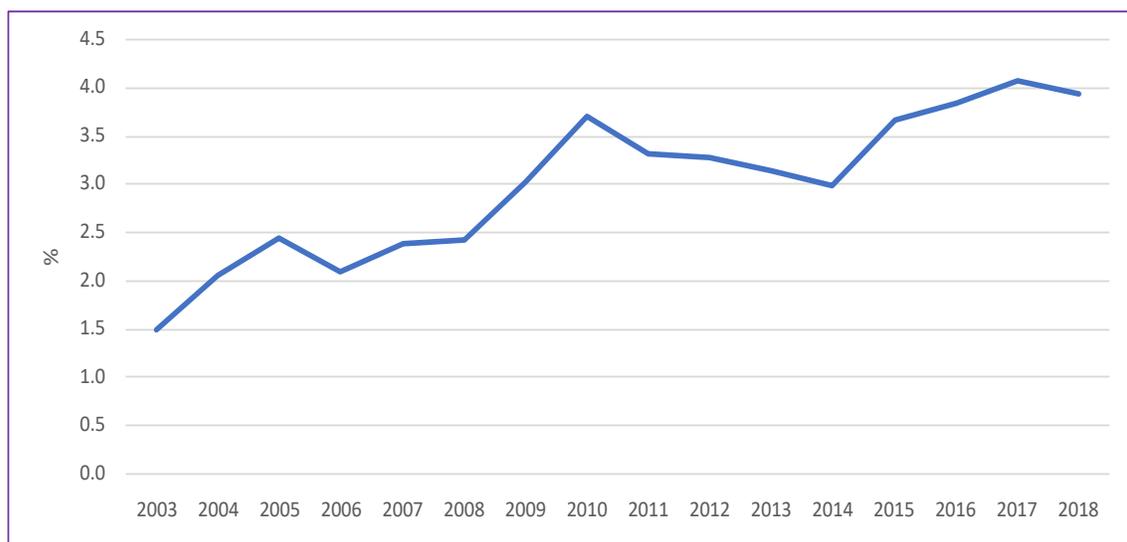
¹⁴ IATA. 2020. Recovery Delayed as International Travel Remains Locked Down. Press Release No 63. 28 July.

C. An Assessment of Information and Communication Technology Sector in Maldives

Introduction

Information and communication technology (ICT) is broadly recognized as a potential powerful tool for developing countries to accelerate economic growth, improve human welfare, and foster good governance practices. For atoll nations, like Maldives, which are challenged by their unique dispersed geography, ICT can help people to access basic services regardless of their location and unleash the economy's potential by enabling businesses to perform efficiently. Meanwhile, the ICT sector in Maldives is not fully developed yet but the government acknowledges its importance and identifies the sector as a priority policy area in its current 5-year strategic plan.¹⁵ This report examines the current status of the ICT sector in Maldives, looking at challenges and opportunities for future development.

Figure 24: Postal and Telecommunications Share to Gross Domestic Product



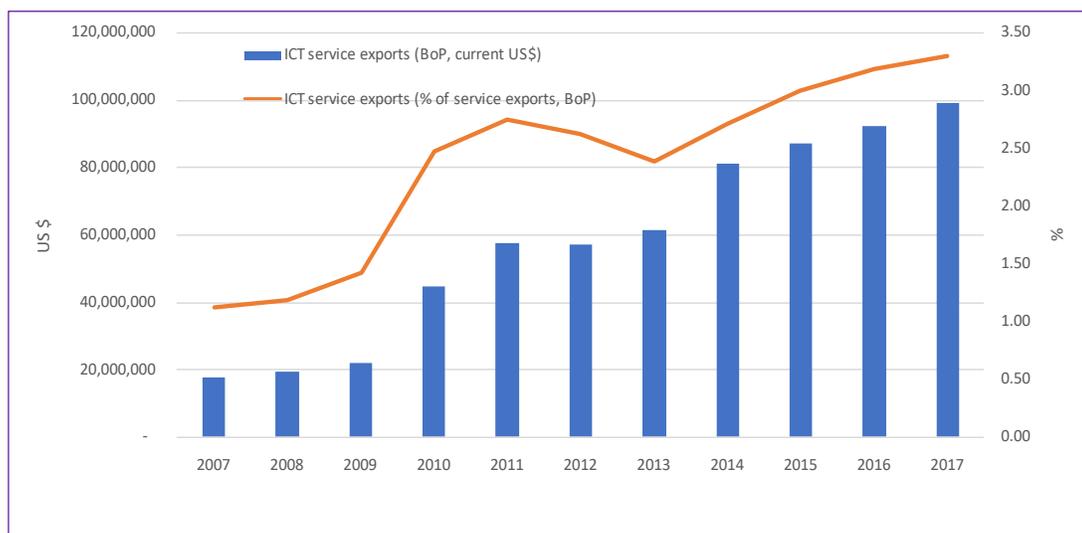
Source: National Bureau of Statistics.

¹⁵ Government of Maldives. 2019. *Strategic Action Plan 2019–2023*. Malé.

Information and Communication Technology Sector in Maldives

Sector Overview. The ICT sector in Maldives is currently small compared to sectors like tourism and fisheries. In 2018, it accounted for less than 4% of real GDP, including postal services. Despite this, the sector has been growing at a modest and gradual rate in terms of export potential over the past 15 years.¹⁶ In 2017, the value of ICT service exports amounted to almost \$100 million, representing more than 3% of total export of services.¹⁷ While this is similar to the percentage of GDP for the fisheries sector, far fewer Maldivians are employed in the ICT sector. In 2014, they represented only 1.6% of the workforce (2,436 individuals), compared to 11.3% (16,481 individuals) in agriculture, forestry, and fishing.¹⁸

Figure 25: Value and Percentage Share of Information and Communication Technology Service Exports to Balance of Payment



BoP = balance of payment, ICT = information and communication technology.
Source: World Bank.

In terms of the level of ICT development, the results of the ICT Development Index (IDI) values and rankings for 2017 suggest that Maldives still has much more to do. In 2017, Maldives ranked 85th worldwide (from a list of 176 countries) and 13th at regional level (among 34 countries of Asia and the Pacific).

Among the sub-indices, Maldives had the worst performance in ICT skills—ranking 128th in the world.¹⁹ Interestingly, the usage of smartphones and technology in general is high in Maldives. People are rather

¹⁶ National Bureau of Statistics, Ministry of National Planning, Housing and Infrastructure. 2019. *GDP Outlook – 2019*. Malé.

¹⁷ ICT service exports include computer and communication services (telecommunications and postal and courier services) and information services (computer data and news-related service transactions).

¹⁸ National Bureau of Statistics, Ministry of National Planning, Housing and Infrastructure. 2014. *Census 2014- statistical Release IV: Employment*. Malé.

¹⁹ International Telecommunication Union. 2017. *Measuring the Information Society Report 2017*. Geneva. Last report which disclosed IDI value was the 2017 version.

digital savvy and use their smartphones (often they have two) for all areas in their daily work and life. Meanwhile, the cost of mobile internet in Maldives remains relatively expensive, with the average price for 1 gigabyte (GB) the 5th highest among the countries in the region.²⁰

Players in the ICT Market. In Maldives, two largest telecom providers, Dhiraagu and Ooredoo, offer a range of wireless and broadband connections for private and business customers.²¹ The two telecom providers cover almost 100% of the country with a 3G mobile network and widely-available 4G. Aside from the telecom providers, few large firms are in other stages of value chain of the market, and each actor only plays a minor role. As a case in point, there are many small or medium-sized but capable players in electronic retail and IT solutions; some of them are dedicated to serve specific needs of the tourism sector. Unfortunately, Maldivian companies often show a lack of trust in the abilities of local ICT actors and as a result, depends on international service providers instead.

ICT Skills and Education. There is a general lack of availability of qualified local ICT experts in Maldives. As a consequence, there is a high dependency on foreign ICT experts and developers. People working in the ICT sector are predominantly male, so there is also a significant gender gap.²² ICT education is also challenging in the current education system. There is a shortage of teachers with ICT knowledge and government schools are also lacking in terms of integrating ICT into the curriculum and STEM (science, technology, engineering, and mathematics) education. While the Ministry of Higher Education places an emphasis on developing and providing several ICT programs as part of the higher education curriculum, they are not highly specialized enough for the current needs of local and international companies.

Geographical Challenge. The development of the ICT infrastructure is complicated and sometimes expensive, given Maldives' highly dispersed islands, often with low population density. This also leads to existing inequalities in internet coverage and subsequently, a high concentration of businesses and workers in and around the capital of the country.

Expensive Internet Connection. Broadband access is very expensive in Maldives. This leads to very unfavorable conditions for digital businesses and prevents the usage of cloud services and other technologies. Technical infrastructure are generally lacking in some islands, making it expensive or unfeasible to operate digital businesses from there. For most citizens, mobile access is the only feasible option to access the internet. While the mobile coverage is quite good throughout the country, access costs are rather high compared to other countries in the region.

²⁰ International Telecommunication Union. 2018. *Measuring the Information Society Report 2018*. Geneva.

²¹ Aside from Dhiraagu and Ooredoo, Raajjé Online also plays as an internet service provider in the market.

²² According to ISDB's GVC report, it is found that the percentage of female employees within the ICT staff is below 25% in interviewed organizations.

Table 6: Fixed Broadband Prices in South Asia, 2017

Economy	Residential monthly subscription		Speed in Mbit/s	Cap (GB)	ISP
	\$	PPP\$			
Bangladesh	4.3	10.8	0.25	Unlimited	Bangladesh Telecommunications Company Limited
Bhutan	8.0	23.5	2	8	Bhutan Telecom Ltd.
India	6.8	22.1	2	1.5	Bharat Sanchar Nigam Limited (BSNL)
Maldives	20	25.8	4	Unlimited	Dhiraagu
Nepal	2.9	8.2	1	15	Nepal Doorsanchar Company Limited
Sri Lanka	3.9	11.8	4	4	Sri Lanka Telecom

GB = gigabyte, ISP = internet service provider, Mbit = megabit, PPP = purchasing power parity.
Source: International Telecommunication Union.

Opportunities

ICT Sector as a Government's Priority. The Government of Maldives has identified the ICT sector as a priority for future development in its Strategic Action Plan 2019-2023. There are several projects on the development of ICT infrastructure and the modernization of government services (e-governance). There are also ambitious plans on policies and regulation to modernize ICT sector. The government assigned a chief technology officer in the President's Office in 2019 to expedite the implementation of prioritized ICT projects.

Smart City Development in Hulhumalé. Hulhumalé is set to become a very important part of the development of the ICT sector in Maldives, with the planned use of fiber optic gigabit passive optical networks for internet, the upcoming development of a tech park for businesses, and an adjacent knowledge park for academic institutions. It is expected that ICT start-ups, currently residing in Malé, will move to office spaces in Hulhumalé tech park and create a tech cluster.

Increased Demand of ICT Application in COVID-19 Situation. Given the COVID-19 pandemic in 2020, necessity of ICT application to sectors like healthcare and education has increased to deliver required service regardless of geography. The situation also increases the demand for remote working using ICT solutions outside Greater Malé region and the government also acknowledges the importance of automation of public services. Under the current situation, the government envisages to promote more automation of government services such as registration and documentation and to shift to digital-government.

Conclusion

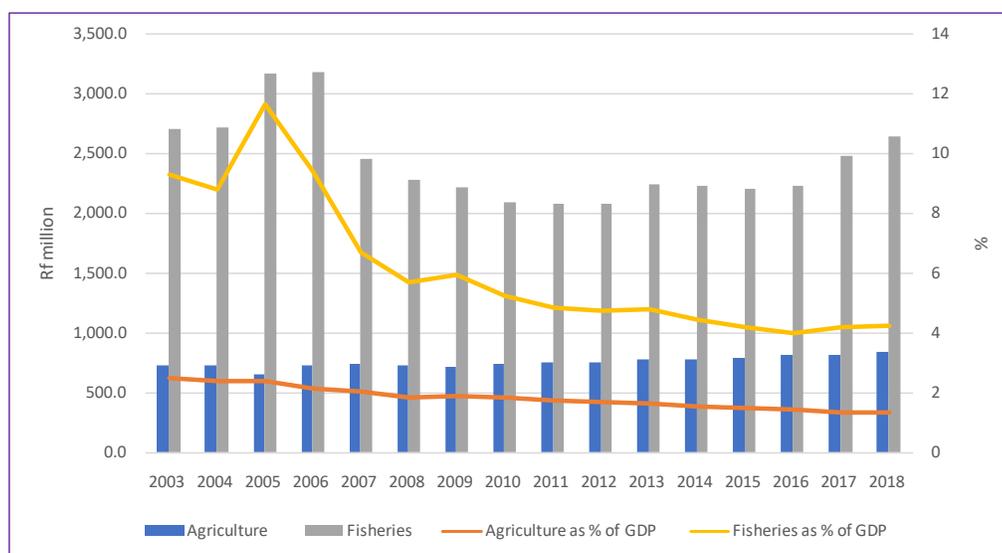
The increased demand for digital solutions during the COVID-19 outbreak, both as part of health response and keeping the businesses and economy running, only underscores why ICT is a significant part of the country's economic backbone and hence should be relentlessly developed in Maldives. A modernized ICT sector leads to innovation and efficiency which also has positive spillover to other sectors such as tourism and fisheries. Admittedly, ICT in Maldives is still at its nascent stage and the sector is beset by a number of challenges—regulatory, unique geography, inadequate hard and soft infrastructure, etc.,—which must be addressed in a timely and strategic fashion. The high priority given by the current government is a good start and a welcome development, but this must be coupled with careful planning, swift and real action, and consistency in implementation.

D. Agriculture in Maldives: Challenges and Potentials

The contributions of the agriculture sector and fishery sector to GDP have been declining (agriculture 1.3% and fishery 4.2% of GDP as of 2018). However, the primary sector remains vital to the economy not only from a livelihood and employment perspective but also from the perspective of its potential to meet the increasing domestic and external demand. Of the two sectors, fishery has been given higher priority being the chief source of export products and larger contributor to employment. Since 2013, however, agriculture has been gaining some attention, in terms of growth and stability in production.²³ The production of the fishery sector has decreased in value and shown some volatility, whereas the value of agriculture production has been steadily increasing from 2003 to 2018 (Figure 26). Moreover, while the number of fishers is on a downturn trend since 2013, the number of farmers, after it dropped from 2013 to 2014, has been stable (Figure 27). The land utilized for agricultural activities has been increasing, but there still land available for expansion since the land that is potentially cultivable in the country is estimated to be 2,781 hectares.

The agriculture sector produces both food and vital non-food items such as timber, cordage, traditional medicines, and firewood in Maldives. In many inhabited islands, field crops, such as sweet potato, taro, cassava, chili, watermelon, papaya, eggplant, green leafy vegetables, cabbage, gourd, and pumpkin are produced all year round. Seasonal crops such as mango, breadfruit, and drumstick fetch good prices in the market and contribute to the farmers' income.²⁴

Figure 26: Primary Sector Production, 2003–2018



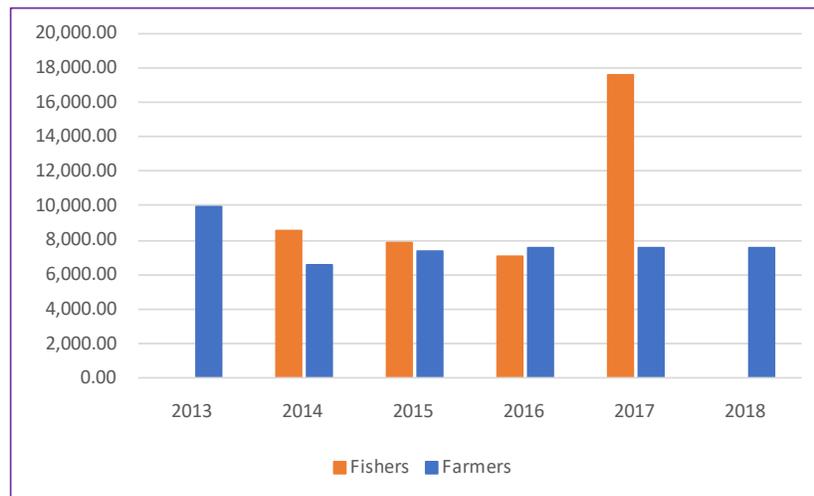
GDP = gross domestic product.

Source: National Bureau of Statistics. 2019. *Statistical Yearbook of Maldives, 2019*. Malé.

²³ National Bureau of Statistics. 2018. *GDP Outlook – 2019*. Malé; National Bureau of Statistics. 2019. *Statistical Yearbook 2019*. Malé.

²⁴ FAO. 2012. *Maldives Country Programming Framework, 2013–2017*. Colombo.

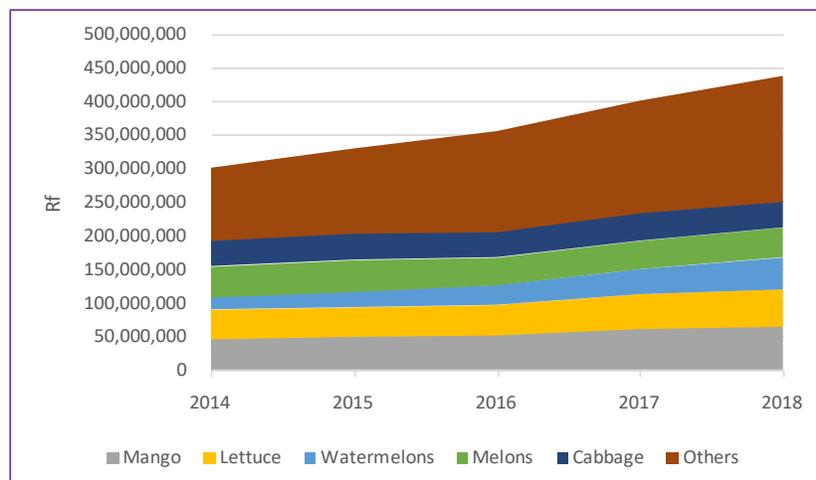
Figure 27: Labor Force in Primary Sector, 2013-2018



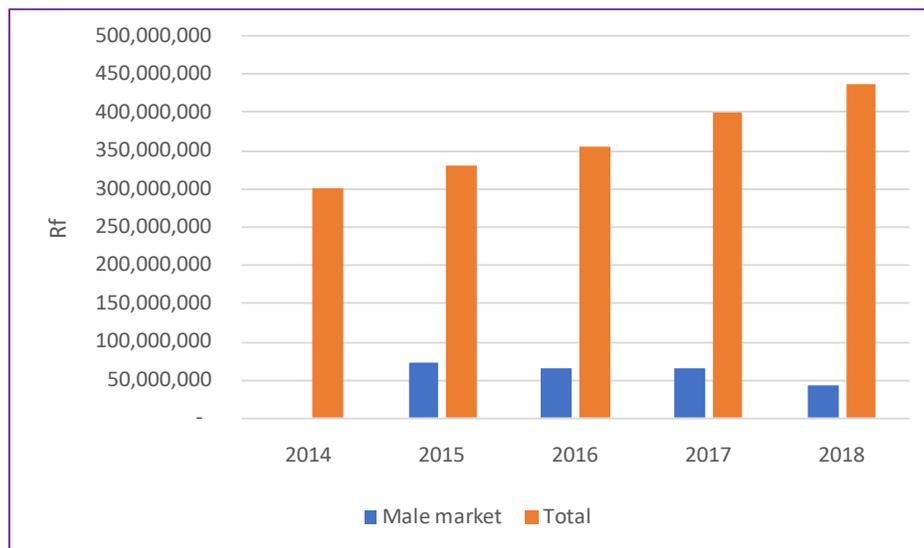
Source: National Bureau of Statistics. 2019. *Statistical Yearbook of Maldives, 2019*. Malé.

Increasing local demand for agricultural products, but largely unmet. The domestic demand for agricultural products has been increasing significantly, however, the sector has not been able to meet these demands. For example, the imports of fresh agricultural products have been increasing by 45% in value from 2014 to 2018, almost across the board but more especially for some vegetables, such as cabbage, lettuce, and snake gourd which have grown dramatically (Figure 28). Interestingly, when we compare the value of the import of fresh vegetables and fruits with the value of agricultural products traded in Malé market, a huge gap exists (Figure 29). This indicates that the large amount of demand for those fresh produce imports, which has been increasing, come from outside of Malé. While there is no data on their destination, it is highly likely that the tourism sector is driving the increase in the demand for agricultural products—a trend that will continue in the future although the COVID-19-induced demand shock has been affecting the tourism sector this year and maybe till the midterm.

Figure 28: Imports of Fresh Food, 2014-2018



Source: National Bureau of Statistics. 2019. *Statistical Yearbook of Maldives, 2019*. Malé.

Figure 29: Value of Imports and Malé Market, 2014–2018

Source: National Bureau of Statistics. 2019. *Statistical Yearbook of Maldives, 2019*. Malé.

Expanding agricultural production hampered by lack of technical skills, capital, and investments and proper land utilization. As mentioned, Maldives still has excess factors of production, labor, and cultivable land. However, the longer-term prospects for sustainable agriculture in Maldives is challenged by the scale of operation, labor with appropriate technical skills, capital, and investment. Although arable terrain is still available, issues of appropriate land allocation, utilization, and land tenure systems in both inhabited and uninhabited islands are still bottleneck. To resolve those issues, the government has established a state-owned enterprise, Agro National Corporation Pvt Ltd. in 2020. The corporation aims to expedite an efficient supply chain for local agricultural products that will enable farmers to collect a fair price for their produce by purchasing locally produced fruits and vegetables from farmers and resell the produce to wholesale buyers. In the intermediate-term, the corporation aims to work towards an import substitution policy that will reduce imports of certain locally produced crops by 50%. In the long-run, the corporation aims to pursue strategies for food security and self-sufficiency that boosts local production, facilitates value-addition in the agriculture sector, and explore overseas markets for local agricultural exports.²⁵

²⁵ Agro National Corporation. <https://agronational.mv/>.

Private sector participation is limited. Private sector participation in the agriculture sector is still limited.²⁶ However, the private sector has played an important role as a major supplier of agricultural inputs in the country and made some investments in commercial farming. The private sector has opportunities to enter into agribusiness when it finds it financially attractive. The challenge lies in ensuring this attractiveness. At the moment, the prices of imported fresh and processed products are lower than domestically produced ones, and this has posed as a major disincentive for entrepreneurs to enter into agribusiness. Efforts need to be made in increasing farm productivity and lowering production costs by modernizing the industry and facilities that will expand the production frontier of the Maldivian agriculture. One of the options is to introduce the container plant factory. In Okinawa, Japan, the people started to cultivate some agricultural products using vacant containers. The temperature and humidity inside the containers are maintained by computer at the suitable level and its electricity is supplied by photovoltaic panels attached to the container. This system is not affected by the weather and is very easy to transfer. Introducing this new technology is likely to make domestic agricultural products more competitive and pave the way for expanding opportunities for agribusinesses. The government is also working ways to engage the youth into the sector such as providing loan facilities through a loan program “Dhan’duveri Nafaa” under SME Development Finance Corporation. To protect the domestic farmers and foster the sector, the government is also planning to put forth taxes to certain imported agriculture products in the near future.

²⁶ Food and Agriculture Organization of the United Nations. 2012. *Maldives Country Programming Framework, 2013–2017*. Colombo

E. Reform of State-Owned Enterprises in Maldives

State-owned enterprises (SOEs) are usually set up by the government to undertake significant commercial activities that are not catered for by the private sector, or fall in areas of natural monopoly. Concerns of the limited capacity of the private sector, possibilities of private monopolies in the small domestic markets, and scale economies led to the creation of many SOEs in Maldives.

SOEs in Maldives are an important part of the Maldivian economy and among the largest commercial entities.²⁷ There are 34 SOEs in Maldives in 2019 and many of them create significant value to the economy, with the sum of operating profits and wages and salaries of 23 SOEs amounting to 11.2% of GDP in 2017.

It has been known that public ownership can lead to weak incentives for efficiency and SOEs are often subject to political pressures to overstaff and act on political purposes. As a result, SOEs' commercial returns and operational efficiency are often compromised. SOE reform endeavors to impose commercial discipline on SOEs and has been central to broader economic restructuring programs throughout the world.

SOE reform in Maldives has progressed since the early 2000s. Some SOEs have been commercialized and corporatized. Five major SOEs have been listed in the Maldives Stock Exchange since 2004 and one listed its bonds in the same stock exchange in 2013. Public listing has to some extent improved transparency and corporate governance. SOEs had proliferated over time, despite the government dissolved 16 SOEs in 2016, one in 2017, and two in 2018.

In recent years, the government has focused on improving the structure, monitoring, and performance of SOEs. In 2013, the government established the Privatization and Corporatization Board (PCB), a centralized entity to primarily focus on privatization and corporatization of SOEs. Subsequently, its monitoring and oversight role has grown. The PCB has initiated the preparation of performance results agreements for 17 fully-owned SOEs, 13 of which have prepared draft agreements in 2016. SOEs now provide quarterly reports and an aggregated annual report to Parliament. Yet, the current PCB Act does not give full authority or capacity to the PCB for its additional SOE oversight roles.

²⁷ ADB. 2019. *Maldives Economic Update 2019—State Owned Enterprises in Maldives*. Manila.

The government also released the Code of Corporate Governance of SOEs (the Code) in May 2019. Under the Code, the PCB has instituted an annual performance discussion with each SOE. The Code stipulates that the Ministry of Finance and the PCB and officials should institute an effective system for reviewing strategic objectives, corporate plan, the annual plan, and budget of the SOE.

While the government has a strategic plan for SOEs and for their role in the development of Maldives, reforming SOEs may need an ‘ownership policy’ for SOEs. The ownership policy includes a statement of the rationale and strict criteria for the establishment and dissolution of a state enterprise, an explanation of how the government intends to exercise its rights as an owner and through which entity it will exercise these rights, and a high-level statement of its expectations of SOEs. The state ownership policy also establishes processes whereby government strategy and public service obligations are aligned with SOE commercial activities and performance requirements. Experience shows that the ownership policy has helped achieve both accountability and transparency of SOEs in many countries.

To further reform SOEs in Maldives, it would be good that the government develops, approves and publishes an ownership policy. The Code issued by the PCB does include a chapter regarding the role of government as owner. This may be a starting point for the ownership policy. The Code does recognize the conflicted position of the government as both regulator and shareholder, and an urgent need to separate the role of the government as owner and its role as regulator and administrator. The ownership policy may help the PCB to fulfil strong oversight role it lacks now.

Multilateral organizations have supported SOE reform in Maldives in recent years. ADB provided technical assistance to restructure and privatize SOEs in 2006 which was completed in 2012. The government also requested World Bank support to assess and advise on the SOE corporate governance reforms initiated in 2013. Since 2014, the World Bank has funded a public finance project with a component on SOE reform. In 2017, at the request of the government, the International Monetary Fund conducted a Public Investment Management Assessment, which involves many aspects of SOE reform. Recently, Maldives government requested ADB to provide technical assistance on SOE reform.

COVID-19 and the resulted economic crisis have put further strain on SOEs. With the initial lockdown starting in April, SOE revenues have plummeted as economic activity came to a standstill. The government announced a 20% cut in salaries of senior heads of SOEs with several measures announced subsequently on cutting their costs and investment. With the economy expected to suffer a large contraction in 2020 and debt levels soaring, SOEs need to be reformed to increase their efficiency and contributions to the economy.

F. Maldives' Rising Burden of Noncommunicable Diseases

The Maldives, located in the Arabian Sea of the Indian Ocean, is an archipelago comprising of 1,190 islands. The country's estimated population is around 530,000 (including both resident local and foreign) with as many as 137,000 living in the central capital region of Malé. The Maldivian population is currently young, with as much as 47% of the population (approximately 160,000) in the 15–39-year old age group. Maldives is currently reaping the benefits of its demographic dividend. Maldives reports excellent health indices compared to its South Asian neighbors, comparator countries, and outperforms or equals to rates like more developed nations.

Health status

Overall, the health status of mothers and children related to maternal and child health and nutrition is excellent with significant improvements in health outcomes and services related to antenatal, infant, and childcare. But a significant exception to these achievements is the decreasing trend of contraceptive use to very low levels in the recent years.

The initiatives taken by the Maldives for the communicable disease prevention and control included the introduction of a comprehensively covered immunization program and prevention and control measures for vector control. These initiatives have resulted in exceptional achievement of elimination of malaria, filaria, and near elimination levels in leprosy and vaccine preventable diseases like polio, measles, rubella, tetanus, diphtheria, and pertussis. However, communicable diseases like dengue, tuberculosis, diarrhea, and lower respiratory tract infection, continue to be prevalent in the country.

The Maldivian adolescents' health-related risk behaviors are concerning. The mental health stress levels are high, with as more than 12% of adolescent school children in the ages of 13–17 years attempted suicide. In addition, as many as 20% are underweight and 16% are overweight, indicating the urgent need for nutrition-related interventions in adolescents and children.

The health status of adults especially related to noncommunicable diseases (NCDs) and the associated risk factors is high with as many as 35% of young adult men (15–49 years) and 50% of young adult women (15–49 years) across the country overweight (body mass index ≥ 25) (Table 7). The NCD burden usually increases with the older population, but Maldives is seeing an increasing burden of NCDs and the associated risk factors while its population is still young. Other measures of behavioral risk factors such as smoking prevalence, dietary habits, and physical activity are also concerning. In addition, there is also an unmet need of treatment for some selected NCDs like hypertension and diabetes in the Malé region indicating that gaps in service delivery exists even in the better resourced central capital region of Malé.

Table 7: Adult Health Status and Risk Factor Prevalence

Nutrition	
% of adults who are overweight (BMI \geq 25)	
Men (Malé region)	36.7%
Women (Malé region)	45.6%
Men (National)	35.0%
Women (National)	49.3%
% of adults who are obese (BMI \geq 30)	
Men (Malé region)	10.6%
Women (Malé region)	19.5%
Behavioral	
Prevalence of current smokers	
Men (National)	42.4%
Women (National)	2.7%
% of population who ate less than 5 portions of fruits and vegetables per day	
Men (Malé region)	92.6%
Women (Malé region)	94.6%
% of adults who do not meet the recommended physical activity levels	45.9%
Men (Male' region)	39.1%
Women (Male' region)	52.4%

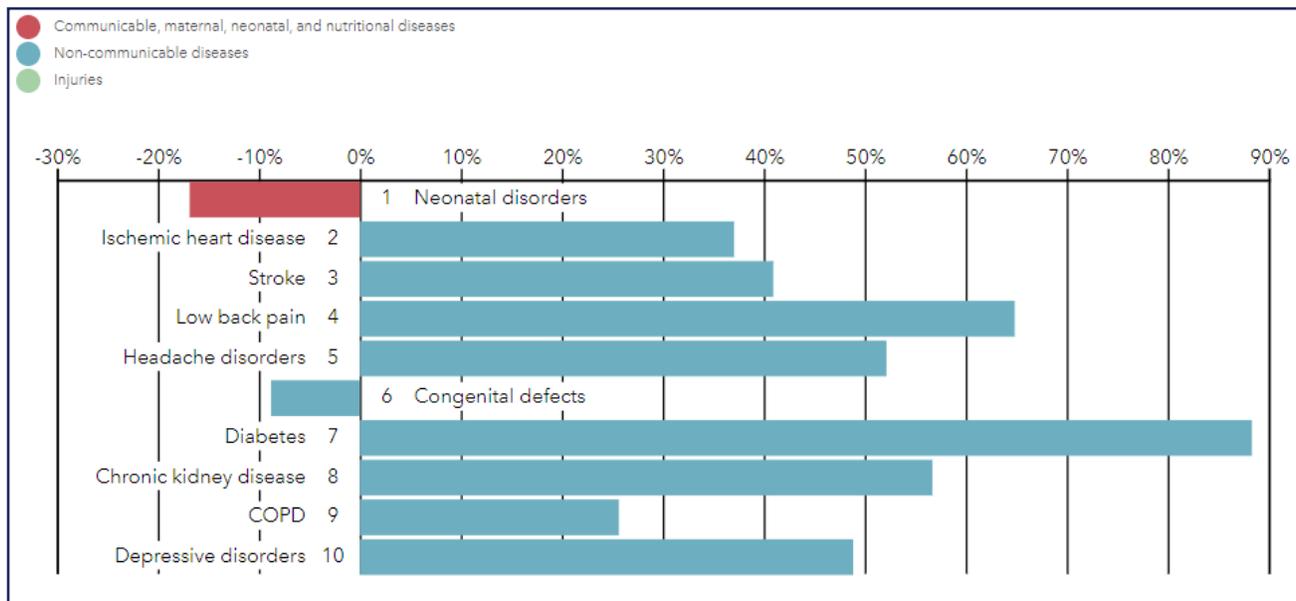
NCDs	
Prevalence of raised blood pressure (SBP \geq 140 mmHg and/or DBP \geq 90 mmHg or currently on medication for raised blood pressure)	16.6%
Men (Malé region)	19.0%
Women (Malé region)	14.3%
% of raised blood pressure NOT on treatment	83.0%
Prevalence of diabetes	8.5%
Men (National)	8.7%
Women (National)	8.3%

BMI = body mass index, DBP = diastolic blood pressure, mmHG = millimeters of mercury, SBP = systolic blood pressure.

Sources: Maldives Demographic and Health Survey 2016 at <https://dhsprogram.com/publications/publication-fr349-dhs-final-reports.cfm>; STEPS Survey Maldives 2011 at <https://apps.who.int/iris/bitstream/handle/10665/206135/B5064.pdf>; WHO, Maldives 2016 at https://www.who.int/diabetes/country-profiles/mdv_en.pdf.

Maldives is currently going through an epidemiological transition with the reduction of communicable diseases burden and an increasing NCD burden. In 2017, NCDs make up around 79% of the total disease burden (deaths and disability) whereas communicable diseases and injuries make up 13% and 8%, respectively. In 2016, of all deaths reported in the Maldives (nearly 1,300 persons), as much as 84% were due to NCDs and among them 16% of the deaths are premature deaths (deaths occurring between the age of 30 years and 70 years). Figure 30 shows the leading causes of disease burden in the Maldives are ischemic heart disease, stroke, chronic obstructive pulmonary disease, and diabetes which continued to increase between 2007 and 2017 (with the exception of neonatal disorders which decreased by over one-third).

Maldives is already reaping the benefits of the demographic dividend. The working age population is the highest proportion of the population. During this transition, the government was able to expand its tourism sector and Maldives was able to grow its economy by as much as 7% annually. This resulted in an increase of per capita income from \$270 in the 1970s to nearly \$10,000 today. However, the window of opportunity for reaping the demographic dividend is limited. With the right mix of investments and social policies before it is too late, it is possible to generate sustainable, inclusive, and equitable social and economic growth.

Figure 30: What Causes the Most Death and Disability Combined?

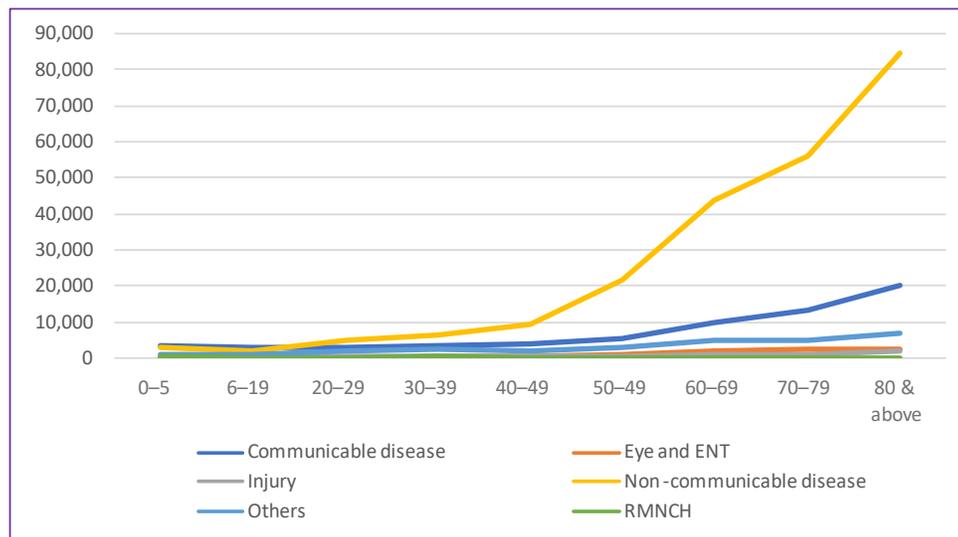
COPD = chronic obstructive pulmonary disease.

Source: Top 10 causes of disability-adjusted life years (DALYs) in 2017 and percent change between 2007–2017, all ages. Maldives Country Profile. 2017. Institute of Health Metrics and Evaluation. <http://www.healthdata.org/maldives>.

High government health expenditures may not be sustainable. Most of the curative care health expenditures are incurred on older people for NCDs (Figure 31). But the health system does not adequately spend on NCD risk factor prevention and other preventive health interventions. The investments on expanding and establishing systems to provide prevention services to facilitate adoption of healthy lifestyle among adolescents, young people, and adults will need to expand to delay the onset of NCDs and to reduce health expenditures in the Maldives.

Adult NCDs and associated risk factors should be addressed. Reforms are necessary to expand the service package, improve access, and increase utilization of preventive primary care level services to curtail the increase in NCD burden. Comprehensive risk factor prevention initiatives need to be implemented country wide and with a special focus in the urban central Malé region to reduce the overweight and obese levels in the community. Maldives introduced taxation of sugar sweetened beverages from 2017 and taxation on tobacco products. But further efforts are needed to implement policy level initiatives to introduce taxes and levies on tobacco use, processed meats, and other ultra-processed food importation. In addition, incentives and rebates for increasing the availability and accessibility of vegetables and fruits should be provided.

Figure 31: Health Care Consumption by Age Group and Type of Disease Group (in Rf)



ENT = ear, nose, and throat; NCDs = noncommunicable diseases, RMNCH = reproductive, maternal, neonatal, and child health.

Source: The Maldives National Health Accounts 2015–2017.

Re-prioritization of primary health care (PHC) services will be pivotal. Maldives rightly focused its attention on establishing and expanding PHC services across all islands and atolls with secondary care facilities in atolls and regions and tertiary care facilities in Malé. This tiered institutional structure was instrumental in ensuring health services to mothers and children for antenatal and childcare, for immunization of children for the control of vaccine preventable diseases, and for carrying out community initiatives for the control of communicable diseases like malaria in a cost-effective and equitable manner. At present, the most cost-effective and efficient option to address the burgeoning NCD burden will be to reprioritize primary health care and expand preventive services.

Primary health care facilities need to be reorganized and equipped. As NCDs require long-term continuum of care and as these diseases cannot be treated like an episode of acute illness, the institutional structures at the PHC level needs to change. This includes changes in capacity of the human resources, type of drugs that are available, type of laboratory testing facilities that is required, type of essential equipment that is needed to adapt to prevention, promotion and early detection and management of uncomplicated NCDs at the local community level. Managing NCDs also requires better data management and sharing so that care providers are informed of past illness episodes. It is necessary to carry out a review of the infrastructure, service gap analysis in the PHC facilities to identify the existing gaps in service, data management, infrastructure, and human resources. Thereafter, a service delivery mechanism at PHC level need to be developed to continue to provide antenatal care, child care, and nutrition care, while expanding to the NCD risk factor prevention, NCD early detection, and NCD care needs of the adults and the elderly in the community.

Increasing primary health care providers is essential. Initiatives will be necessary to (i) reemphasize the importance of the role of PHC workers (e.g., community health workers and other PHC staff categories), (ii) expand the training opportunities available to train these categories of staff, and (iii) ensure that PHC staff are provided with sufficient facilities required to retain staff at PHC posts especially in atolls.

Retraining and retooling of PHC staff on NCD care will ensure better health outcomes. In the recent years, the increase in human resources has been mainly to hospital levels while the number of community health workers increased only minimally. Therefore, a complete human resource capacity assessment and a functional task analysis will need to be carried out at the PHC level for island PHC facilities and separately for urban DhamanaVeshi primary healthcare centers. Based on this, cadres for additional staffing categories may need to be created and trained.

Increasing the proportion of national human resources for health will enhance quality of care. The most recent reported data (as of January 2020) from the Ministry of Health indicates that the expatriate staff as a proportion of all health staff have reduced to 23.5%. But, among doctors, 73.7% of general doctors and 67.8% of specialist doctors are expatriates. Among nurses and allied health professionals, 45.4% and 50.9%, respectively, are expatriates. All the community health workers and family health workers are local staff. In the longer term, there is a need to expand training facilities for all required levels, ensure employment for the trained graduates to the health system, and devise ways of attracting trainees for health sector jobs. Given these issues, Maldives is making efforts to expand the training capacity of medical officers and all other categories of staff with the recent opening of a faculty of medical sciences and expansion of the allied health faculty of the Maldives National University.

Way Forward

Maldives, a country with a relatively young population, is already facing an increasing burden of NCDs and associated risk factors. It is likely that this trend will continue if urgent primary health care level preventive initiatives are not taken. These include (i) ensuring availability of adequate numbers of PHC level health staff, (ii) basic facilities required for carrying out extensive risk factor prevention related interventions, and (iii) facilities to manage NCD patients at atoll-level hospitals via the primary health care facilities to prevent complications early. These initiatives need to be prioritized over development and expansion of secondary and tertiary care in urban areas.

G. Maldives' Education Sector Assessment

Sector Overview

Education context. Since 1990, Maldives has made remarkable progress in primary and lower secondary education, with the net enrollments of 96% and 91%, respectively, in 2018.²⁸ This has been largely attributed to the introduction of the policy of free primary and secondary education following the ratification of the Constitution in 2008. In 2018, majority (83%) were enrolled in government schools with 73,035 students (footnote 28). The student-to-teacher ratio for 2018 is 9:1 (ranging from 12:1 for Malé, and 8:1 in the Atolls). For the same year, 94% of the teachers in service were trained, while only 6% were untrained in 2018. The percentage of foreign teachers in service in the pre-primary and primary levels is low compared to lower secondary (43% foreign teachers), and higher secondary (45 % foreign teachers).²⁹

The total spending on education in terms of GDP remained in the range of 3.6%–5.6% over the past decade, which is consistent with the global spending on education of 4.5%.³⁰ The government allocated over 11.8% of the budget to education in 2020,³¹ showing a similar level of priority to the sector as in other years. Household spending on education as a percentage of GDP is 0.5% which is lower than that of most countries.³² When it comes to education there is a significant difference in the spending pattern between Malé and Atolls, with Malé having much higher shares,³³ making higher education inaccessible for those in the lower income quintiles due to high indirect expenditure related to travel to and rental accommodation in the Greater Malé area and other urban islands. These disparities result in a critical equity issue in the education system which needs to be addressed.

Secondary education. In Maldives, secondary education is offered through two configurations: lower secondary education (LSS), grades 8–10 (age 13–15) and higher Secondary Education (HSS), grades 11–12, (ages 16–17). Of the total 3,665 teachers serving in secondary education level in the Maldives, 98% of the teachers in service are trained, while only 2% are untrained in 2018. The percentage of foreign teachers in service in LSS is 43% while in HSS is 45% in 2018 due to the shortage of qualified Maldivian teachers for these levels, and the low number of secondary teachers trained locally.³⁴

²⁸ National Bureau of Statistics. 2019. *Statistical Pocketbook of Maldives, 2019*. Malé.

²⁹ Ibid. Data by subject level for foreign teachers are not available.

³⁰ World Bank. 2019. *Mobilizing Resources for Education and Improving Spending Effectiveness Establishing Realistic Benchmarks Based on Past Trends*. Washington, DC.

³¹ Ministry of Finance. 2020. *National Budget 2020*. Malé.

³² In comparison with data on other countries expenditure form UNESCO education database.

³³ National Bureau of Statistics. 2016. *Household Income and Expenditure Survey (HIES) Analytical Report II: Household*. Malé.

³⁴ Annual graduates for secondary teaching from MNU, 2018 are 36 teachers. Data by subject level for foreign teachers are not available.

Technical and Vocational Education and Training. The programs offered at Maldives Polytechnic are aligned with the principles and practices of partnership with the industry and community to provide demand-driven skills development for economic growth and the needs of the people for employment. Enrollment figures for January 2020 show a significant increase in the total number of students enrolled (467—418 males, and 49 females) in 2017 to (629—481 males and 148 females) in 2020, showing also a significant increase in female students.³⁵ However, there continues to be a large gender gap in the enrollment in technical and vocational education favouring young men.

Higher Education (HE). Maldives has a tripartite system of HE with three levels of institutions.³⁶ Enrollment patterns in HE institutions in the Maldives is similar to the recent trends seen in other countries.³⁷ The student–teacher ratio varied between 1:15 and 1:36 in government HE providers and in the private higher education providers the student–teacher ratio ranged from 8:1 to 36:1.³⁸

Challenges and Opportunities

In 2015, the National Curriculum Framework (NCF) was introduced to the education system. The NCF aims “to build knowledgeable future generations, possessing the skills, values, and attitudes needed to be successful in both Maldives and in the global community”(NCF 2014). In addition to the curriculum content, the NCF also seeks to provide guidance on effective teaching and school management practice through the School Pedagogy and Assessment Guide (PAG 2014). Both the NCF and PAG give a good foundation that comprehensively organized and aligned with current good practices on international research findings. Despite the development of new syllabi, textbooks and teacher guides for various subject areas, and orientation of teachers supported by curriculum ambassadors, the teachers reported challenges in implementing the new curricula, and on how to apply the monitoring and learning assessments in the classroom. As the Education Sector Analysis (ESA)³⁹ notes, the proportion of 4th and 7th-grade students who have attained mastery level competence in language (Dhivehi and English) and Mathematics is low. This is a fundamental problem that needs to be addressed since poor teaching in the foundation years leads to more school dropouts and unemployment later, the “Matthew Effect” in which the weak get weaker and cannot handle the curriculum and textbooks, while the strong become stronger and go through to secondary education.

³⁵ Maldives Polytechnic. 2020. *Statistics 2020*. Malé.

³⁶ These are tier I: Universities funded by the Government, tier II: Degree Granting Colleges, few government-based, but mostly private sector-based, and Tier III: Training Institutions offering short term programs.

³⁷ Ministry of Education, 2019. *Education Sector Analysis*. Malé.

³⁸ *ibid.*

³⁹ National Institute of Education. 2014. *School Pedagogy and Assessment Guide (PAG)*. Malé.

These mixed results show that the current design and implementation of teacher competency standards, training of teacher trainers, and teacher preparation and development programs have not been aligned with the new curriculum implementation. Furthermore, there are several gaps in teacher allocations to specific subject areas such as information and communication, and health and physical education. To accomplish the key competencies in the NCF and improve the learning outcomes, these gaps in teacher training and development for pre- and in-service training need to be addressed. Particularly, effective modalities of teacher training should be explored as alternatives to cascade training and training of teacher trainers.

While the NCF of the country is quite advanced with the promotion of interactive innovative teaching and learning practices, some teaching practices continue the promotion of memorization rather than comprehension and higher order cognitive thinking skills. Classroom-based assessment remains an issue as well as the use of new practices with high-level cognitive thinking and questioning.⁴⁰ Although, ICT tools are used as a mode of classroom lesson delivery, the integration of ICT in pedagogy has not been effective and the need for training of teachers are highlighted in the ESA. It is also important to conduct an analysis of the ICT pedagogy-integration⁴¹ to improve learning and decrease the digital literacy gap in the country.

Secondary education. The secondary education system faces the challenge of a sharp drop in enrollment in HSS with only 2000 students (in 2016) sitting for the A/Level examinations with a 63% pass rate in three subjects.⁴² While the pass rate of students sitting for the O/Level examinations with five passes (including Dhivehi and Islamic studies) has increased over the years from 49% in 2013 to 77% in 2017, about a quarter (23%) did not meet the minimum requirement for entry into HSS in 2017.

The Ministry of Education (MoE) has taken several steps to promote the completion of HSS and to provide an alternative pathway for all the students to continue education, including technical and vocational education and training (TVET) pathways with the Business and Technology Education Council (BTEC) and through the introduction of in-school technical and vocational programs. However, the impact of these programs has not been determined and it is important to review and realign the policies while, at the same time, monitor the progress of ongoing programs through the Maldives Educational Management System (MEMIS).

⁴⁰ *ibid.*

⁴¹ Only 50.6% of the schools offer computer related subjects in the country, rapid baseline review of ICT integration in public schools, 2018.

⁴² Ministry of Education. 2018. *Education Statistics*. Malé.

In addition, the country faces the challenge of education management and school leadership in the remote and small islands where schools are often managed by one of the leading teachers as an acting head without specific training in administrative or instructional leadership. Similarly, according to the School Review Reports, a large number of schools across the country are in need of additional resources and facilities such as BTEC class, library, laboratory, and others.⁴³

Furthermore, there is currently no specific life skills subject geared toward instilling 21st century skills even if the key competencies in the NCF⁴⁴ focus on providing skills for a productive citizenry.⁴⁵ This is mainly a result of the gap in the curriculum, insufficient capacity development of teachers resulting in ineffective subject teaching, a lack of teaching and learning guides, as well as the absence of vocational training laboratories in schools across the country. Furthermore, analysis of data from past 2 years on the subjects chosen for general certificate of educations by students show that science and ICT subjects are mainly concentrated in Malé and there is a clear gender disparity with girls taking more subjects.⁴⁶ This suggests that boys are less inclined to continue formal education and show more interest in TVET pathways as evident in the enrollments in the polytechnic.

The role of TVET is extremely important in establishing pathways to learning and vocational skills development aligned with industry. For the students who enroll in HSS, those that did not attain a passing score (passes in three or more subjects) in the A/Level is significantly high at 37.2%.⁴⁷ However, there is no current mechanism to track these students' progress, achievements and job market entry. Such a student tracking system aligned with the MEMIS database, data from the post-secondary education/training institutions and/or feedback from employers, is important to further study the trends of enrollment in HSS, to determine the reasons for discontinuation of studies and to offer alternative pathways.

Technical and Vocational Education and Training. The current programs in the TVET sector⁴⁸ are not aligned with industry standards as most industries have recently undergone major changes in technological advancements. Furthermore, the standard testing mechanisms in the country do not serve the training and development purposes of the growth sectors and are not accompanied with learning outcomes/assessment criteria nor do they have the teacher and student guides.⁴⁹

⁴³ Ministry of Education, 2018. *School Review Report*. Malé.

⁴⁴ Stakeholder interview, Maldives Polytechnic, 4 March 2020.

⁴⁵ 21st century skills such as critical thinking, problem-solving, creativity, innovation, information and communication, and digital technology.

⁴⁶ Ministry of Education. 2020. 2019 data on participation in O/level.

⁴⁷ Ministry of Education, 2018. *Education Statistics*. Malé.

⁴⁸ Stakeholder interview, Maldives Polytechnic, 4 March 2020.

⁴⁹ Shafina A. 2019. *National training needs analysis, Ministry of Higher Education*. Malé.

Furthermore, TVET institutions have weak links with the workplace and employers perceive that students graduating from such programs have low levels of competency in literacy and numeracy even they if they acquire the necessary vocational skills,⁵⁰ making them unattractive in the job market.

Higher Education. A majority of the HE providers are based in Malé, making HE less accessible to the students in the outer islands. To address accessibility issues of HE services, several private HE institutes have developed alternative forms of delivery including distance education in the form of block-mode studies and virtual study programmes.⁵¹

Student enrollment of 2018 in Maldives National University show that the majority of the students are in education (15%), nursing (14%), business (13%) and language and Islamic studies (10%),⁵² and only 5% each in tourism and science and technology, the growth sectors of the country. This underscores the misalignment of education and training with the evolving needs and priorities of the workplace.

Higher education for health workforce. Nursing is the biggest program in the bachelor's degree, diploma, and advance certificate levels, but is still in infancy and needs further development in teaching capacity and teaching resources, including teaching clinical staff. Despite the increased trainings, the Maldivian health service system has a high dependence on expatriate health professionals. The rapid expansion of medical services, and limited capacity to locally produce health professionals has led to reliance on international recruitment. In 2018, 70% of the medical doctors, 45% of nurses, and 50% of allied health professionals were expatriates.⁵³ This is driven by the lower wages in the Maldives in relation to the professional skills of the healthcare workers and associated brain drain to high income countries where they find attractive compensation packages.

In addition, the Covid-19 Pandemic Preparedness and Response Plan⁵⁴ notes the need to conduct refresher programs for doctors and nurses and other healthcare professionals on critical care management and obtain additional health workforce of over 300 professionals to support the existing gap in the health system. The shortage of more than 154 public health professionals was evident in the system's incapacity for conducting epidemiological surveillance, case investigation, and rapid response.

⁵⁰ Stakeholder interview, Ministry of Education, 27 February 2020.

⁵¹ Ministry of Education, 2019. *Education Sector Analysis*. Malé

⁵² Maldives National University. 2019. *Annual Report 2018*. Malé.

⁵³ National Bureau of Statistics. 2019. *Statistical Yearbook 2019*. Malé.

⁵⁴ Ministry of Health. *Draft Country Preparedness and Response Plan COVID-19, Maldives*. Unpublished.

Way forward

Specific gaps in the education and training system need to be identified and their underlying causes need to be addressed to increase employability for the young people completing secondary education and to close the mismatch between supply and demand for labor. This needs to be coupled with an alternative narrative towards changing the perception towards TVET-related jobs and developing a sense of autonomy and independence among young people. Development partners, such as ADB, can perhaps support in developing TVET pathways for students completing grade 10 (aged 16–18 year old). A large number of children who complete O-levels do not attain the minimum criteria to transition to grade 11. The legal age for employment is set at 18 years old in Maldives, so these children are unable to access work opportunities. There is no alternative pathway linking these children to vocational training opportunities and these children are in fact lost in the system. Currently, the opportunities for TVET are limited to a few industries (tourism, construction, and small businesses) and needs expansion to social and other economic growth sectors. The COVID-19 outbreak also highlighted the need to develop health workforce public health response capacity for pandemics by supporting training of epidemiologists, public health professionals, and emergency health professionals.

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APPENDIX: Maldives' Key Economic Indicators

Indicator (based on calendar year)	2017	2018	2019
GDP ^a (millions current \$)	4,744.2	5,289.7	5,628.3
GDP per capita (current \$)	9,650.7	10,330.8	10,541.0
GDP per capita, PPP (current international dollars)	17,988.7	18,945.3	19,698.2
GDP growth ^a (%)	7.2	8.1	7.0
Revenue ^b (% of GDP)	27.7	27.2	27.7
Fiscal balance (% of GDP)	-3.1	-5.3	-5.8
Inflation (annual average, %)	2.8	-0.1	0.2
Unemployment Rate (%)	5.3%
Merchandise trade balance (% of GDP)	-43.0	-49.5	-44.9
Current account balance (% of GDP)	-21.6	-28.4	-26.9
Remittances (% of GDP)	-10.0	-10.1	-10.6
Inward FDI (% of GDP)	9.6	10.9	17.1
Merchandise export growth (% , including fuel reexports)	24.3	6.6	6.3
Merchandise import growth (%)	11.1	25.4	-2.4
Total external debt (% of GDP) ^c	24.2	37.0	40.1
External debt service (% of exports and services) ^c	2.6	2.9	2.7
Gross international reserves (in months of imports)	3.0	2.9	3.1
End of period exchange rate	15.41	15.41	15.38

... = data not available, e = estimate, FDI = foreign direct investment, GDP = gross domestic product, PPP = purchasing power parity.

^a Data for 2019 refers to revised estimates of National Bureau of Statistics as of October 2020.

^b Refers to central government and includes grants.

^c Total external debt as % of GDP includes guarantees and is based on Maldives Ministry of Finance. Debt Statistics (accessed 3 September 2020); External debt service (% of exports & services) is based on September 2020 Monthly Statistics of the Maldives Monetary Authority and excludes guarantees.

Sources: Maldives Monetary Authority. *September 2020 Monthly Statistics*. Malé; Ministry of Finance. *Debt Statistics as of 30 June 2020*. Malé; National Bureau of Statistics. 2020. *Household Income and Expenditure Survey (HIES) Analytical Report III: Employment 2019*. Malé; World Bank. *World Development Indicators*. <https://data.worldbank.org/country/maldives> (accessed 3 September 2020).