

## KEY POINTS

- Maldivian economy is heavily dependent on tourism. As a result, the significant reduction in tourist arrivals due to border closures and travel restrictions during the coronavirus disease (COVID-19) pandemic caused an economic recession.
- Maldives established a national task force with representatives from government agencies for a coordinated policy response to the pandemic. It implemented one of the fastest COVID-19 vaccination campaigns in the world and developed strict health and safety protocols that allowed the country to reopen its borders to tourism quickly.
- The digitization of government services was a key component of the reprioritized government strategy, with a focus on optimization and service efficiency through a one-stop approach. This led to the launch of the “OneGov” platform in 2023, providing a growing number of government services.
- The COVID-19 experience of Maldives highlighted the country’s need to diversify its economy to reduce dependence on tourism and, in turn, short-term macroeconomic volatility.

ISBN 978-92-9270-525-1 (print)  
 ISBN 978-92-9270-526-8 (electronic)  
 ISSN 2071-7202 (print)  
 ISSN 2218-2675 (electronic)  
 Publication Stock No. BRF230584-2  
 DOI: <http://dx.doi.org/10.22617/BRF230584-2>

## Open for Business: How Maldives Overcame the COVID-19 Crisis

**Abdulla Ali**  
 Economist (Consultant)  
 South Asia Department (SARD)  
 Asian Development Bank (ADB)

**Macrina Mallari**  
 Economist (Consultant)  
 SARD  
 ADB

**Elisabetta Gentile**  
 Senior Economist  
 Regional Cooperation and  
 Integration Unit  
 SARD  
 ADB

**Thiam Hee Ng**  
 Regional Head, Regional Cooperation  
 and Integration  
 SARD  
 ADB

## INTRODUCTION

Maldives is a small island nation in the Indian Ocean. It is one of the most geographically dispersed countries in the world, with 1,190 islands scattered over 90,000 square kilometers of territory. More than 80% of the land area is below 1 meter above sea level, thus making Maldives extremely vulnerable to climate change impacts (World Bank and ADB 2021). The country is home to 515,122 people, 41% of whom live in the capital Malé (Government of Maldives 2023a).

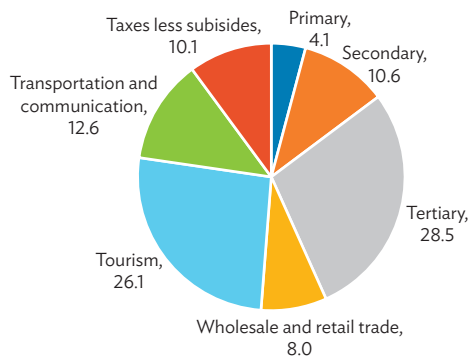
Typical of small island states, Maldives has a narrow economic base. In the late 1970s, tourism overtook fisheries to become the dominant economic activity. Figure 1 shows that by 2019, the direct contribution of tourism to the economy was 26.1%, while the indirect contribution, which includes tourism-related sectors such as transportation and communication and wholesale and retail trade, was just shy of 75%.<sup>1</sup> According to the Maldives Monetary Authority (MMA), tourism comprises more than 93% of services exports and almost 35% of government tax receipts (Government of Maldives 2023b).

The scarcity of land and resources limits the development of other sectors, e.g., agriculture and manufacturing, leaving the country heavily dependent on imports. These structural constraints make the economy vulnerable to external shocks as

In this publication, “\$” refers to United States dollars, “€” refers to euros, and “Rf” refers to Maldives rufiyaa.

<sup>1</sup> The 75% indirect contribution also comes from tourism supporting and stimulating activities in other sectors such as fisheries, construction, and financial services.

**Figure 1: Sector Contributions to Gross Domestic Product, 2019 (%)**



GDP = gross domestic product.

Note: The sector contribution refers to the proportionate share of different sectors to Maldives' GDP in 2019. Tertiary sector excludes tourism, wholesale and retail trade, and transportation and communication.

Source: Government of Maldives. 2022a. *Gross Domestic Product*. Malé: Maldives Bureau of Statistics.

witnessed during the 2004 Indian Ocean tsunami and the 2009 financial crisis, which caused significant gross domestic product (GDP) contractions. In both cases, the quick recovery of tourism helped the economy get back to a strong growth trajectory, so much so that the country achieved upper-middle-income status in 2010.

Leading up to the coronavirus disease (COVID-19) pandemic, Maldives had experienced rapid economic growth, reaching GDP per capita of \$11,118.5 (as of 2019).<sup>2</sup> Annual tourism arrivals peaked at 1.7 million in 2019, generating \$3.2 billion of travel receipts and accounting for 2.2 percentage points of the 7.1% GDP growth in 2019. The strong growth also led to impressive social development, with long life expectancy and high literacy rate, as reflected in the 2019 Human Development Index score of 0.755, which put the country in the high human development category (UNDP 2019).

In 2020, during the early stages of the pandemic, Maldives was assessed as the worst affected by the pandemic in Asia and potentially globally (Government of Maldives and UNDP 2020). Travel disruptions such as border closures and other health measures caused a sharp decline in revenue from tourism and related industries. At the same time, the COVID-19 response placed enormous pressure on public finances. To fill the gap, the government increased borrowing, further pushing an already high external debt to levels that threatened sustainability (International Monetary Fund 2022). The pandemic created a significant decline in foreign exchange reserves—as tourism

is the main source of foreign currency—while the balance of payments deteriorated.

This brief discusses how the Government of Maldives contained the health crisis and prevented a full-blown fiscal crisis by adopting a multisector approach that brought all the various stakeholders and concerned sectors together and managed to (i) maintain steady supplies of essential goods, (ii) implement one of the fastest COVID-19 vaccination campaigns in the world, (iii) develop strict health and safety protocols that allowed the country to reopen its borders to tourism quickly, and (iv) provide assistance to affected households and businesses and implement stimulus measures to boost the economy. The brief also shows how the pandemic brought some of Maldives' long-standing structural issues to the fore, which addressed urgently, will make the country better prepared for the next crisis.

## THE IMPACT OF COVID-19 IN MALDIVES

Maldives recorded its first case of COVID-19 on 7 March 2020 in a tourist resort. A 30-day state of public health emergency was declared on 12 March 2020 and, 2 days after, a nationwide shutdown of all guesthouses, city hotels, and tourist excursions was announced, including the closure of government offices and schools. On 27 March 2020, the country's borders were closed, except for special flights to repatriate foreign nationals and tourists, cargo, and medical flights. The first case of local transmission in Malé was confirmed on 15 April 2020 and a 24-hour lockdown in the Greater Malé Region (GMR) was subsequently declared. Bans on nationwide travel and public gatherings were enforced from 16 April 2020, and the lockdown of the GMR was extended by an additional 14 days as cases kept increasing. The Ministry of Health reported the first COVID-19-related death on 29 April 2020. The Health Protection Agency (HPA) reported that by the end of April 2020, cases had leaped to 468 and more than tripled by the end of May 2020 to reach 1,801, although the number of deaths was still low at 5.<sup>3</sup>

The phased easing of COVID-19 containment measures started at the end of May 2020 with essential government offices reopening—although with limited hours and staff, and restrictions on travel and public gatherings were removed by mid-June 2020 except in GMR. Businesses were allowed to operate with strict health and safety guidelines from 1 July 2020, as operations of government offices and schools gradually resumed on 5 July 2020. By 15 July, Maldives reopened its borders to international visitors without mandatory quarantine as long as a negative COVID-19 polymerase chain reaction test result, conducted within 96 hours before arrival in Maldives, was presented (Government of Maldives 2021a). COVID-19 cases and deaths remained low throughout July despite the lifting

<sup>2</sup> World Bank Group. World Development Indicators Database. <https://data.worldbank.org/indicator/NY.GNP.PCAP.PP.KD?locations=MV&view=chart> (accessed 3 August 2023).

<sup>3</sup> Government of Maldives. COVID-19 Database. Malé: Health Protection Agency (HPA). Internal database (accessed 30 May 2023).

of most COVID-19-related restrictions. However, the border reopening and the resumption of economic activities translated into a surge in COVID-19 cases, which peaked in August 2020, averaging 129 daily cases before they gradually went down from mid-September 2020. By the end of 2020, the HPA recorded 13,763 COVID-19 cases, with 97.2% case recovery and just 0.4% case fatality ratios.

On 1 February 2021, the national vaccination campaign kicked off in Maldives as the threat of new and more contagious COVID-19 variants emerged.<sup>4</sup> This led the government to reimpose pandemic restrictions including curfew hours, closures of or limited operating hours for certain businesses, and mandatory use of masks outside homes (Maldives Financial Review 2021). A second surge of COVID-19 cases was recorded in May 2021 with over a thousand cases per day. In mid-June, as cases steadily declined and the

vaccination rate in the population increased, the government started easing COVID-19 containment measures, except for brief travel restrictions on specific countries with the Omicron variant. According to the HPA, Maldives entered another wave of COVID-19 by mid-January 2022 when daily cases surged above 2,000.

The situation gradually improved from March 2022, which prompted President Ibrahim Solih to revoke the state of public health emergency on 13 March (The President’s Office, Republic of Maldives 2022). Consequently, according to the Ministry of Tourism, all COVID-19 restrictions were lifted except for testing of symptomatic people and isolation and/or quarantine for COVID-19-positive people and their contacts (Government of Maldives 2022c). The average number of COVID-19 cases per day remained low for 2022 despite briefly climbing between June and July.

**Table 1: Maldives—COVID-19 Crisis Timeline**

Date	Event
3 February 2020	Restricted entry to all passengers, regardless of nationality—except for Maldivian citizens—who have traveled to or transited through the People’s Republic of China.
7 March 2020	First confirmed positive cases of COVID-19 in the country (i.e., two tourists).
12 March 2020	State of Public Health Emergency declared.
14 March 2020	Restricted travel from resorts to all inhabited islands and vice versa, and suspended check-ins at all guesthouses and city hotels in the GMR.
15 March 2020	Established travel restrictions for passengers originating from, transiting to, or with a travel history in Bangladesh, France, Germany, Iran, Italy, the Republic of Korea, and Spain.
17 March 2020	Established travel restrictions for passengers from Malaysia and the United Kingdom. Nationwide shutdown of all guesthouses and city hotels.
19 March 2020	Government offices and schools and education service providers closed. Entry of all tourists arriving via safaris, yachts, and other passenger vessels suspended.
21 March 2020	All passengers entering the country subjected to mandatory quarantine for 14 days.
22 March 2020	All dine-in services offered by local restaurants and hotels in the GMR closed.
23 March 2020	All tourist excursions across the country banned.
25 March 2020	Employees at resorts and safari boats were instructed to remain on board for 14 days after the last guest departed.
27 March 2020	First Maldivian tested positive for COVID-19 while in quarantine facility. Suspension of on-arrival visa for all passengers arriving to Maldives by air and sea, except for individuals with special permission granted by the government.
2 April 2020	Three-hour curfew (5 p.m. to 8 p.m.) in the GMR enforced.
15 April 2020	First case of community transmission confirmed in the capital, Malé. A 24-hour lockdown in the GMR announced.
16 April 2020	Ban on nationwide travel and public gatherings ordered.
17 April 2020	Lockdown extended for a period of 14 days as cases increased.
28 April 2020	The first community transmission outside of the capital, in an outer atoll, confirmed.
29 April 2020	First COVID-19-related death (i.e., 83-year-old Maldivian woman).

*continued on next page*

<sup>4</sup> These include the Delta variant that the World Health Organization (WHO) classified as a variant of concern on 11 May 2021, which spread more easily than earlier strains of the virus and was responsible for more cases and deaths globally; and Omicron, first reported on 24 November 2021 to WHO, which classified it as a variant of concern on 26 November 2021. Omicron had shown large number of mutations and caused a detrimental change in COVID-19 epidemiology (WHO 2021).

Table 1 continued

Date	Event
2 May 2020	Special visas granted to certain parties, such as resort owners and investors and officials from international institutions, to travel to Maldives.
7 May 2020	National Taskforce on Resilience and Recovery established by the President to plan recovery.
14 May 2020	Lockdown extended in the GMR until 28 May 2020.
29 May 2020	Lockdown easing measures introduced in the GMR in phases.
31 May 2020	Government offices reopened for essential work with limited hours and staff.
15 June 2020	Nationwide restrictions on travel and public gatherings lifted, except in the GMR.
20 June 2020	Government announced reopening of borders on 15 July 2020; resorts can resume operations.
1 July 2020	National Emergency Operation Centre phased out; tasks shifted to the Ministry of Health. Businesses, including offices, shops, cafés, and restaurants reopened while adhering to health and safety guidelines from the Health Protection Agency and relevant authorities.
5 July 2020	Government offices and schools for key stages reopened.
15 July 2020	State of public health emergency extended; borders reopened; 40 resorts resumed operations.
5 September 2020	Parliament passed the Public Health Emergency Act 2020.
15 October 2020	Tourist guesthouses reopened except for guesthouses and hotels in GMR.
October 2020 to November 2020	Planning for vaccination started with guidance from the World Health Organization.
November 2020	National COVID-19 Vaccination Steering Committee formed.
7 November 2020	Curfew time was reduced; outdoor and contact sport activities were allowed; working in offices could resume; parks and public grounds were opened; and traveling to local islands, with quarantine, was allowed.
5 December 2020	State of public health emergency extended for the ninth time.
18 December 2020	Curfew in Malé, from 12 a.m. to 4 a.m. eliminated. Locals were able to resume daily activity while adjusting to new guidelines such as use of masks in public, social distancing, and traveling.
1 February 2021	Vaccination program commenced.
2 February 2021	Several restrictive measures came into force because of the possibility of spreading of newly discovered variant from the United Kingdom in Maldives. Curfew hours imposed. Use of mask outside homes in all areas of Maldives was mandated.
5 April 2021	Administration of second dose of vaccines began.
27 April 2021	Tourists arriving from India were banned from visiting inhabited islands.
5 May 2021	With a rapid rise in cases, authorities enforced new restrictions to fight against possible community spread of a new variant of COVID-19.
7 May 2021	To restrict movement, exercise classes were halted, and gyms, cinemas, and salons were temporarily closed.
15 May 2021	The government announced the suspension of tourist visa for travelers from South Asia.
15 June 2021	Curfew hours reduced from 4 p.m. to 8 a.m. to 4 p.m. to 4 a.m.
16 June 2021	Salons and barbers resumed operations with limited hours.
23 June 2021	Government allowed gyms to resume services to the public from 5 a.m. to 6 p.m. on an appointment basis and after presenting a service plan to the authorities.
1 July 2021	Curfew hours further shortened from 8 p.m. to 4 a.m. Individuals allowed to do business until 8 p.m.; all businesses opened. Mosques were also opened for congregational prayers.
15 July 2021	Visa restriction for South Asian countries lifted.
28 November 2021	Travel bans for tourists from Botswana, Eswatini, Lesotho, Mozambique, Namibia, South Africa, and Zimbabwe enforced over concerns on the spread of Omicron COVID-19 variant.
5 December 2021	Maldives confirmed its first case of Omicron.

continued on next page

Table 1 continued

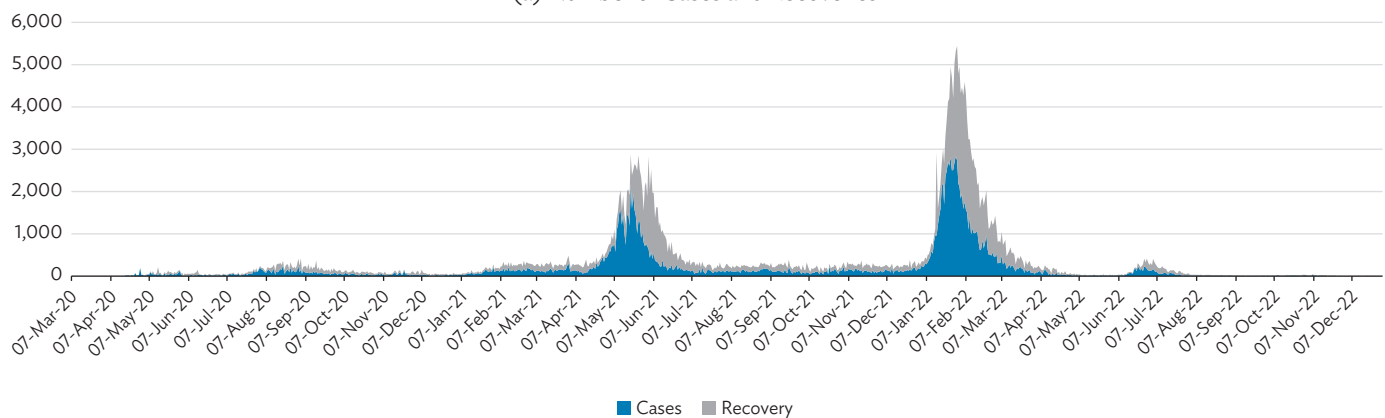
Date	Event
10 January 2022	Maldives tightened safety measures across the GMR because of a surge in COVID-19 cases. Gatherings, events, and parties with more than 50 persons; hosting gatherings, events, and parties under the guidelines set by the authority were disallowed. Night and city markets, sports activities closed off to the public.
24 February 2022	Cases started dropping below 1,000.
13 March 2022	State of Public Health Emergency lifted.

COVID-19 = coronavirus disease, GMR = Greater Malé Region.

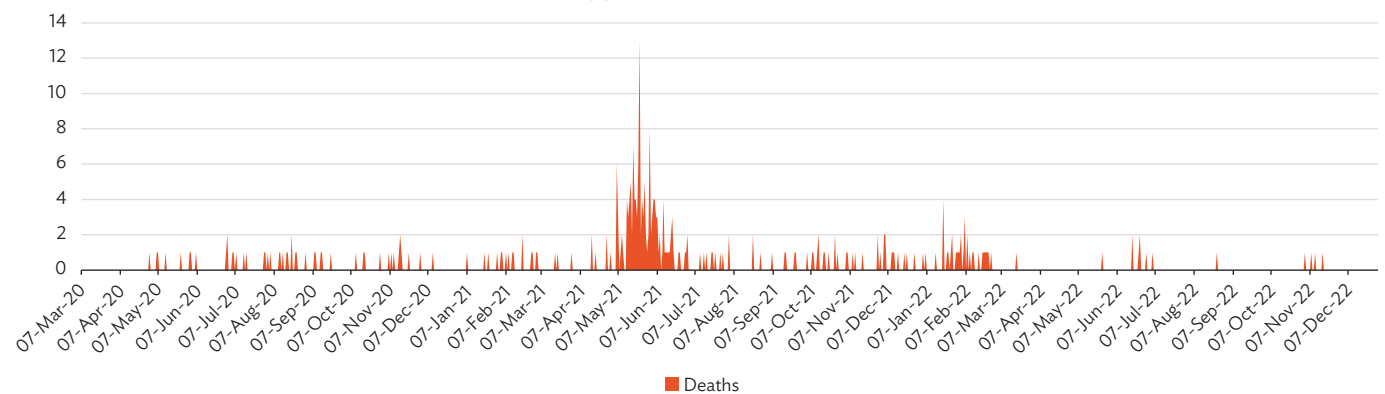
Sources: Government of Maldives. 2021. *The Impact of COVID-19 Pandemic on Employment in the Maldives*. Malé: Ministry of Economic Development; Ministry of Health; Ministry of Tourism; *Maldives Financial Review*. 2021. COVID-19 in the Maldives: A Timeline. 6 May; *Business Today*. 2021. Maldives Bans Indian Tourists Amid Second COVID-19 Wave. 12 May; Z. Zalif. 2021. Curfew Hours Reduced Again as Maldives Covid-19 Situation Improves, Along with Other Eases. *Raajje*. 29 June; *PSM News*. 2021. Gov't Bans Travellers from 7 Countries over New COVID-19 Variant. 28 November; Z. Zalif. 2021. Maldives Confirms First Case of 'Omicron' Covid-19 Variant. *Raajje*. 5 December; *Crisis24*. 2022. Maldives: Officials Maintain Tightened Restrictions as of Jan. 12 Due to COVID-19 Variant/Update 56. 11 January.

Figure 2: Maldives—COVID-19 Indicators

(a) Number of Cases and Recoveries



(b) Number of Deaths



Source: Government of Maldives. COVID-19 Database. Malé: Health Protection Agency. Internal database (accessed 30 May 2023).

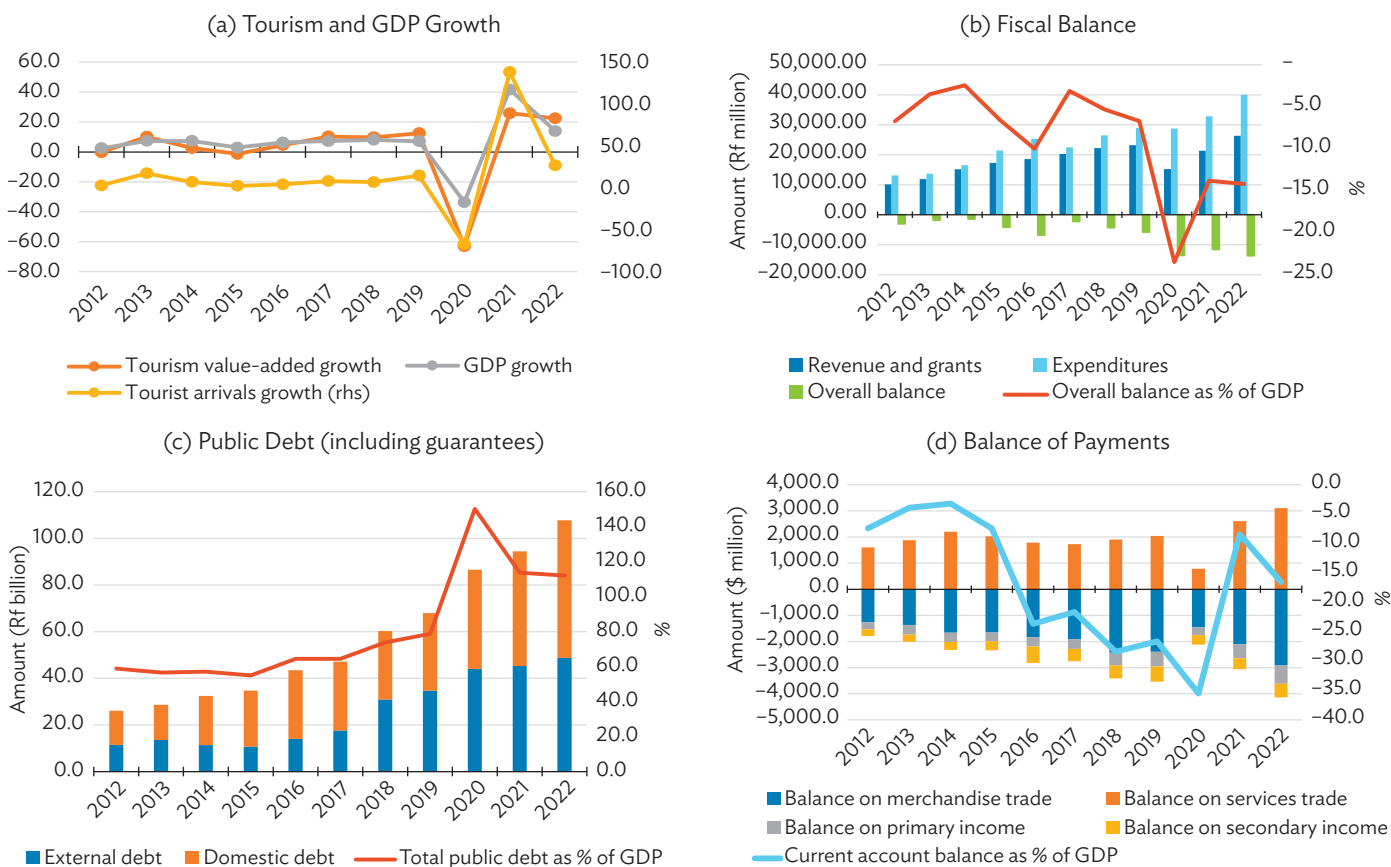
A timeline of key events that marked the COVID-19 emergency in Maldives is presented in Table 1, while Figure 2 shows the daily COVID-19 cases, deaths, and recoveries in Maldives from 7 March 2020 to 31 December 2022.

Figure 3 shows that the significant decrease in tourist arrivals during the initial phase of the COVID-19 pandemic caused a sharp decline in revenue from tourism and related industries, such as hotels and restaurants, which had a ripple effect on the broader economy. In 2020, Maldives experienced the worst economic recession (panel a) and the fiscal position significantly worsened (panel b). With public coffers drying up, government resorted to more borrowing to cover additional spending requirements for COVID-19, but this further pushed total public debt to levels that threatened debt sustainability (panel c).

The pandemic likewise created a significant decline in foreign currency reserves, as tourism is the main source of foreign currency. Figure 3 also shows a further deterioration of the balance of payments under pressure (panel d).

The Ministry of Economic Development reports that the stoppage of economic activities had resulted in an 8% year-on-year decline in the number of jobs in the labor market in 2020, while the average basic wage posted a negative 2% annual growth from mid-2020 till the last quarter of 2020 (Government of Maldives 2022b).<sup>5</sup> The pandemic also worsened the gender divide based on a study by United Nations (UN) Women and Maldives Bureau of Statistics, which revealed that women’s mental health was affected more than men’s, likely because of increased economic strains and gender-based violence they experienced during lockdowns.

Figure 3: Key Macroeconomic Indicators



GDP = gross domestic product, Rf = rufiyaa, rhs = right-hand side.

Sources: Government of Maldives. 2018. Monthly Statistics. 28 (4, January). Malé: Maldives Monetary Authority; Government of Maldives. 2023b. Monthly Statistics. 24 (3, March). Malé: Maldives Monetary Authority; and Government of Maldives. 2023c. Disbursed Outstanding Debt of Public and Public Debt of Government of Maldives, as of Q4 2022. Malé: Ministry of Finance.

<sup>5</sup> The total number of jobs is computed according to the following assumptions: (i) If an individual has had multiple contracts with the same employer within a year, the engagement is counted as one job. (ii) If an individual has had multiple contracts with a different employer(s), then the engagements are counted as different jobs.



Similarly, women carried a higher burden of domestic and care work within the household, despite both men and women being at home. The impact of unpaid domestic work was particularly large for single mothers (UN Women and Maldives Bureau of Statistics 2021).

### GOVERNMENT RESPONSE TO THE PANDEMIC

For governments the world over, the COVID-19 pandemic represented a two-fold challenge: (i) contain the health crisis by limiting the spread of the disease, which involved early screening, diagnosis, isolation, and treatment; and (ii) mitigate the economic

impact of the pandemic by providing assistance to affected households and businesses and implementing stimulus measures to boost the economy. While the Government of Maldives faced significant financial constraints to its COVID-19 response, multilateral organizations and bilateral partners quickly responded by providing technical and financial assistance, summarized in Table 2. This section highlights the key measures that the government implemented.

#### Multisector Coordination for Policy Implementation

As mentioned in the previous section, the severity of the COVID-19 crisis in Maldives was determined by a set of interrelated social, environmental, and economic factors that could best be addressed with a holistic, multisector approach.<sup>6</sup>

Table 2: Major Development Partners Supporting Maldives COVID-19 Response

Development Partner	Support	Amount
Asian Development Bank	Countercyclical Support Facility Program	\$50.0 million (June 2020)
	APDRF (Grant from Japan, managed by ADB)	\$0.5 million (March 2020) and 1 million (July 2020)
	Technical assistance for initial emergency support	\$0.8 million (July 2020)
Japan International Cooperation Agency	Countercyclical Support Facility Program with ADB, cofinancing from JICA	\$47.9 million (June 2020)
World Bank	Catastrophe deferred drawdown to the government through the International Development Agency	\$10.0 million (March 2020)
	Pandemic Emergency Financing Facility	\$0.9 million (March 2020)
	Loan (cofinanced with AIIB)	\$7.3 million (July 2020)
	Loan for COVID-19 Emergency Income Support Project (and additional financing)	\$34.4 million (2020 and 2021)
Asian Infrastructure Investment Bank	Loan (cofinanced with World Bank)	\$7.3 million (July 2020)
	Grant via special fund window under COVID-19 crisis recovery facility	\$0.9 million (July 2020)
Islamic Development Bank	Loan to support COVID-19 health response	\$46.2 million (March 2020)
European Union	Grant to strengthen the health sector and tourism industry	€3.0 million (March 2020)
European Investment Bank	Loan to Maldives to help post-COVID-19 economic recovery	€20.0 million (July 2021)
COVAX Facility (from Japan, United States)	Covishield, Pfizer, and AstraZeneca vaccine (371,170 doses)	N/A
India	Covishield vaccine (200,000 doses)	N/A
People's Republic of China	Sinopharm vaccine (200,000 doses)	N/A
United States Agency for International Development	100,000 rapid diagnostic tests	\$0.3 million (July 2021)
United States	For COVID-19 response and recovery	\$4.6 million (Aug 2021)

ADB = Asian Development Bank, AIIB = Asian Infrastructure Investment Bank, APDRF = Asia Pacific Disaster Relief, COVID-19 = coronavirus disease, COVAX = COVID-19 Vaccines Global Access, JICA = Japan International Corporation Agency, N/A = not applicable.

Sources: Asian Development Bank. 2022a. *COVID-19 Active Response and Expenditure Support Program: Project Completion Report*. Manila; and ADB. 2022c. *Responsive COVID-19 Vaccination for Recovery Project under the Asia Pacific Vaccine Access Facility: Development Coordination*. Manila.

<sup>6</sup> For more information on multisector coordination, see USAID and Health Policy Project (2014).

Collaboration among the various stakeholders and sectors, i.e., ministries, government agencies, state-owned enterprises, UN agencies, nongovernment organizations, and the private sector, played a critical role in managing the pandemic (HPA and Ministry of Health 2023).

Maldives established a national task force chaired by the President that included representatives from government agencies to coordinate the country’s pandemic response. The task force was responsible for monitoring the spread of the virus, implementing measures to control its spread, and providing strategic guidance on public health measures and resource mobilization. The government also formed a technical advisory group for technical decisions and guidance by mid-January 2020 and operated a National Emergency Operation Center. A health emergency coordination committee was activated at the national level, while COVID-19 task forces were formed in all islands. The government implemented an effective communication strategy by conducting daily press briefings and posting regular updates on social media platforms.

**Digitization of Government Services**

The government revised its Strategic Action Plan (SAP) 2019–2023 and reprioritized its strategic direction as the fiscal situation worsened due to the pandemic. Under the reprioritized strategy called National Resilience and Recovery Plan (NRRP), the digitization of government services was a key component with a focus on optimization and service efficiency through a one-stop approach. Thus, key government agencies started to provide online service platforms to cater to the immediate and most basic needs. One of them was “Beelan,” the portal for electronic submission of bids for government contracts, introduced in December 2021. At the same time, the government established the “National One-Stop Service” that brought all government services under one roof. The task was awarded to Tradenet Maldives Corporation Limited, a state-owned enterprise. In July 2023, the government launched the “OneGov” portal, covering the services of five government agencies, with plans to expand this coverage in the coming years.

**Access to Essential Supplies**

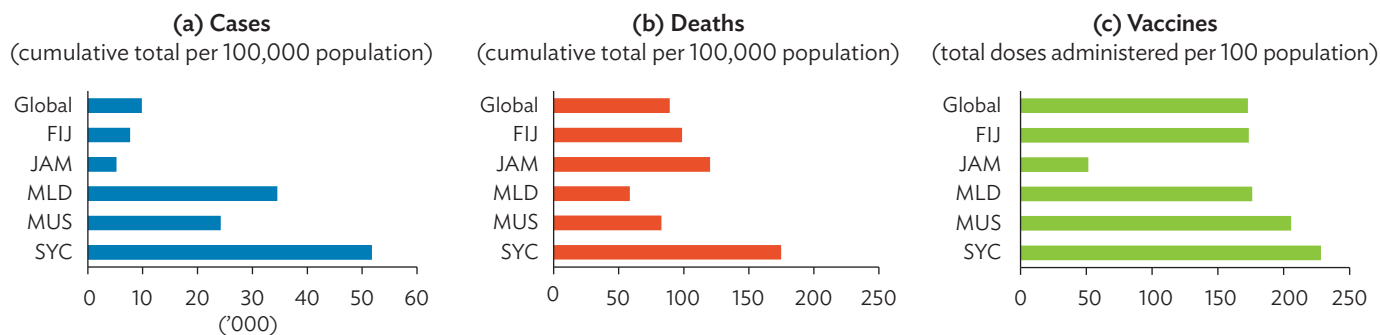
Through the State Trading Organization Public Limited Company, the government ensured that main food items and essential medicines were imported and distributed to all the islands. The government also organized charter flights to import medicines and mandated commercially leased agricultural islands to prioritize the production of 17 crops, which are essential crops in the Maldivian food basket. Through local councils, agricultural plots were allocated to residents on many islands for immediate farming activities. Several items used for agricultural production were exempted from import duty. In April 2020, the government also established the Agro National Corporation, a state-owned enterprise with the main objective of facilitating the development of the agricultural sector.

**Inclusive National Vaccination Program**

A National COVID-19 Vaccination Steering Committee was established in November 2020 to coordinate the planning and implementation of the vaccine program. The government was able to obtain the supply of vaccines quickly, which were then rolled out throughout the country. An extensive vaccination program started on 1 February 2021, and it was free to everyone, including foreign residents. The vaccination campaign was a major success: by the end of August 2021, 85% of the population above 18 had received a second dose of the COVID-19 vaccine. The prioritization process ensured that essential workers and vulnerable populations were vaccinated first (HPA and Ministry of Health 2023).

Figure 4 compares COVID-19 cases, deaths, and vaccination rates in Maldives to the global average and selected tourism-dependent and small island nations. It shows that COVID-19 cases were relatively high in Maldives, but the country managed to keep the death rate lowest among them. According to the World Health Organization, between 3 January 2020 and 13 July 2023, there were 34,536.5 COVID-19 cases per 100,000 population in Maldives while the global average was 9,849.6 cases per 100,000. This is most likely due to high population density and congested living conditions in the GMR, which increased contact rates

**Figure 4: COVID-19 Indicators for Selected Small Island Economies, 3 January 2020–13 July 2023**



COVID-19 = coronavirus disease, FIJ = Fiji, JAM = Jamaica, MLD = Maldives, MUS = Mauritius, SYC = Seychelles. Source: World Health Organization. WHO Coronavirus (COVID-19) Dashboard (accessed 22 July 2023).



necessary for disease transmission. Furthermore, the government’s large-scale testing program increased the likelihood of cases being detected. Nonetheless, the country managed to keep the mortality rate low at 58.5 per 100,000 people against a global average of 89.2 deaths per 100,000 people, thanks to the high vaccination rate and the country’s universal health care.<sup>7</sup>

### Early and Safe Reopening of National Borders

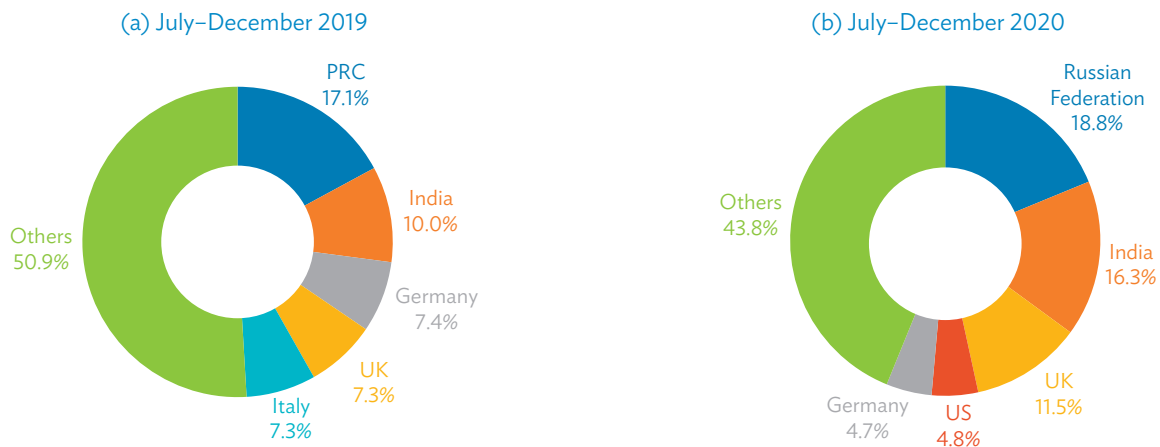
While other popular tourist destinations such as Indonesia and Thailand took a more cautious approach and reopened their borders to visitors only in the last quarter of 2021, Maldives reopened for visitors on 15 July 2020 with strict guidelines and made the necessary changes to border control protocols throughout the pandemic (Aljazeera News 2021, ADB 2022b). This difficult decision was motivated by the detrimental effect that the border closure was having on the economy.

Maldives leveraged its unique concept of “one-island, one resort,” meaning that one hotel occupies the whole island. These islands are naturally distanced from each other, providing built-in social distancing and the ideal setting to adopt and maintain comprehensive health safeguards for visitors. Therefore, in the period immediately following the border reopening, tourists were only allowed to stay in tourist resorts. Thereafter, other tourism establishments in inhabited islands (i.e., guesthouses) were also allowed to reopen.

The Maldives Marketing and Public Relations Corporation conducted successful and effective online marketing campaigns in key traditional and new markets to attract visitors back to the country. However, because of weak travel demand, only a few airlines operated flights after border reopening in July 2020, according to the Maldives Monetary Authority (Figure 5), and only 555,494 tourists visited the country, the lowest number since 2005 (Government of Maldives 2021b). Furthermore, resorts offered discounted rates to attract tourists, resulting in huge losses to the private sector (A. Sharma 2020). Tourist arrivals picked up in the last quarter of 2020 and early 2021, attributed to weak competition from other destinations, strong marketing campaigns, and the country’s natural geography.

The phased reopening strategy helped to promote Maldives as a safe destination and the industry was quick to adapt to the needs of travelers by offering longer stay packages. Further, a “travel bubble” agreement with India resulted in 28,096 tourist arrivals from India—or 16.3% of total arrivals—from July to December 2020. Figure 5 shows that between July and December 2020, the composition of the top five source markets had changed compared to the same period a year earlier. India remained as the second most dominant market, but the Russian Federation replaced the People’s Republic of China as the number 1 source of tourists. Arrivals from the United States likewise climbed and became the fourth largest in the second half of 2020.

Figure 5: Changes in the Top Five Tourist Source Markets



PRC = People’s Republic of China, UK = United Kingdom, US = United States.

Source: Government of Maldives. 2021b. *Monthly Statistics*. 22 (1, January). Malé: Maldives Monetary Authority.

<sup>7</sup> Aasandha is the national health care insurance scheme of Maldives. It provides taxpayer-funded medical assistance to all Maldivian citizens. The Aasandha is administered by the National Social Protection Agency (NSPA), formed under the National Social Health Insurance Act on 27 August 2008. By an executive order under the same act, NSPA is mandated to conduct social protection programs identified by the Government of Maldives. NSPA is also the responsible agency to regulate and conduct social protection programs under the Social Protections Act (see National Social Protection Agency. About Us. <https://www.nspa.gov.mv/v2/index.php/about-us/>; and Aasandha Company Ltd. Aasandha Scheme Overview. <https://aasandha.mv/en/scheme/aasandha-scheme/overview> [accessed 22 July 2023]).

## Holistic Socioeconomic Response and Recovery Support

The government acted quickly to mitigate the health, social, and economic impacts of the pandemic. It provided food and other essentials to people in quarantine and those who were struggling to make ends meet to ensure that they had access to basic necessities during the pandemic. On 8 March 2020, it approved a \$351 million COVID-19 response package that consisted of three components:

- (i) The Pandemic Response Plan (\$97 million) focused on building health care capacity by upgrading health facilities, providing medical supplies, setting up quarantine facilities, and supporting medical staff.
- (ii) The COVID-19 Social Protection Package (\$124 million) provided social assistance to the vulnerable population. The main components of it included income support for people who were affected and subsidies to households on electricity and water bills, which were not targeted.
- (iii) The COVID-19 Economic Response (\$130 million) provided economic assistance to self-employed individuals and businesses. The main components of it included two working capital loan schemes (ADB 2022a). The government provided the “COVID-19 Viyafaari Ehee (Business Assistance) Loan Scheme” through the SME Development Finance Corporation (SDFC) for micro, small, and medium enterprises whose annual sales turnover for the previous year did not exceed 10 million rufiyaa (Rf) (\$648.5 thousand). The government also facilitated the “COVID-19 Recovery Scheme” through the Bank of Maldives for working capital requirements of resorts and other businesses with over Rf10 million (\$648.5 thousands) turnover.

To help small and medium-sized enterprises that were affected by the pandemic, the Maldives government also provided financial assistance in the form of loan guarantees and debt restructuring, as well as technical assistance and training to help small and medium-sized enterprises adapt to the new economic environment. The government likewise provided tax relief measures such as delaying tax payments to help businesses cope with the economic impact of the pandemic.

Furthermore, the MMA undertook regulatory measures to (i) facilitate a moratorium of 6 months on loan repayments for businesses and households impacted by the pandemic; and (ii) lower the minimum reserve requirement from 10% to 5% to provide liquidity support to banks (Government of Maldives 2020).

Reflecting the robust economic recovery in 2021, the total number of employees increased by 6% year-on-year, higher than the prepandemic annual average growth of approximately 5% from 2015 to 2019.<sup>8</sup> Further, the lifting of COVID-19-related restrictions

and the quick turnaround of businesses in 2021 translated to a 15% annual increase in the number of jobs to reach 139,755 jobs, while the average basic wage growth was able to return to the prepandemic level by the first quarter of 2021, i.e., Rf7,386 (Government of Maldives 2022b).

## CONCLUSION

The collapse of tourist arrivals due to border closures and travel restrictions during the early stages of the COVID-19 pandemic caused a major economic recession. This highlighted the need for Maldives to diversify its economy and reduce its dependence on tourism to reduce short-term macroeconomic volatility. The fisheries sector, the second most important industry, has an obvious competitive advantage; and Maldives can maximize its potential by upgrading to higher value-added fisheries exports. The country also shows great potential to expand the services sector given its high internet penetration—almost 86% of the population uses the internet—and English-speaking population.

Another consequence of Maldives’ narrow production base is its import dependence. Being in South Asia, the country can benefit by establishing regional maritime connectivity in importing essential food items that could be helpful in times of crisis.

The lack of resources and infrastructure greatly challenged Maldives’ pandemic response. This was particularly true in testing and quarantine, where limited resources and facilities were available. The government also faced significant financial constraints, as the country has a high level of both external debt and total debt. The government had to borrow to fund its pandemic response causing debt levels to soar, reaching 150% of GDP in 2020. It also had to mobilize resources in loans and technical and financial assistance from development partners. These were needed so that the government could quickly develop testing, quarantine, and medical facilities to cater to the increasing COVID-19 caseload and provide socioeconomic relief to individuals, households, and businesses affected by the pandemic. However, this also underscores the need for the country to continue investing in better public health infrastructure and developing a robust plan for responding to future pandemics.

In addition, it is important to address the human resources shortage in the health sector at both national and local levels. The country’s lingering, heavy reliance on foreign doctors and nurses and the lack of local health professionals remain a major concern that should be addressed in the future. Proper human resources for health planning and the expansion of domestic training capacity are both critical for enhancing health system resilience against future pandemics or other public health emergencies.

<sup>8</sup> To proxy for employees in the labor market, data from the Maldives Pension Administration Office on registered employees under the payroll of employers in the pension system was used under the following assumptions. First, the number of employees at the end of the year is taken from 1 January till 31 December of a particular year. In this period, if an individual had entered into the labor market even once, the individual will be included in the count for that year. Second, if an individual had entered the labor market in a year and was still active by the end of that year, then this would be carried forward as “active” employees in the labor market unless and until there has been a termination.

Currently, subsidies meant to protect poor people, benefit rich households more (Naif 2023), imposing a fiscal burden that only increases with surging commodity prices. They also divert already strained public resources from priority areas such as health and education. Given the financial constraints faced by the government, it is even more important to ensure that financial assistance and stimulus measures are targeted toward the most vulnerable in the population.

## REFERENCES

- Aasandha Company Ltd. Aasandha Scheme Overview. <https://aasandha.mv/en/scheme/aasandha-scheme/overview>.
- Asian Development Bank (ADB). 2022a. *COVID-19 Active Response and Expenditure Support Program: Project Completion Report*. Manila.
- . 2022b. Economic Trends and Prospects in Developing Asia—Maldives. In *Asian Development Outlook 2022: Mobilizing Taxes for Development*. Manila, pp. 260–265.
- . 2022c. *Responsive COVID-19 Vaccination for Recovery Project under the Asia Pacific Vaccine Access Facility: Development Coordination*. Manila.
- Aljazeera News. 2021. Bali Reopens to Tourists, but No Direct International Flights Yet. <https://www.aljazeera.com/news/2021/10/14/indonesias-bali-reopens-to-foreign-tourists-but-with-no-flights>.
- Business Today. 2021. Maldives Bans Indian Tourists Amid Second COVID-19 Wave. <https://www.businesstoday.in/latest/economy-politics/story/maldives-bans-indian-tourists-tightens-curfew-amid-second-covid-19-wave-295668-2021-05-12>.
- Crisis24. 2022. Maldives: Officials Maintain Tightened Restrictions as of Jan. 12 due to COVID-19 Variant / Update 56. 11 January. <https://crisis24.garda.com/alerts/2022/01/maldives-officials-maintain-tightened-restrictions-as-of-jan-12-due-to-covid-19-variant-update-56>.
- Government of Maldives. COVID-19 Database. Malé: Health Protection Agency (HPA). Internal database. (accessed 30 May 2023).
- . 2018. *Monthly Statistics*. 28 (4, January). Malé: Maldives Monetary Authority. <https://www.mma.gov.mv/documents/Monthly%20Statistics/2017/MS-Dec-2017.pdf>.
- . 2020. COVID-19—Measures Taken by the MMA. *Press release*. Number: PR-MCS/2020/3. Malé: Maldives Monetary Authority. [https://www.mma.gov.mv/#/news/PR-MCS-2020-3\(english\).html](https://www.mma.gov.mv/#/news/PR-MCS-2020-3(english).html).
- . 2021a. *The Impact of COVID-19 Pandemic on Employment in the Maldives*. Malé: Ministry of Economic Development. <https://trade.gov.mv/en/the-impact-of-covid-19-pandemic-on-employment-in-the-maldives/>.
- . 2021b. *Monthly Statistics*. 22 (1 January). Malé: Maldives Monetary Authority. <https://www.mma.gov.mv/documents/Monthly%20Statistics/2021/MS-Jan-2021.pdf>.
- . 2022a. *Gross Domestic Product*. Malé: Maldives Bureau of Statistics.
- . 2022b. *Labour Market Report 2021*. <https://trade.gov.mv/en/labour-market-report-2021/> (accessed 23 July 2023). Malé: Ministry of Economic Development.
- . 2022c. State of Public Health Emergency Revoked. Circular. 15 March. Malé: Ministry of Tourism. [https://www.tourism.gov.mv/circulars/state\\_of\\_public\\_health\\_emergency\\_revoked](https://www.tourism.gov.mv/circulars/state_of_public_health_emergency_revoked) (accessed 26 July 2023).
- . 2023a. *Census 2022 Results: Combined Summary*. Malé: Maldives Bureau of Statistics.
- . 2023b. *Monthly Statistics*. 24 (3, March). Malé: Maldives Monetary Authority. <https://www.mma.gov.mv/documents/Monthly%20Statistics/2023/MS-Mar-2023.pdf>.
- . 2023c. Disbursed Outstanding Debt of Public and Public Debt of Government of Maldives, as of Q4 2022. Malé: Ministry of Finance. <https://www.finance.gov.mv/public/attachments/AtozlyhCxNwGgTf7BM3y8rLxTr2xtByLXWw6qb2k.pdf>.
- Government of Maldives and United Nations Development Programme (UNDP). 2020. *Rapid Livelihood Assessment: Impact of the COVID-19 Crisis in the Maldives*. Malé: Ministry of Economic Development and New York: UNDP.
- HPA and Ministry of Health. 2023. *Maldives COVID-19 Response: A Summary*. <https://health.gov.mv/storage/uploads/bVw9Olqv/0vzbhf0z.pdf>.
- International Monetary Fund. 2022. *IMF Executive Board Concludes 2022 Article IV Consultation with Maldives*. <https://www.imf.org/en/News/Articles/2022/12/20/pr22449-imf-executive-board-concludes-2022-article-iv-consultation-with-maldives>. *Press release*. No. 22/449. 20 December.
- Maldives Financial Review. 2021. COVID-19 in the Maldives: A Timeline. 6 May <https://mfr.mv/covid19/covid-19-in-the-maldives-a-timeline>.
- National Social Protection Agency. About Us. <https://www.nspa.gov.mv/v2/index.php/about-us/>.

