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September 8, 2021

**Joint Statement by Mr. Dresse, Mr. Massourakis, Ms. Cerami, Mr. Ghalanos, and Mr. Tevdovski on Maldives  
(Preliminary)  
Executive Board Meeting  
September 10, 2021**

*We thank staff for their comprehensive report and Mr. Mohieldin, Mr. Alhosani, and Ms. Merhi for their informative Buff statement. We welcome the ongoing recovery, driven by tourism, which benefited from strong policy support and a swift change in composition of source countries, reflecting different trade restrictions and trends in the spread of COVID-19. However, the pandemic has exacerbated pre-existing fiscal and external vulnerabilities, which require prompt action. We agree with the thrust of the staff appraisal and provide some additional remarks.*

- **Restoring fiscal stability and debt sustainability is paramount.** The necessary economic support to the tourism-dependent economy has not been offset by a proportionate reduction of the sizeable capital budget, leading to a widening of the fiscal deficit. At the same time, all debt indicators have deteriorated, and the country remains at high risk of external and overall debt distress. Against this background, we strongly support the comprehensive package of fiscal and public financial management measures recommended by staff. In particular, in line with authorities' 2020 RCF commitment, rationalization of capital spending, including of SOE, is important. Regarding the public financial framework, leveraging on the outcome of recent Fund TA (including the Fiscal Transparency Evaluation), should be prioritized. Staff's insightful analysis of fiscal risks of non-financial SOEs focuses on the nine-largest but underscores that another 32 could potentially be included in the public sector. *Could staff comment on the financial strength of these corporations and the potential fiscal risks, if included in the public sector?*

- **The monetary and foreign exchange rate frameworks need strengthening.** Limiting the central bank financing to the government is key to ensuring monetary policy effectiveness and fiscal responsibility. As highlighted by staff, the pandemic has underscored the urgency of structural changes to the foreign exchange market to address foreign currency shortages and help remove multiple currency practices. Like staff, we welcome recent progress to enhance financial stability and support the authorities' request for a full FSAP.
- **We welcome the authorities' commitment to their ambitious plan on the blue economy and climate resilience and sustainability.** As a small island state dependent on tourism and highly vulnerable to risks from sea level rise and other natural disasters, the country has rightly made climate resilience a top policy priority. We support the authorities' efforts to addressing climate vulnerabilities and their request for Fund capacity development and invite staff to focus on possible measures to facilitate access to concessional climate finance.