

SM/85/4

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INFORMATION

January 2, 1985

To: Members of the Executive Board

From: The Acting Secretary

Subject: Maldives - Staff Report for the 1984 Article IV Consultation

Attached for consideration by the Executive Directors is the staff report for the 1984 Article IV consultation with Maldives. A draft decision appears on page 18.

This subject will be brought to the agenda for discussion on a date to be announced.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Otani, ext. 7305.

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INTERNATIONAL MONETARY FUND

MALDIVES

Staff Report for the 1984 Article IV Consultation

Prepared by the Staff Representatives for the 1984  
Article IV Consultation with Maldives

Approved by Douglas A. Scott and Eduard Brau

January 2, 1985

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## I. Introduction

The 1984 Article IV consultation discussions with Maldives were held in Male during October 11-22, 1984. The Maldivian representatives included the Ministers of Trade and Industry, Fisheries, and Transport and Shipping; the Deputy Ministers of Planning and Development and Agriculture; the Director of the Department of Finance; the General Manager of the Maldives Monetary Authority; and other senior officials of the Government. Meetings were also held with representatives of commercial banks. The head of the mission met with the President, His Excellency Maumoon Abdul Gayoom, and the Minister of Foreign Affairs, Honorable Fathulla Jameel. The staff team consisted of Messrs. I. Otani (ASD, Head), M. Fetherston (ASD), C. Schiller (FAD), S. Takagi (EP, ASD), and Ms. M. Singh (ASD).

Maldives continues to avail itself of the transitional arrangements of Article XIV, although no restrictions are maintained on the making of payments and transfers for current international transactions.

## II. Background and Recent Economic Developments

Maldives is a small tropical island and open economy, with the total value of exports and imports amounting to about 110 percent of GDP in recent years. Its principal economic activities include fishing, tourism, and international shipping, which together generate about 50 percent of both employment and government revenue and most exports of goods and services. The role of agriculture remains small due to limited arable land, poor soil conditions, and the lack of an efficient inter-island transportation system. The country's development program, which started less than a decade ago, aims at strengthening the economic and social infrastructure, reducing regional economic imbalances, and expanding the export-oriented sectors of the economy.

Following a strong performance during 1980-81, when the annual growth rate of real GDP averaged about 15 percent, the economy slowed down considerably, with real GDP increasing by less than 7 percent in 1982, and by about 4 percent in 1983 (Table 1). The slow growth in 1983 was attributable to unfavorable external developments, contributing to a marked weakening in the balance of payments. The tourist sector experienced a setback, following the outbreak of civil disturbances in Sri Lanka, which in turn adversely affected trade and transportation services. Also, construction activity declined noticeably, due largely to a slowdown in the building of resorts. The adverse impact of these developments on economic activity was somewhat mitigated by a considerable recovery in the fisheries sector (Chart 1) and a continued rapid expansion in government and banking services.

Against the background of substantial increases in the domestic borrowing requirements of the public sector and keen competition among

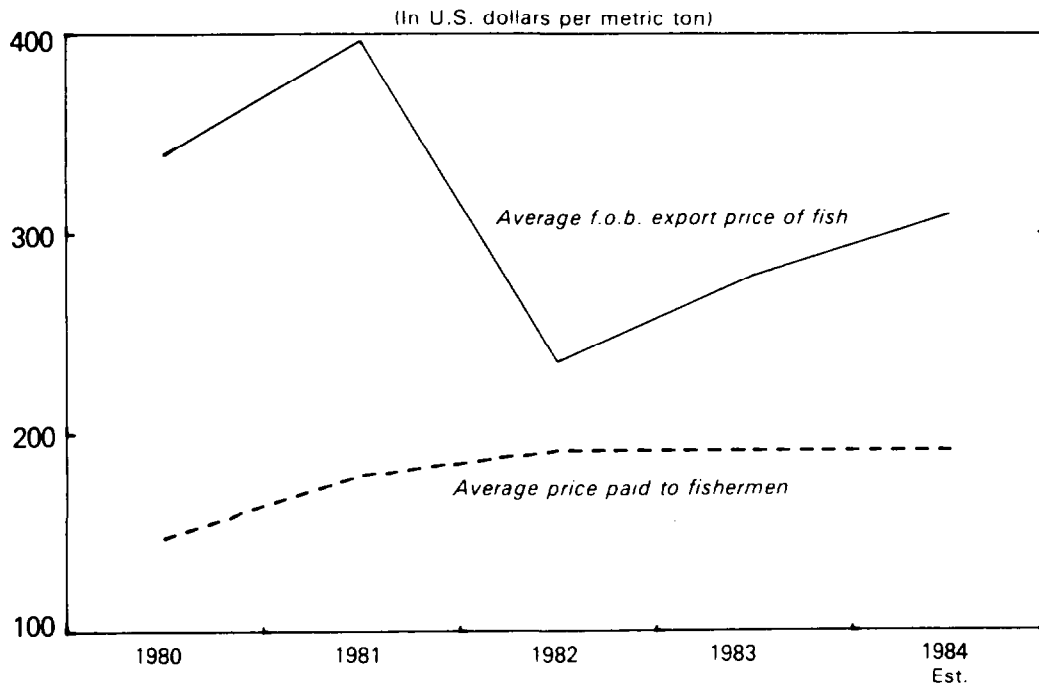
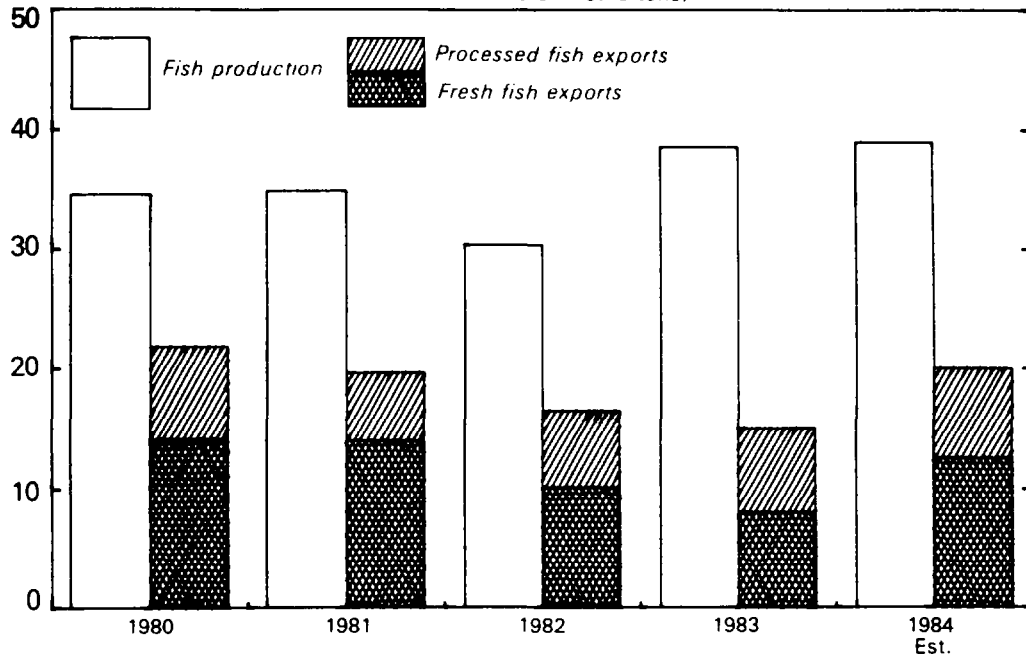
Table 1. Maldives: Indicators of Output, Inflation and Related Variables, 1981-84

	1983 percentage shares in GDP	1981	1982	1983	1984 Staff estimates
<b>A. Gross Domestic Product</b>					
		<u>(Percentage changes)</u>			
GDP	100	11.6	6.5	3.9	8-9
Primary sector	29.7	8.2	-11.1	6.2	2-3
Of which: Fisheries	(17.6)	(2.1)	(-17.4)	(17.3)	(1-2)
Secondary sector	11.3	-12.8	19.1	-4.2	8-9
Of which: Construction	(6.7)	(-25.3)	(10.8)	(-5.2)	(10-11)
Services sector	59.0	20.8	15.2	4.4	10-11
Of which: Tourism	(13.9)	(33.0)	(18.5)	(3.7)	(13-15)
Trade and transport	(19.9)	(34.9)	(4.6)	(-7.6)	(10-12)
Government	(15.0)	(2.4)	(31.3)	(15.1)	(13-15)
<b>B. Inflation and Related Variables</b>					
		<u>(Percentage changes)</u>			
Inflation in foreign countries					
Prices of major import items in world markets (in U.S. dollars) <u>1/</u>		-2.3	-13.5	-6.0	-4.0
World prices of essential food items (in U.S. dollars) <u>2/</u>		-12.2	-36.4	-3.2	-10.0
Manufactured export prices in supplying countries <u>3/</u>		4.9	5.6	-1.1	3.0
Effective exchange rate <u>4/</u>		-6.8	-16.1	-6.9	-5.8
Accounting rate for pricing purposes for basic food items <u>5/</u>		--	1.3	28.5	36.6
Inflation in Maldives					
Consumer prices of essential items		11.1	-0.8	8.4	4-5
GDP deflator		11.6	2.9	5.1	3-4
Memorandum items:					
		<u>Cumulative percentage changes from 1980 to 1984</u>			
World prices of essential food items (in U.S.\$)			-50.5		
Accounting rate for pricing purposes for basic food items <u>5/</u>			77.8		
Consumer prices of essential items			24.8		

Sources: Ministry of Planning and Development; Maldives Monetary Authority; IMF, International Financial Statistics; and staff calculations.

- 1/ Essential food items, oil, and manufactured goods.  
2/ Prices of rice, wheat, and sugar.  
3/ Japan, Germany, and the U.A.; export unit values in local currency.  
4/ Import-weighted; annual average. A decrease indicates an appreciation.  
5/ An increase indicates a depreciation.

CHART 1  
MALDIVES  
FISH PRODUCTION, EXPORTS, AND PRICES, 1980-84  
(In thousands of metric tons)



Sources: Data provided by the Maldivian authorities; and staff calculations.





commercial banks to extend loans to the private sector, the rate of credit expansion in 1983, though lower than in previous years, remained significantly above the growth of nominal GDP. Increases in reserve requirements and other credit restraint measures taken by the Maldives Monetary Authority (MMA) had only a limited effect, mainly because of substantial foreign borrowing by the commercial banks. The budget deficit (including grants) rose sharply to 16 percent of GDP, largely on account of a rapid expansion in expenditure.

The expansionary financial policy contributed to pressures on prices as well as a weakening in the balance of payments in 1983. Pressures on prices were also exerted by periodic adjustments of the internal official accounting rates used for domestic pricing of essential commodities and for import valuation for duty purposes. <sup>1/</sup> Indeed, staff estimates based on available information indicate that inflation rose to over 8 percent. The external current account and overall deficits increased substantially to 35 percent of GDP, and 16 percent of GDP, respectively, mainly because of a significant increase in imports sustained by the rapid credit expansion. Most of the overall balance of payments deficit was financed by short-term foreign borrowing by the commercial banks.

In 1984, the performance of the economy improved considerably, although the underlying pressures on the balance of payments persisted. According to staff estimates, the growth of real GDP doubled to between 8 and 9 percent, due largely to a recovery in tourism and construction and a continued expansion in government services. The rate of inflation appears to have declined somewhat, reflecting both reduced domestic demand pressures and the continued fall in U.S. dollar prices of essential imports. These developments partially offset a further upward adjustment in the official accounting rates for pricing purposes (Table 1). The rate of increase in the prices of essential items is estimated to have declined by half to 4-5 percent.

In the area of fiscal policy, the authorities had originally envisaged an increase in the overall deficit of the Central Government to about 24 percent of GDP in 1984. This increase was largely due to a 28 percent anticipated expansion in expenditure. In the event, total expenditure is estimated to increase by 11 percent (Table 2 and Chart 2). The shortfall was due primarily to delays in execution of externally financed projects, on account of the lack of implementation capacity, as well as efforts to postpone certain low priority projects. These developments offset a substantial increase in the wage bill, which resulted from a significant increase in employment and selective increases in wage rates designed to provide incentives to work in the outer atolls.

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<sup>1/</sup> The authorities maintained these accounting rates at more appreciated levels relative to the official exchange rate (see page 9).

Table 2. Maldives: Summary of Government Finances, 1981-84

(In millions of rufiyaa)

	1981	1982	1983	1984	
				Budget	Staff estimate
Revenue and grants	81.8	122.8	129.2	136.9	168
Revenue	73.5	99.4	116.8	122.9	133
Tax	(23.3)	(42.1)	(51.6)	(55.5)	(68)
Nontax	(50.2)	(57.3)	(65.2)	(67.4)	(65)
Grants <u>1/</u>	8.3	23.4	12.4	14.0	35
Expenditure	108.2	143.4	207.6	266.0	230
Current	52.3	92.8	95.2	112.0	111
Of which: Wages	(19.9)	(22.3)	(30.1)	(38.5)	(37)
Subsidies <u>2/</u>	(--)	(22.9)	(7.9)	(2.5)	(3)
Interest	(1.2)	(4.2)	(4.4)	(7.5)	(8)
Capital <u>3/</u>	55.9	50.6	112.4	154.0	119
Overall deficit (-)	-26.4	-20.6	-78.4	-129.1	-62
Financing	26.4	20.6	78.4	129.1	62
Foreign (net)	26.3	12.9	36.4	90.8	40
Disbursements	(26.5)	(13.9)	(43.4)	(106.2)	(60)
Repayments	(-0.2)	(-1.0)	(-7.0)	(-15.4)	(-20)
Domestic (net) <u>4/</u>	0.1	7.7	42.0	38.4	22
Memorandum items:					
	(Annual percentage change)				
Revenue and grants	42.5	50.1	5.2	6.0	30.0
Of which: Revenue	60.1	35.2	17.5	5.2	13.9
Expenditure	-22.3	32.5	44.8	28.1	10.8
Current	(32.7)	(77.4)	(2.6)	(17.6)	(16.6)
Capital	(-44.0)	(-9.5)	(122.1)	(37.0)	(5.9)
	(In percent of GDP)				
Expenditure	26.7	32.2	42.8	48.8	42.2
Overall deficit	6.5	4.6	16.2	23.7	11.4
(excluding grants)	(8.5)	(9.9)	(18.7)	(26.3)	(17.9)

Sources: Department of Finance, Maldives Monetary Authority; and staff estimates.

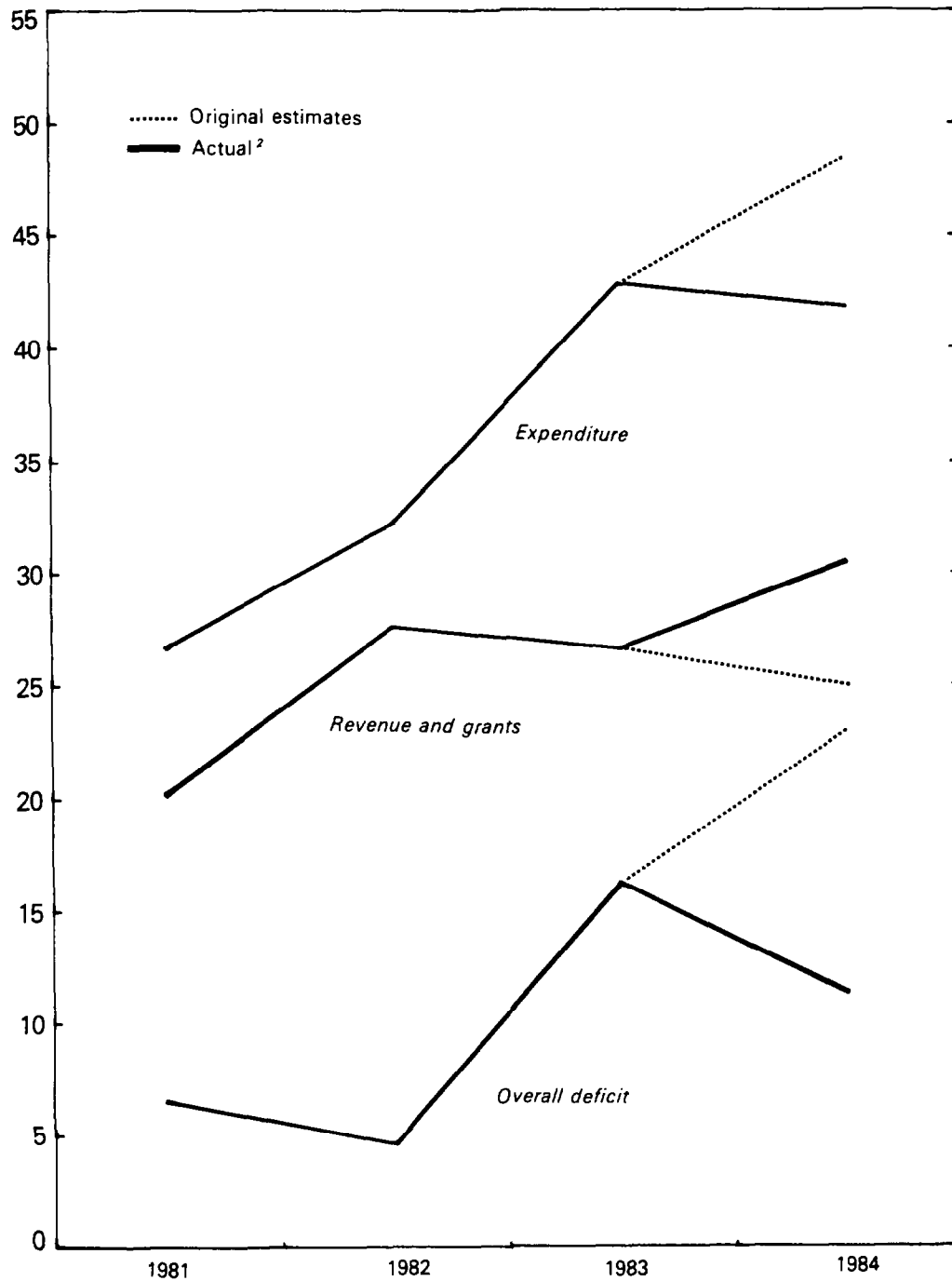
1/ Differs from grants shown in the balance of payments table since budgetary grants exclude grants for direct expenditures by donor countries.

2/ For foodstuffs and medicine.

3/ Including on-lending.

4/ Residual. Most of this item is estimated to be borrowing from the banking sector; the rest represents statistical discrepancies.

CHART 2  
MALDIVES  
GOVERNMENT FINANCE,<sup>1</sup> 1981-84  
(Percent of GDP)



Sources: Maldives, Department of Finance; and staff calculations

<sup>1</sup>Includes extrabudgetary operations.

<sup>2</sup>Staff estimates for 1984.



Total revenue and grants increased by an estimated 30 percent, compared with the originally envisaged 6 percent. This sharp increase was due primarily to grants which were almost three times the initial estimates, reflecting disbursements on the unexpectedly large amount of commitments made by donor countries at the Paris meeting in July 1984. Revenue, comprising basically receipts from taxes on imports and tourism and profit transfers from state enterprises, is estimated to rise by 14 percent, compared with the initial estimate of 5 percent, due to the unexpectedly strong recovery of economic activity, especially in tourism.

The shortfall in total expenditure and the unexpectedly strong growth of revenue and grants brought about an improvement in the financial position of the Central Government in 1984. The overall fiscal deficit is estimated to have declined by nearly 5 percentage points to about 11 percent of GDP; the deficit excluding grants is estimated to have declined marginally to about 18 percent of GDP.

Monetary and credit policy was less expansionary than in 1983. The growth of domestic credit declined from over 30 percent during 1983 to about 18 percent (annual rate) in recent months (Table 3), on account of a marked slowdown in credit expansion to the public sector. This reflects a smaller fiscal deficit and the lower inventory financing requirement of the State Trading Organization (STO). Growth of broad money increased in the first half of 1984, leading to a buildup of liquidity. In more recent months, it declined somewhat as deposits were drawn down to finance imports. Interest rates on loans to the private sector generally ranged between 17 and 19 percent, although the effective cost of credit was often higher because of advance deposit requirements and compensating balances which the commercial banks required from customers. Loans to the public sector are at somewhat lower rates, currently about 14 percent. Real interest rates are generally positive against the background of the moderation in the estimated rate of inflation in 1984.

During 1984, the Maldives Monetary Authority (MMA) continued to maintain quarterly ceilings on sales of foreign exchange to the commercial banks which were first imposed in September 1983. Since the MMA's establishment in 1981, these sales of foreign exchange have constituted a small portion of total foreign exchange that the banks could obtain from other sources, such as the State Trading Organization (STO), tourist resort operators, and banks abroad. In 1984, foreign exchange provided under the ceilings is estimated at about \$5 million, or about 5 percent of total external payments on current account.

The traditional structure of the balance of payments, featuring a large current account deficit, a large capital inflow, and an overall deficit, has remained basically unchanged. However, the external position improved somewhat in 1984 (Table 4 and Chart 3), mainly because of the recovery in the world economy, an improvement in the terms of trade, and to a lesser extent the less expansionary financial policy.

Table 3. Maldives: Selected Monetary Indicators, 1981-84

	1981	1982	1983	1984		
				March	June	September
<b>A. Monetary Survey</b>						
(In millions of rufiyaa; end-period)						
Net foreign assets	-54.3	-81.7	-157.1	-154.1	-151.1	-177.8
Net domestic assets	141.0	185.2	275.4	292.0	294.1	305.1
Domestic credit	145.5	234.9	307.4	323.5	316.9	333.8
Public sector (net)	(94.3)	(135.6)	(172.4)	(166.9)	(159.4)	(163.9)
Private sector	(51.2)	(99.3)	(135.0)	(156.6)	(157.5)	(169.9)
Other items (net)	-4.5	-49.7	-32.0	-31.5	-22.8	-28.7
Total liquidity	86.7	103.5	118.2	137.9	143.0	127.3
Money	38.7	56.0	69.0	76.1	86.1	73.6
Quasi-money	48.0	47.5	49.3	61.8	56.9	53.7
(Percentage changes during one-year period)						
Domestic credit	53.5	61.4	30.9	24.3	19.2	17.8
Public sector (net)	29.7	43.8	27.1	8.0	1.8	1.0
Private sector	131.7	93.9	36.0	48.0	44.1	40.4
Total liquidity	-8.6	19.4	14.2	17.8	16.9	5.1
Money	18.0	44.7	23.2	20.2	27.4	6.8
Quasi-money	-22.7	-1.0	3.8	14.9	4.0	2.9
<b>B. Selected Interest Rates 1/</b>						
(Percent per annum)						
Deposits						
Savings	4	6	6	6	6	6
Time deposits (1-3 years)	7-8	9	10-11	10-12	10-12	10-12
Loans						
Private sector	23.0	20-21	17-19	17-19	17-19	17-19
Public sector	18.5	15.0	12.5	12.5	12.5	14-14.5

Source: Maldives Monetary Authority.

1/ Average for the month at the end of the period.

Table 4. Maldives: Balance of Payments, 1981-84

(In millions of U.S. dollars)

	1981	1982	1983 Provisional	1984 Estimates
Trade balance	-25.9	-28.7	-37.8	-38.6
Exports, f.o.b.	15.8	17.3	19.8	22.8
Of which: fish exports	(6.6)	(5.4)	(6.0)	(8.6)
Imports, f.o.b.	-41.7	-46.0	-57.6	-61.4
Services (net)	3.3	6.3	8.5	12.6
Of which: Travel (net)	(11.9)	(18.0)	(18.1)	(21.3)
Investment income (net)	(-3.5)	(-5.3)	(-9.5)	(-11.1)
Unrequited transfers	2.4	3.3	5.1	6.0
Current account balance	-20.2	-19.1	-24.2	-20.0
Nonmonetary capital (net)	...	14.2	13.4	16.1
Public sector, long-term (net)	12.8	5.3	8.6	4.9
Disbursement	(13.0)	(6.1)	(13.5) 1/	(12.5) 2/
Repayments	(-0.2)	(-0.8)	(-4.9)	(-7.6) 2/
Public sector, short-term (net)	2.7	0.8	-5.8 1/	1.0
Private capital and errors and omissions	...	8.1	10.6	10.2
SDR allocation	0.1	--	--	--
Overall balance	...	-4.9	-10.8	-3.9
Monetary movements	...	4.9	10.8	3.9
Commercial banks	...	4.7	7.4	3.9
Monetary Authority	...	0.2	3.4	--
Memorandum items:				
Interest payments	1.8 3/	3.6	4.6	5.0
Current account deficit as percent of GDP	37.6	30.3	35.1	25.9
Official reserves in months of imports	0.5	2.4	1.1	1.0

Sources: Data provided by the Maldivian authorities; and staff estimates.

1/ Reflects the conversion of an estimated \$5.8 million of short-term debt into long-term debt.

2/ Excluding the shift in July 1984, in the external debt obligation of enterprises to others within the international shipping sector.

3/ Public sector only.

In addition, following a special meeting in July 1984 of Maldives' development partners under the chairmanship of the IBRD, quick-disbursing aid was mobilized in order to cope with balance of payments difficulties.

Exports increased by 15 percent to \$23 million, largely reflecting significant increases in exports of garments and fresh/frozen fish (skipjack). Garment exports have been growing rapidly since production began in 1981, and now account for nearly half of total exports exclusive of re-exports. Fish exports, most of which are now managed by the STO, rebounded due to better marketing arrangements; most of the 30 percent increase in volume was met by drawing down stocks which had increased sharply in 1983.

Imports increased by 7 percent to \$61 million, in marked contrast to the 25 percent increase in 1983. This slowdown reflected delays in the execution of foreign loan-financed development projects due to the lack of implementation capacity, and the authorities' efforts to tighten financial policy and postpone some development projects. Furthermore, an average increase of 37 percent in the official accounting rate used for the valuation of dutiable imports had a dampening effect on import demand. Also, demand for imports was retarded by the official requirement from late 1983 that all private sector imports be placed on a letter-of-credit basis. Following the abolition in September 1983 of the official 50 percent advance deposit requirement on private imports under letters of credit, the commercial banks, in the face of foreign exchange shortages, had considerably increased their own advance deposits required from importers.

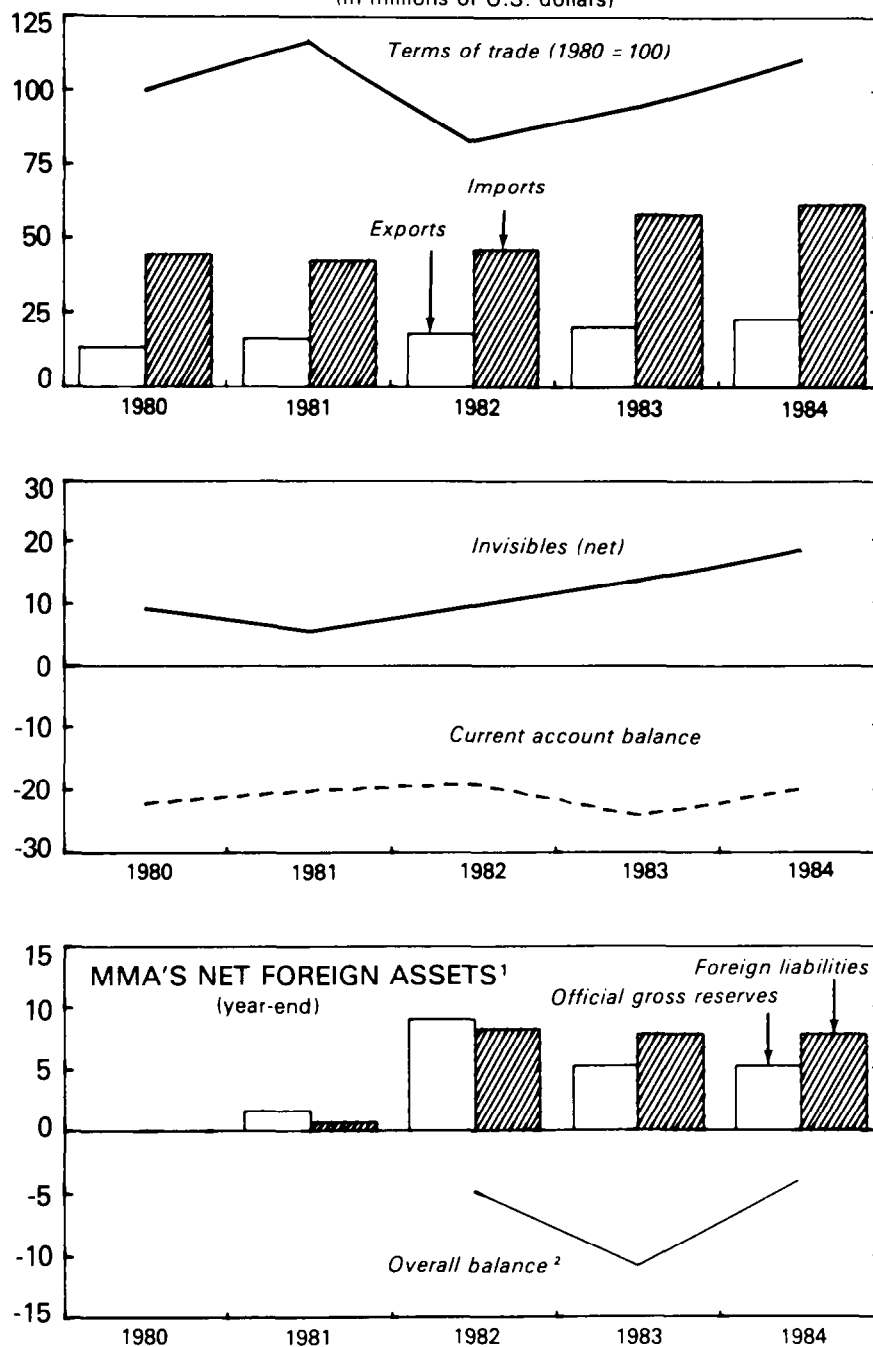
The deficit in the trade account increased marginally to \$39 million, as the rapid increase in exports was not sufficient to offset the increase in imports. The surplus in the services and transfers accounts rose substantially to \$19 million in 1984, due mainly to a recovery in tourism and a sharp increase in the sale of jet fuel. Thus, the current account deficit fell to \$20 million. The surplus in the capital account increased by \$3 million to \$16 million, reflecting primarily an increase in the net inflow of public sector loans. The overall deficit is estimated to have declined by \$7 million to \$4 million, financed almost entirely by overseas borrowing by commercial banks. Gross official reserves stood at \$5 million at end-September 1984, equivalent to about one month of imports, similar to the end-1983 level.

In recent years, the rufiyaa has been pegged to the U.S. dollar. The rufiyaa was revalued from the buying rate of Rf 7.50 = US\$1.00 to Rf 7.00 = US\$1.00 in March 1982; since then, this parity has remained unchanged. Because of the continued strength of the U.S. dollar, the rufiyaa has appreciated significantly over the past several years (Chart 4), leading to strong demand for imports. In nominal effective terms (weighted by trade and tourist arrivals), the rufiyaa appreciated



# CHART 3 MALDIVES BALANCE OF PAYMENTS AND RELATED INDICATORS, 1980-84

(In millions of U.S. dollars)



Sources: Maldives Monetary Authority (MMA) and staff calculations.

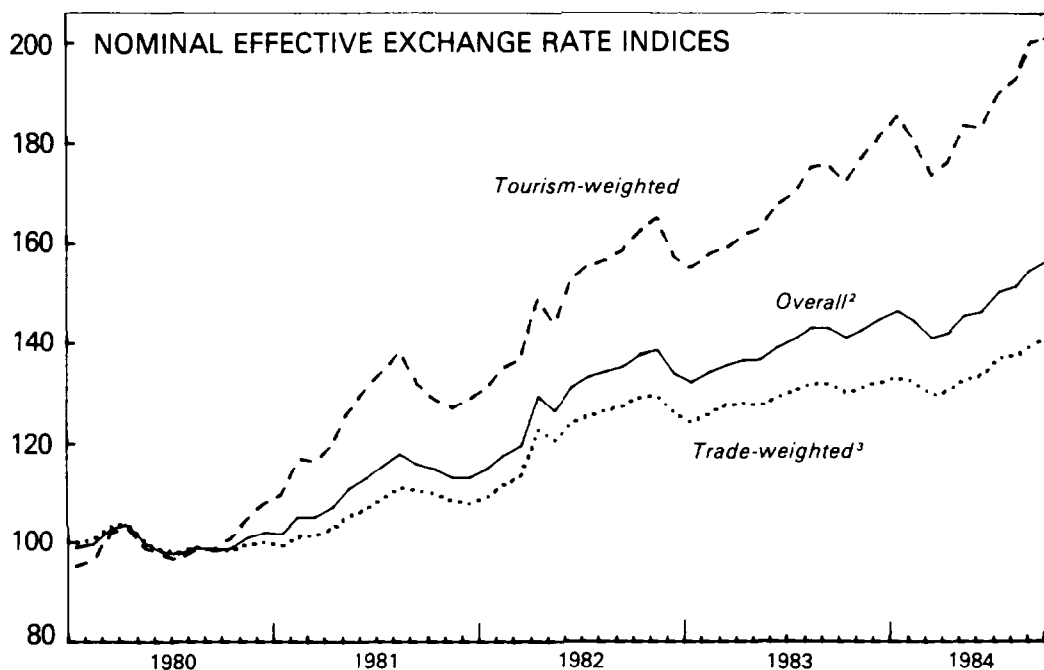
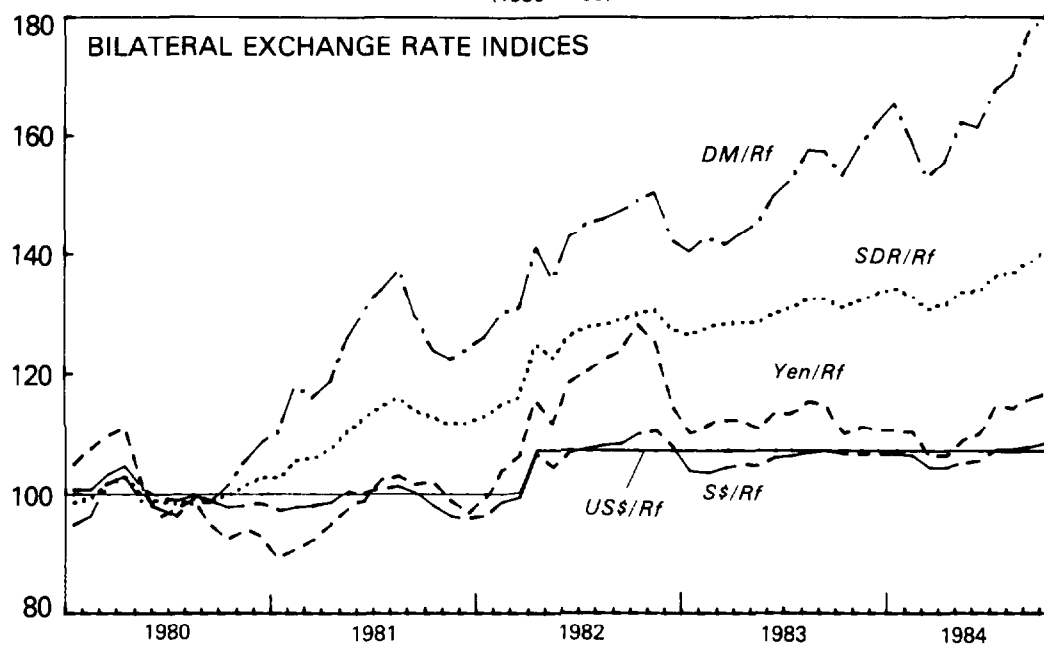
<sup>1</sup>Not available for 1980; 1984 data are for end September.

<sup>2</sup>Not available for 1980 and 1981



CHART 4  
MALDIVES  
INDICATORS OF THE RUFIYAA EXCHANGE RATE, 1980-84<sup>1</sup>

(1980 = 100)



Sources: IMF, *International Financial Statistics*; and staff calculations.

<sup>1</sup>An increase indicates an appreciation of the rufiyaa.

<sup>2</sup>Weighted by trade and tourism shares.

<sup>3</sup>Weighted by export and import shares.



by 8 percent during 1983 and by 9 percent during the first ten months of 1984; in real terms, it appreciated by about 14 percent over the last two years.

Since the beginning of 1983, the authorities have maintained two sets of accounting rates at more appreciated levels than the official exchange rate: one for the purpose of setting domestic prices of imported essential foods (covering about 8 percent of total imports) and valuing dutiable imports (about half of total); the other for the purpose of setting domestic prices of imported medicine. With a view to reducing subsidies and simplifying the pricing and customs valuation systems, the authorities made several upward adjustments in these accounting rates, with the latest adjustment in September 1984; these rates, which stood at Rf 3.93 = US\$1.00 at end-1981, are now set at Rf 7.00 = US\$1.00, equal to the official buying rate for the U.S. dollar.

External medium- and long-term public debt is estimated at \$56 million, or 71 percent of GDP at the end of 1984. In addition, short-term debt, mostly comprising monetary liabilities of the banking system, is estimated at \$33 million, or 43 percent of GDP. Information on other private debt is not available. Due largely to increases in repayments of commercial loans, debt service payments, including interest payments on short-term debt, rose from 12 percent of exports of goods and services in 1982, to 21 percent in 1983. The debt service ratio is estimated to rise further to 24 percent in 1984, primarily reflecting a further increase in the repayment of medium- and long-term loans.

### III. Report on the Discussions

The balance of payments pressures experienced by Maldives in recent years resulted mainly from a combination of expansionary financial policies and adverse external developments. In order to finance the resulting balance of payments deficits, both the Monetary Authority and the commercial banking sector have resorted to short-term borrowing. In the meantime, the Government has taken several adjustment measures in 1983 and 1984. Although these measures, coupled with the more favorable external situation and financial support from donor countries, have improved the external position somewhat, the underlying balance of payments remains weak.

The weakness in the external sector is reflected in large deficits in the current account and the overall balance of payments, an increase in external debt, and low international reserves. This weakness has been aggravated by the effective appreciation of the rufiyaa since 1980, and the difficulty in obtaining additional grants and concessionary loans in the face of the increased financial constraints faced by Maldives' development partner countries.

At the time of the 1983 Article IV consultation with Maldives, the Executive Board endorsed the staff view that the authorities needed to make further adjustment efforts to initiate the required strengthening of the balance of payments over the medium term. Therefore, against the background of the medium-term prospects for the economy, the staff team's discussions focused on further policy actions needed to strengthen the balance of payments in 1985 and subsequent years, and to support sustainable growth over the medium term.

#### 1. Medium-term prospects

Development policies presently under consideration for 1985-87 aim at promoting a high growth rate (about 9 percent per annum) of real GDP. This growth is to be supported by the continued rapid expansion of infrastructure investment, including land reclamation in Male and construction of government offices and shops, as well as the further expansion of government services. The staff team expressed serious doubts about this development-and-growth strategy. First, the envisaged rapid expansion of the infrastructure would not necessarily ensure a high growth of real GDP, largely because the marginal efficiency of such investment is likely to decline. Second, it would lead to an unsustainable external position in the medium term and thus in turn threaten medium-term growth and development prospects. The IBRD staff shares with these views.

Against this background, the staff team discussed with the authorities a medium-term balance of payments scenario based on the strategy of promoting a high rate of growth. According to this scenario, imports would grow by about 15 percent per annum, due to the rapid growth of infrastructure investment. On the other hand, receipts from exports and invisibles (net) would increase by less than 12 percent, mainly reflecting the increase in the fish catch, garment exports, and tourism. As a result, the current account deficit would be likely to double by 1989. Although the capital account would improve somewhat, reflecting higher project loan disbursements, the overall balance of payments position would deteriorate significantly (Appendix Table 6).

The weakness of the external position would be most evident in sharp increases in external debt. By 1989, outstanding medium- and long-term debt would increase by about 80 percent in absolute terms. At the same time, outstanding short-term debt would more than triple if, as assumed for the purpose of the scenario, the balance of payments deficits were to be financed by short-term borrowing (Table 5).

Although the external debt service ratio would not increase unduly, short-term financing to cover the external resource gap would lead in the relatively near future to an excessively high level of short-term debt in relation to gross reserves. Once that level is reached, additional short-term financing would probably be difficult to obtain. Moreover, the authorities anticipate increasing difficulty in securing balance of payments support on favorable terms. For these reasons, the

Table 5. Maldives: Medium-Term External Debt Profile:  
A Scenario, 1984-89

(In millions of U.S. dollars)

	1984 Est.	1985	1986	1987	1988	1989
		Staff Projections <u>1/</u>				
Total outstanding debt (end of period)	88.7	103.8	121.9	144.4	173.6	211.3
Medium- and long-term debt	55.5	59.8	66.0	74.6	85.5	99.3
Others, including short-term debt <u>2/</u>	33.2 <u>3/</u>	44.0	55.9	69.8	88.1	112.0
Total debt service payments	12.6	11.6	13.4	14.9	17.1	20.0
Principal (medium- and long-term only)	7.6	5.5	5.5	5.5	6.0	6.5
Interest, total <u>4/</u>	5.0	6.1	7.9	9.4	11.1	13.5
a. Payments on medium- and long-term debt	(1.8)	(2.1)	(3.1)	(3.5)	(4.1)	(4.7)
b. Payments on others, including short-term debt	(3.2)	(4.0)	(4.8)	(5.9)	(7.0)	(8.8)
Current account receipts <u>5/</u>	53.3 (78.3)	68.1 (88.1)	75.0 (95.0)	83.5 (103.5)	95.4 (115.4)	109.6 (129.6)
Debt service ratio <u>6/</u> (as percent of current receipts)	23.6 (16.1)	17.0 (13.2)	17.9 (14.1)	17.8 (14.4)	17.9 (14.8)	18.2 (15.4)
Total outstanding debt (as percent of GDP)	113.9	117.6	123.3	130.4	140.0	152.2
Medium- and long-term debt	71.3	67.7	66.8	67.4	69.0	77.5
Others, including short-term debt	42.6	49.9	56.5	63.0	71.0	74.7
Memorandum items:						
Exports (US\$ mn.)	23	23	24	26	28	30
Current account deficit (US\$ mn.)	20	26	29	39	41	49
(as percent of GDP)	(26)	(29)	(29)	(31)	(33)	(35)

Sources: Maldives Monetary Authority, and staff calculation.

1/ Projections are based on the authorities' present development strategy aimed at a high growth rate of about 9 percent per annum.

2/ Comprises mostly existing short-term liabilities and other financing required to cover the overall balance of payments deficit and maintain gross official reserves equivalent to one month of imports. As of end-1984, the outstanding short-term debt amounted to \$33.2 million.

3/ Comprises mostly liabilities of the banking system.

4/ Includes interest payments on short-term debt. Interest rates on short-term debt are assumed to decline from about 11 percent in 1985 to 9 percent in 1989. Interest rates on medium- and long-term loans are assumed to be about 2 to 3 percent per annum for concessionary loans, and about 13 percent for commercial loans.

5/ Gross receipts net of the operating costs of the shipping sector, transfers, and factor payments. Figures in parentheses are receipts without netting out the operating costs.

6/ Represents the ratio as percent of current receipts net of the operating cost of the shipping sector. Figures in parentheses represent the ratio without netting out the operating costs.

outlook for the balance of payments, adequacy of reserves, and external debt associated with a high growth strategy does not represent a sustainable position over the medium term.

## 2. Adjustment policy issues

In view of the unfavorable external implications of the high growth strategy, the staff team suggested an alternative strategy aimed at a less ambitious growth objective and a stronger balance of payments. This would entail a more moderate growth target of about 5 percent, coupled with tighter financial policies and appropriate external measures. The authorities noted the staff team's suggestion and stressed that their medium-term growth objective would continue to be reviewed in the light of prospective balance of payments developments. In this context, they indicated that they would welcome specific suggestions from the staff team regarding adjustment measures which could be considered for early implementation.

### a. Fiscal policy

The financial situation of the Central Government in recent years has been characterized by rapid increases in expenditure and large overall deficits. Although fiscal performance improved in 1984, due to a combination of temporary factors and policy measures, significant structural weaknesses remain. These have resulted primarily from a narrow revenue base, rapid growth in the wage bill, increasing recurrent costs associated with earlier development projects, and deficiencies in the institutional system which inhibit effective expenditure control. The rapid growth in expenditure has led in certain instances to the inefficient use of resources. These weaknesses would be aggravated over the medium-term if the Government were to pursue present plans for extensive future investment in infrastructure projects.

Noting the underlying weakness in the fiscal position, the staff team stressed that significant adjustment efforts would be required in 1985 and future years to reduce the fiscal deficit and thus to support an improvement in the external position. In this connection, the team recommended a set of measures that would help reduce the overall deficit from the estimated Rf 62 million (11 percent of GDP) in 1984 to Rf 35 million (6 percent of GDP) in 1985. These included: (1) implementing new revenue measures; (2) holding expenditure below the 1984 level in nominal terms; and (3) improving institutional arrangements and the budgeting system to strengthen control over revenue and



expenditure. 1/ In this context, the staff team stressed the importance of setting appropriate expenditure priorities so as to make the best use of limited resources.

The staff team recommended that, in order to strengthen financial control, the Government needs to centralize responsibilities for the execution of government financial operations that are presently spread among several official agencies. As only about two thirds of total outlays are presently approved through the regular budgetary process, the coverage of the budget needs to be widened to incorporate all government revenues and expenditures. In particular, it needs to include provision for foreign loan-financed capital expenditures, based on a realistic assessment of implementation capacity, as well as disbursements from special accounts funded by cash grants and aid counterpart funds. In addition, quarterly phasing of annual authorized expenditure would improve monitoring and control.

Although the authorities were receptive to the team's suggestions, they emphasized that not all of them could be implemented in the near future, due mainly to social and administrative constraints faced by the Government. Nevertheless, some of these suggestions have already been given serious consideration. In this connection, the authorities have been considering a reform of the tariff system, and some changes could be introduced in the 1985 budget, which at the time of the discussions was in the early stages of preparation.

b. Monetary policy

Since its establishment in 1981, the Monetary Authority has only been able to influence economic activity to a small extent, due mainly to its limited responsibilities in macroeconomic policymaking and to lack of coordination between the various official agencies. Despite the introduction of a number of measures, monetary aggregates have often

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1/ At the initiative of the authorities, the staff team discussed specific revenue and expenditure measures that the authorities could consider for implementation. Revenue measures included: increasing duty rates on luxury items; switching the basis of valuation for import duty purposes from f.o.b. to c.i.f.; removing exemptions of duties on government imports and imports for personal use; replacing the bed-night tax by an ad valorem tax on hotel bills; increasing the airport departure tax in the near future; and introducing user charges for the water supply and sewer system, sales, property, income, and head taxes in the medium term. Expenditure measures included: reducing the growth in the number of civil service positions, as well as in wage rates, and eliminating or postponing low priority investment projects. According to IBRD staff, these projects include the proposed land reclamation project in Male, the construction of government shops and office buildings, as well as school and hospitals, for which the Government has not yet found qualified personnel.

expanded at rates faster than the authorities considered appropriate, creating pressures on prices and the balance of payments.

Credit restraint is an important element in external adjustment. In this connection, the staff team discussed with the authorities a financial program for 1985 that should support a reduction in the overall balance of payments deficit to about \$2 million. This program assumes a rate of inflation of about 4-6 percent, close to the rates expected in Maldives' trading partner countries. It also assumes that the authorities' targeted growth rate would be lowered to a more sustainable rate of about 5 percent. These targets and the likely increase in broad money consistent with the growth of nominal GDP imply that total domestic credit expansion needs to be contained below 9 percent during 1985.

To help bring about the proposed tightening of credit and monetary policy, the staff team suggested a further increase in the reserve requirement ratio on deposit liabilities. Such an increase should lead to increases in both deposit and loan interest rates. In addition, the expansionary impact of overseas borrowing by the commercial banks could be checked by the introduction of reserve requirements on the foreign liabilities of the banks. Regarding other instruments of monetary policy, the authorities noted that consideration was being given to the issuance, for the first time, of Treasury bills. The staff team expressed concern that such a step might weaken the needed resolve to reduce the budget deficit; a better instrument to absorb liquidity might be a savings certificate to be issued by the MMA, with an interest rate set above the prevailing market rates on bank deposits.

In 1983, as pressures on the balance of payments intensified, the MMA had introduced quarterly ceilings on its foreign exchange sales to the commercial banks. The team encouraged the authorities to remove the ceilings and to pursue, instead, adjustment policies designed to reduce the underlying excess demand for foreign exchange.

c. External policy

Despite the improvement in the external position in 1984, the underlying balance of payments remains a source of concern. Therefore, the discussions of external policies focused on possible measures to strengthen the balance of payments, including trade policies, a tariff reform, and exchange rate policies.

In the area of trade policies, the authorities favor promotion of fish exports. Although the immediate outlook for fish exports is not bright, due to the continued weakness in international prices, medium-term prospects appear more promising. The authorities continue to make progress, supported by the IBRD, in increasing the potential for fish exports through the modernization of fishing boats, improvement in fuel distribution and storage facilities and fish collection/transportation, and the opening up of new markets in Europe and Asia. Considerable

progress has also been made in shifting production of clothing from manufactured wool sweaters, exports of which to the United States are subject to quota, to nonwool and other garment manufacturing. The authorities said that the shift in production had neutralized the adverse effects of the quota restriction.

The authorities have made significant progress in strengthening the services account in 1984. First, the tourism sector was revitalized, with the introduction of direct scheduled flights from Singapore and Amsterdam to Male, and the promotion of markets outside Europe. However, the lack of rapid transportation between the airport and resort islands remains a problem. Second, the shipping sector continued to be rationalized through reduction in the capacity of the fleet, and further progress is envisaged in this area.

The authorities have been considering a reform of the tariff system, and some changes could be introduced in the 1985 budget. In this connection, the staff team reiterated the importance for resource allocation and budgetary revenue of abolishing duty exemptions on imports by the Government and for personal use. The team also suggested that a new system should help discourage imports of luxury items and other goods which the Government considers nonessential. In order to prevent excessive protection for infant industries, exemptions for their imports of raw materials and intermediate goods should be for a limited period only.

The rufiyaa has continued to appreciate in effective terms in recent years, largely on account of a steady appreciation of the U.S. dollar to which it is pegged. Maintenance of the present effective exchange rate of the rufiyaa is likely to aggravate the underlying weaknesses in the balance of payments. Therefore, the staff team advocated a more active use of exchange rate policy. If the authorities adopt sufficiently comprehensive and effective supporting measures, the necessary exchange rate adjustments could be limited to a policy of moderate depreciation.

The present exchange rate arrangement has contributed to the trend appreciation of the rufiyaa in both nominal and real effective terms. The mission suggested that consideration be given to pegging the rufiyaa to a currency basket, such as the SDR, which would help avoid large secular changes in both nominal and real effective exchange rates.

The authorities were receptive to the team's suggestions with respect to exchange rate policies. Indeed, they noted that these issues are already receiving extensive consideration, and that a further study of the matter will be made in the near future.

#### IV. Staff Appraisal

Following severe economic difficulties in 1983, the economic situation improved considerably in 1984. The growth of real GDP is estimated to have increased significantly, inflation declined to a moderate rate, and the balance of payments improved somewhat. The better economic situation was due to a combination of more favorable developments in the international environment and the authorities' efforts in implementing adjustment policies. In particular, the staff notes with satisfaction that financial policy has been less expansionary, with the growth of domestic credit slowing considerably.

Despite the favorable turnaround in 1984, the structural weaknesses in the balance of payments are likely to persist. These weaknesses would be aggravated by the continued pursuit of a development strategy aimed at a high rate of growth. Such rapid growth would lead to an unsustainable external position over the medium term.

Against this background, the staff would encourage the authorities to pursue policies more consistent with an improvement in the external payments position and a realistic growth rate. The pursuit of such policies would help strengthen the balance of payments, and would be essential for sustainable economic growth and development. To this end, the staff urges the authorities to intensify their adjustment efforts in 1985.

In the fiscal area, the overall deficit needs to be further reduced, by introducing new revenue measures and exercising increased expenditure restraint. An increased centralization of responsibility for fiscal matters and the introduction of a comprehensive annual budget would help strengthen control over the Government's financial operations.

In the monetary area, further restraint of credit expansion is called for. To this end, the staff recommends an active use of monetary policy instruments, including an increase in reserve requirements. In addition, the staff believes that the objectives of the present system of quarterly ceilings on the allocation of foreign exchange to the commercial banks might be better achieved by measures to reduce the underlying excess demand for foreign exchange.

The staff welcomes the recent progress made in promoting exports of traditional and nontraditional products and the authorities' efforts in strengthening the tourism sector, rationalizing the shipping sector, and reforming the tariff system. Further progress is desirable in all these areas. The staff also commends the authorities' maintenance of an exchange system free of restrictions.

The present exchange rate arrangement has contributed to a secular appreciation of the rufiyaa in both nominal and real effective terms. The staff believes that in reviewing exchange rate policy, consideration

should be given to moving away from a single currency peg. Furthermore, to strengthen the balance of payments, the tightening of financial policies, coupled with the commercial policy, needs to be accompanied by a more active use of exchange rate policy, designed to achieve moderate gains in external competitiveness.

It is recommended that the next Article IV consultation with Maldives take place on the standard 12-month cycle.

V. Proposed Decision

The following draft decision is proposed for adoption by the Executive Board:

1. The Fund takes this decision in concluding the 1984 Article XIV consultation with Maldives, in the light of the 1984 Article IV consultation with Maldives concluded under Decision No. 5392 - (77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).
2. The Fund notes with satisfaction that Maldives maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions.

Table 6. Maldives: Medium-Term Balance of Payments:  
A Scenario, 1984-89 <sup>1/</sup>

(In millions of U.S. dollars)

	1984 Est.	1985	1986	1987	1988	1989
		Staff Projections <sup>2/</sup>				
Trade balance	-39	-49	-58	-69	-81	-95
Exports, f.o.b.	23	23	24	26	28	30
Of which: Fish exports	(9)	(9)	(10)	(10)	(11)	(12)
Imports, f.o.b.	-61	-72	-82	-95	-109	-125
Invisibles (net)	19	23	29	35	40	46
Of which: Travel	(21)	(26)	(30)	(35)	(40)	(46)
Investment income	(-11)	(-15)	(-17)	(-19)	(-21)	(-23)
Transfers	(6)	(6)	(6)	(6)	(6)	(6)
Current balance	-20	-26	-29	-34	-41	-49
Nonmonetary capital	16	16	18	21	24	27
Of which: Public sector, long-term (net)	5	4	6	9	11	14
Disbursements	(13)	(10)	(12)	(14)	(17)	(20)
Repayments	(8)	(6)	(6)	(6)	(6)	(7)
Private capital, including errors and omissions	10	11	12	12	13	13
Overall balance	-4	-10	-11	-13	-17	-23
Financing	4	10	11	13	17	23
Increase in official gross reserves (-)	(--)	(-1)	(-1)	(-1)	(-1)	(-1)
Other financing	(4)	(11)	(12)	(14)	(18)	(24)
Memorandum items:						
Export price index (1980=100)	90	90	92	94	98	102
Import price index (1980=100)	81	83	85	88	90	93
Terms of trade (1980=100)	111	109	108	107	108	109
Interest payments (\$ mn.) <sup>3/</sup>	5	6	8	9	11	14
Current account deficit as percent of GDP <sup>4/</sup>	26	29	29	31	33	35
Gross reserves (US\$ mn.) <sup>5/</sup>	5	6	7	8	9	10
(in months of imports)	(1)	(1)	(1)	(1)	(1)	(1)

Sources: Maldives Monetary Authority; and staff estimates.

<sup>1/</sup> Figures may not add up due to rounding.

<sup>2/</sup> Projections are based on the authorities' present development strategy aimed at a high growth rate of about 9 percent per annum; the nominal effective exchange rate of the rufiyaa is assumed to remain unchanged.

<sup>3/</sup> Includes interest payments on short-term debt. Interest rates on short-term and other loans are assumed to decline from about 11 percent in 1985 to 9 percent in 1989. Interest rates on medium- and long-term loans are assumed to be about 2 to 3 percent per annum for concessionary loans, and about 13 percent for commercial loans.

<sup>4/</sup> Nominal GDP is assumed to grow by about 13 per cent per annum.

<sup>5/</sup> Gross reserves are assumed to grow so as to be equivalent to one month of imports.

MALDIVES

Basic Data

Area, population, and GDP

Area:	298 square kilometers
Population (Mid-1984 (est.)):	173,200
Population growth rates (1979-1984):	3 percent per annum
GDP (1984 (est.)):	US\$77.3 million
GDP per capita (1984 (est.)):	US\$446

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984 (Est.)</u>
	<u>(Percentage changes)</u>			
<u>Growth and inflation</u>				
Real GDP	12	7	4	8-9
Consumer prices of essential items	11	-1	8	4-5

	<u>(In millions of rufiyaa)</u>			
<u>Central Government 1/</u>				
Revenue and grants	81.8	122.8	129.2	168
Of which: Revenue	(73.5)	(99.4)	(116.8)	(133)
Total expenditure	108.2	143.4	207.6	230
Current	(52.3)	(92.8)	(95.2)	(111)
Capital	(55.9)	(50.6)	(112.4)	(119)
Overall deficit (-)	-26.4	-20.6	-78.4	-62
Foreign borrowing (net)	26.3	12.9	36.4	40
Domestic borrowing (net)	0.1	7.7	42.0	22

	<u>(In annual percentage change)</u>			
Revenue and grants	42.5	50.1	5.2	30.0
Of which: Revenue	(60.1)	(35.2)	(17.5)	(13.9)
Total expenditure	-22.3	32.5	44.8	10.8
Current	(32.7)	(77.4)	(2.6)	(16.6)
Capital	(-44.0)	(-9.5)	(122.1)	(5.9)

	<u>(In millions of rufiyaa)</u>			
<u>Money and credit (end of year)</u>				
Total domestic credit	145.5	234.9	307.4	333.8 <u>2/</u>
Public sector	(94.3)	(135.6)	(172.4)	(163.9) <u>2/</u>
Private sector	(51.2)	(99.3)	(135.0)	(169.9) <u>2/</u>
Total liquidity	86.7	103.5	118.2	127.3 <u>2/</u>

	<u>(In annual percentage change)</u>			
Total domestic credit	53.5	61.4	30.9	17.8 <u>3/</u>
Public sector	(29.7)	(43.8)	(27.1)	(1.0) <u>3/</u>
Private sector	(131.7)	(93.9)	(36.0)	(40.4) <u>3/</u>
Total liquidity	-8.6	19.4	14.2	5.1 <u>3/</u>



MALDIVESBasic Data (Concluded)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984 (Est.)</u>
	<u>(In millions of U.S. dollars)</u>			
<u>Balance of payments</u>				
Exports	15.8	17.3	19.8	22.8
Imports	-41.7	-46.0	-57.6	-61.4
Services, net	3.3	6.3	8.5	12.6
Transfers, net	2.4	3.3	5.1	6.0
Current account	-20.2	-19.1	-24.2	-20.0
Overall balance	...	-4.9	-10.8	-3.9
<u>External public debt (end-of-year stock)</u>				
Medium- and long-term, nonmonetary	36.7	41.9	50.6	55.5
<u>Reserves (end of year)</u>				
Gross official reserves	1.7	9.0	5.2	5.2 <u>2/</u>
(In months of imports)	0.5	2.4	1.1	1.0 <u>2/</u>
Net official reserves	0.9	0.8	-2.6	-2.5 <u>2/</u>
<u>Terms of trade (% change)</u>	15.5	-28.9	16.0	16.8
<u>Exchange rate (end of year)</u>				
Market mid-rate (Rufiyaa/US\$)	7.55	7.05	7.05	7.05 <u>4/</u>
Nominal effective exchange rate index <u>5/</u> (1980 = 100)	113.2	133.7	144.6	156.9 <u>4/</u>
Real effective exchange rate index <u>5/</u> (annual average; 1980=100)	112.1	120.5	131.6	137.0
	<u>(In percent of GDP)</u>			
<u>Selected economic ratios</u>				
Overall budget deficit (-)	-6.5	-4.6	-16.2	-11.4
Exports	29.4	27.4	28.8	29.5
External current account deficit (-) <u>6/</u>	-37.6	-30.3	-35.1	-25.9
External public debt <u>6/</u>	68.0	65.9	73.0	71.3
External debt service (in percent of current receipts) <u>7/</u>	...	12.1	20.7	23.6

1/ Fiscal year ending December.

2/ As of end-September.

3/ September 1983 to September 1984.

4/ End-October 1984.

5/ Trade- and tourist-weighted. An increase indicates an appreciation of the rufiyaa.

6/ Foreign currency figures were converted at Rf 7.55 = US\$1.00 for 1981, and at Rf 7.05 = US\$1.00 for 1982, 1983 and 1984.

7/ Current receipts exclude the operating costs of the shipping sector, transfers, and factor payments.

Maldives - Fund Relations  
(As of end-November 1984)

I. Membership status

- |     |                     |                  |
|-----|---------------------|------------------|
| (a) | Date of membership: | January 13, 1978 |
| (b) | Status:             | Article XIV      |

A. Financial Relations

(Amounts in millions of SDRs, unless otherwise indicated)

II. General Department (General Resources Account)

- |     |                                |       |
|-----|--------------------------------|-------|
| (a) | Quota                          | 2.0   |
| (b) | Total Fund holdings of rufiyaa | 1.997 |
|     | (As percent of quota)          | 99.9  |
| (c) | Fund credit                    | None  |
|     | (As percent of quota)          | (--)  |
| (d) | Reserve tranche position       | 0.003 |
| (e) | Current operational budget     | (--)  |
| (f) | Lending to the Fund            | (--)  |

III. Stand-By and Extended Arrangements

- |     |   |      |
|-----|---|------|
| (a) | Current stand-by or extended arrangement            | None |
| (b) | Previous stand-by or extended arrangement           | None |
| (c) | Special facilities (the current and past two years) | None |

IV. SDR Department

- |     |  |        |
|-----|--|--------|
| (a) | Net cumulative allocation                  | 0.282  |
| (b) | Holdings                                   | 0.012  |
|     | (As percent of net cumulative allocations) | (4.34) |
| (c) | Current Designation Plan                   | None   |

V. Administered accounts

- |     |                      |              |
|-----|----------------------|--------------|
| (a) | Trust Fund loans:    | Not eligible |
| (b) | SFF Subsidy Account: | None         |

VI. Overdue Obligations to the Fund                      None

VII. Maldives has not used Fund resources from its membership to date.

B. Nonfinancial Relations

VIII. Exchange rate arrangement

On January 25, 1982, the Maldives Monetary Authority (MMA) took over from the State Trading Organization the responsibility for administering the exchange rate regime, and began to conduct exchange transactions at the buying rate of Rf 7.50 = US\$1. The buying rate was appreciated on March 1, 1982 to Rf 7.00 = US\$1, and the selling rate, to Rf 7.05 = US\$1.

IX. Last Article IV consultation

The last Article IV consultation report (SM/83/211) was discussed by the Executive Board on November 14, 1983 (EBM/83/154). The following decision (Decision No. 7556-(83/154)) was adopted:

1. The Fund takes this decision in concluding the 1983 Article XIV consultation with Maldives, in the light of the 1983 Article IV consultation with Maldives conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).
2. The Fund notes with satisfaction that Maldives maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions.

X. Consultation cycle

A consultation cycle of 12 months was indicated in the Summing Up of the 1983 Article IV consultation.

XI. Technical assistance

- |     |      |   |
|-----|------|---|
| (a) | CBD: | Currently one CBD Advisor is assigned to the Maldives Monetary Authority as Statistical Advisor. Another CBD Advisor who was assigned to the MMA as Accounting Advisor completed his term in February 1984. |
| (b) | FAD: | None  |

- (c) Other: A CBD mission comprising Mr. Miller and Mrs. Lachman (LEG) visited Maldives in January 1984 to assess the need for and to draft general banking legislation.

XII. Resident Representative: None

Relations with World Bank Group

IBRD/IDA lending operations:

	<u>Disbursed</u>	<u>Undisbursed</u>
	<u>(In millions of U.S. dollars)</u>	
Completed projects (IDA)		
Fisheries (Credit No. 907)	3.20	--
Projects in execution (IDA) <sup>1/</sup>		
Fisheries (Credit No. 1320)	0.49	4.35
Total	<u>3.69</u>	<u>4.35</u>
Total debt outstanding, including undisbursed debt		<u>8.04</u>

Project implementation

Credit No. 907 was signed on June 4, 1979; became effective on August 10, 1979; and was closed on March 31, 1983. The project was designed to finance 500 marine diesel engines for mechanization of fishing vessels, 5 engine maintenance and repair centers, 33 navigation lights and 40 buoys, while the United Nations Development Program financed supplementary technical assistance.

Credit No. 1320, the second fisheries project, was signed on February 18, 1983. IFAD, the Government of Norway, and OPEC Fund are cofinancing the project. This project is designed to increase foreign exchange earnings and the income of fishermen from tuna exports through strengthening of fisheries infrastructure, the establishment of a fuel distribution system, improvement in fish pricing mechanism, and technical assistance for training and management. The project is now expected to be completed in 1987.

Special meeting of development partners

A special meeting of development partners of Maldives under the Chairmanship of the World Bank was held in July 1984 in Paris. At the time of the meeting, a commitment of \$5 million was received from

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<sup>1/</sup> As of October 31, 1984.

several countries, including Pakistan, Sri Lanka, the United Kingdom, and the United States. The participants urged the Government to intensify its adjustment policies, and assured it that they would provide the necessary support to strengthen the Government's own efforts.

Economic Mission

An exploratory economic mission is scheduled to visit Maldives in mid-January 1985 in order to assess the Three-Year Development Plan (1985-87) and medium-term potential and prospects of the economy.

Statistical Issues

1. Coverage, currentness, and reporting of data in IFS

There is no country page in IFS at present but there is an IFS correspondent who is reporting money and banking data to the Bureau of Statistics on a regular basis. A country page is expected to be introduced in early 1985.

2. Outstanding statistical issues

Prices

A technical assistance mission in general economic data visited Maldives in November-December 1982. Following the mission's recommendations, preliminary work has begun on compiling a consumer price index.

Monetary statistics

During the technical assistance mission in November 1984, a number of conceptual issues, relating mainly to the treatment of Fund accounts in money and banking statistics were resolved. An IFS page for the Maldives is expected to be introduced in early 1985.

Balance of payments

Balance of payments data through 1983 have been reported to the Fund and a country page will be included in the 1984 yearbook of Balance of Payments Statistics.

