

MAALIYATH COMMITTEE (17.08.2009_2 VANA SESSION)

(16th meeting)

Digaru dhaairaage member Ahmed Nazim: Ladies and gentleman welcome to the 16th meeting of the public accounts comity of the 17th parliament of Maldives. This is our second meeting today we just finished marathon session about one hour ago, and then we are sitting again. So first of all I liked to introduce a members. This is our sitting in public accounts comity members. We have total in 11 members. So their permanent comity of the parliament. This abdull Abdul Raheem, Nasheed, Nashiz, Ibrahim Mohamed solih, Riyaz rasheed, Mr.Hamza, Mr. Maseeh and Ilhyas labeeb. Mr. Ilhyas labeeb is the only members on common to public accounts comity and economic comity. And then we have some mps here just observe the meeting Mr.Qsim Ibrahim is the chair of the economic committee and Mr.Moosa zameer is an also from the economic comity. So i would like to conduct this meeting as first for i will give to opportunity Mr.kartan to make a statement is the governor has indicated that he does not want addresses today. So after that I will give the opportunity to members to question on your statement and then on the affairs of our economy. So the floor is yours.

Professor Mr. Kartan: Well thank you very much. As sir nice to see you again and thank you to see aging to we meeting too. So as those was here who were there when we met in June. I'm from international monetary fund's and today I have with my collice. Mr.rodriago caboro and Rodrigo is coming on board and on will succeed me in looking when after the affairs of the Maldives in Washing town. So and when we met last time the purpose was to as our article 4 consultation to discuss the economy the current development policies of the government and any advice we may have about time it was a fairly clear that the government had a major economic challenge on its' hands. Some other economic challenge was entirely externally driven to global first financial crisis and

then economic down turn had led to particular reduction in demand for tourists. From tourists and sharp reduction in the availability of financing in abroad for the tourist sector. Unfortunately we goes tourism goes the Maldives these days. So combined also with continued disappointing fishing industry. What you are looking at was an economy that was the under stress. So as we discussed with the government and they invited us to come back to see if we can assist them in designing and working through seriously policy measures that can address the immediate problems of the Maldives. As well as some other longer term issues, but to be frank it's the immediate that we are tackling at the moment. So this we did has since we have arriving last week we down no swimming, very little swimming are some were whether this week is being not a good and we have gone through the numbers met the government near the MMA. And others to discuss what is actually happening an what could stops the process of turning it around. A one boy who was too many as find details. As I just leave you with a very, very short snap short of the current conditions. At the current pace the physical deficit to the government. He is the running approximately 30 percent in GDP is put u in the very, very now a banned of country and not a practically good banned to be. At the same time the eligible external result available to the MMA to defend the current exchange rate is diminishing. And it is now reach to a level that really is closed to the comfort to anybody would have how long research should go. It could go lower but still some point a problem will immediately arise. So when looking at where these two avance collide unfortunately its very straight forward. As the government deficit remains high at the movement very large amount of that deficit has to be domestic and financed and important domestic finance its coming truly as a MMA. Basically to monetizing the deficit. If you monetizing deficit in a certain circumstances it leads to inflation. In the case of the Maldives is leads to the demand for foreign currency, because if u give people extra rufiyaa there is a attempt to buy goods in yourself depend foreign good, the result it a demand for dollars and pressure. So that's the basic position. And that is not the tenable position. In either the medium position for the short term and so the question was had we tackled this. So

we have been discussing with a government the ways in which intend to tackle it. Because it's very much come from them the certain areas. And I don't think it's a surprise to you that the government has a impart attempted to tackle this trying to take the expending pattern for this year. And I dearly to correct it more also the next year. So that is why we was discussing with them very various types of measures that they think they should take I can honestly say we were not consorted in there discussions on the announcement they made. Last week we were meeting in phone about the same time I think everybody else found out about the announcements made. And we seriously think it is a good start we don't pretend that any of these measures or any other various treatments will be easy. They will not be easy. I fixed of deficits of that size is a painful object to reduce. And so one as expect we have been working with them. And other expects indeed to work with the MMA on how to better due to the financing of the government. So as to make more market based to bring it other players, and not working with them on and other expects indeed that the financial sector. The financial sector is also under pressure as u know better than I do, because of out of down turn to demand for a foreign currency and we have been reviewing to the banks how they see the current situation and any stresses they may have. When we put all this together it is hoped that we would be in a position to support the government in their attempts coming forward. When u have to a significant adjustment in a relatively speedy time One of the benefits is if u can have outside assistance by the time hopefully by credibility but it certainly buy your time in order to make these changes. Structural changes in certain case of years many years and certainly none could be done instantly. So that is why we are hoping that we can come to an agreement with the government that we could support with the IMF arrangement there program and that's basically where we are today and I open to any questions. I would just make one observation the obviously in terms of the government spending an outsider looks. When they looked at the figures as strong to one very significant fact. In the year 2000 the wage bill of the government was 2.2 billion rufiyaa. 2007 yes. Sorry 2007 2.2 billion. The budget for 2009 was nearly 4.2 billon and certainly

at the moment spending is not going below that. That's extraordinary increase in two years. And that alone presents a large physical challenge. So, that type welcome any questions.

Maafannu hulhangu daairage member Abdulla Abduraheem: Thank you for coming and briefing us under current situation of Maldives. I would like to ask you a few questions. First of all our serious is describes in terms of IMF economic measure review. Will this lead to bankrupts of Maldives economy or is a collapse of Maldivian economy. And another question is how would u consider a credit rating of the government. Current Maldivian government. And does this have any effect on the bilateral borrowings?

Professor Mr. Kartan: Ok. How serious is it in how inventory collapse. Who is in relative? Yes its serious is not hopeless. This is come about relatively quickly if you look at the figurers of 2004 before the tsunami and I would blame the tsunami. I think tsunami created a considerable damage to the infrastructure of Maldives. But it is also express certain considerable damage to the government issues. In the sense that who's in the time very expending expenditure to attack. The problems created by the tsunami but there were the funds. So when the funds stop coming the problem came. So it's serious when we talk about collapse economy don't really collapse. It takes a lot to make an economy collapse. I don't think the economy of the Maldives is going to collapse. The basic working model that u have is a interesting one. Unless not stand one you could reliance one particular sector. Which you have a comparative advantage as we say. It not dot about that. So if you live poorly in your means and develop in longed line that allows u there no reason why the Maldives should not right very successfully. And many respects it does operate, has operated vey successfully if I compare it with other islands. I was seen the region because there many islands in this region. So I don't think its on

imminent point to collapse. However there were some elements that are under pressure and may need adjustments to commit credit rating. Well government doesn't have a credit rating and when we say a credit rating formally what u would mean is the sovereign rating on government foreign currency domestic bonds. Well many countries do not have sovereign ratings, but u do not have a large amount of demand for that. if you main have you rate the government that's a different issue and that's not really told to say. That's not a problem. Coz when u do a sovereign rating you are taking to an account two things one is a basic assets of the system what are the fundamentals and then obviously the forms. The level of debt. The Maldives has a reasonable large size of debt but it's not by any means way above other countries. And with prudent policies going forward that debts could certainly we called be sustainable. One of our job is to produce and analysis going forward 20 years which is certain merits. And so that's we are on credit basis. Its there about. And does it effects bilateral support. And in some is yes. Because obviously if the perception internationally is up your performing extremely, and everything is going well. You genuinely have access to funds from traditional sources from the market reasonable rate. If its proceed your are under stress but again your policies are going to work it out. Then again this is the time when you get access to feel like your friends. we will call ourselves as friends. You are part of the club. And remember the IMF. But there are other international institutions and the bilateral. Again they are very willing to support seen to be serving around problems. And so. It doesn't matter. Yes, I mean in general support is for sample policy because people are till they contribute each great policies.

Mr. Ahmed Nazim: I would like to ask you regarding the time frame that you're looking at in attitude in particular facilities that you're going to arrange what is a time line that you're working on the movement on the government

Professor Mr. Kartan: ok. It's a good question. The time line really depends on two things. Let's say that we can agree the policy frame work, but it depends on to what extent the policy to frame work can be initiated and is said to some have already started that process in more ways than one. And also we have to try and what we call for financing insurance is which we need to support others in order to put together a progress support and but we are hoping to move this forward failing rapidly and because the issues in a support now is better than supporting in six months time and so in that sense we are trying to work to doing something within in next two months. All there are abouts. We have a presegues we are also particular organization like anybody else and we have to clean things with somebody else and then we have to present formally we prepare a paper. We sent that paper to our management. And the management proves it. And on our behalf they present their paper to our executive board. And they generate to it later executive board meets agrees what we said hopefully and approves the arrangement. What we have in mind if this is successful is a reason a be fastest payment I mean some other money anyway. Because if we want give what we call balance of payment support is best to have now rather than the long time in the future. So that's really the time frame that we have in mind.

Mr. Mohamed Nashiz: the question is regarded to the policy of frame work that you have just mentioned that you didn't explain anything about the policy frame work and I would like to know what are the aspects of those concerning that policy frame work. And also what could you expect from mps to contribute or do in supporting your frame work.

Professor Mr. Kartan: well the policy frame work in the particular case in the Maldives is very straight forward. One reduce the physical deficit to improve the ways of financing that deficit, three secure the financial sector and take measures to improve the

performance of the financial sector in the future. Those are the three main arms that we are talking about. In term of other such as structural measures we support many of the measures of the government and but they not in since critical to our particular frame work. Other organizations who are bank, Asian development bank they are critical to their support not us. The roll of the mps is a simple one. Which sort of adjustment cannot be done by any one element and the decision making process. This is not a small need for change. It's a substation one. And therefore everybody has to be on board with it. Because it would be very difficult and to have policies where in a small majority as it were the decision makers attacking it. And you are decision makers. You represent the parliament here. You represent their fore the legislative branch and it's critical that you can support and see the direction that's needed.

Bilaidhaa dhaairaage member Ahmed Hamzaa: Thank you. My name is Ahmed Hamzaa. I represent continece call bilaidhoo area. I just want ask few Questions. First of all which regard to the government expenditure we know to reduce this expenditure as you said that our both civil service and the political appointments both are coming some were 4.5 billion rufiyaa. That's what we have been told. So my question is the government current planning is to lay of some of the civil service or perhaps reduce that their they will be taking measures to in order to reduce this parole bill if you like. So my question is us mps the unemployment is an issue. There will be a reduction of staff from the civil service and what's the level of reduction that if you have advised any. And if you have not advised any what's your suggestions on those reductions. And in order to have a sustainable growth and in order to have sustainable the our budget at a sustainable level where do you think that the parole bill should fall. How much it should be. And secondly I want ask the question about has there been any discussion with I.M.F or has the I.M.F given any advice to the government to reserve an immediate pressing issue

that's a foreign currency that's available to the people of the country for these purposes. So those are the my two questions I would like to clarify. Thank you.

Professor Mr. Kartan: And they are very good questions. Now if we take the first part yes you do have a problem we have fundamental structuring problem and that is the public sector employees something like 50% of the for more sector in the Maldives. And that means if that they are layoffs preserve they have to be job creation. I mean obviously the solution is just someone is one day they have a job next day they don't have the job there are no jobs available. So in that area we are very concerned that indeed that there firstly be appropriate social safety net in place that appropriate severance payment is to be made. And that were ever possible what you are seeking to do is a transfer of a removal. If it is more appropriate that some of the civil servants functions are actually more kin to service sectors that could be done outside. Fine that we understand and that is a direction that the government is looking at. In terms of how much should the pay roll fall some extent again we are guided by the government policies and this is an area where the government declared their policy to us and to everybody else earlier and said that what they wish to do is cut the civil service by one third in three years. So in that regard we have accepted their policy to extent which they seem to be intense on implementing it. And I would say in our discussions and I am not going to tell you any highly confidential behalf of highly confidential discussions on this point and that seem to be their policy and that has an implication and for the employment level. If you ask me straight forward how much the pay roll should be and you than tell me that you have 32, or 33 thousand people on the pay roll for population over 10 times that is too large. I mean there is no doubt about it. Its way to large generally by international comparisons. Now there are special reasons that you are small that is the reason for having a larger propoision and you are disparate you do have to have a macanizam to deal with the very small surface area spread as a very large place. And in my previous work I worked in the pacific on

countries which are of the same kind of size as it was spread over distances and again they have the same your tone between the problem of having appropriate government and representation to the remote areas or having a size that is manageable. So as I say I will I am not going to commit on any particular number but we except that the numbers adjusted by the government in terms of I.M.F advice on foreign currency it would be naive to suggest that we are not discussing some daily basis. Because this is the most obvious form of indication stress in the economy to the extended that you have domestic stress it could be said that's not really over concerned for a mandate. So yes we have discussed the issues the ways in which the foreign exchange market can be more balanced. More balance requires either reducing demand or increasing supply or prefer to be both. And these are issues that we are dealing with on a daily basis. I mean clearly in a perfect world and currency would be freely available for all purposes. At least all what we call current account purposes. That is you import something you can buy the foreign currency not necessary for capital account. That is you want invest in the Indian stock market or maybe it may not be possible for you to get the resource to invest in the Indian stock market. But that is a day to day issue which is why we are, we monitor the movement of the resource. Because they represent that the moment there any macanizam to keep us in balance. So yes my basic advice is you need to adjust the domestic policies in particular so that supply and demand can be brought in to balance.

Maamigily dhaairaage member Gasim Ibrahim: Thank you very much. My name is Qasim Ibrahim. My question is how much you are going to if we expect the government program budgeting if they agree with the M.F program and than what is the amount around you are thinking to give and also how long and what sort of interest will be and that it is the question. And other questions some other members has raised. What are the fundamentals you are going to request from the government and you have been given the answer. I think it is good enough this if you let me know. And then also we know now

about roughly two months time you are going to lend this. And also the other small questions are you recommending also to Maldivian rufiyaa to devalue or to keep it as it is. Thank you.

Professor Mr. Kartan: Firstly the time table would depend on us reaching agreement. We have not reached an agreement. And if we do reach an agreement than I think we will be polite enough to allow the government tell you first for all them us to tell you. And in terms of the amount our gained defer the question because the extent last support depends on two factors. One is what the balance payment need is and once we worked out what is needed to help boost the resource and how much is available from other sources. And then to what extent is the strength of the program because of obviously of a stronger program is more likely to get larger support. You detected I am not going to answer your question but anyway but in mechanical terms we have a think called quarter. And countries are sustained in terms of that quarter. The Maldives has a very small quarter. It's startly based on the size of your G.D.P and other factors. And so it's not a large amount. And I would just say that the facilitates we have in mind is called a standby arrangement under the revise policies approaching a few months ago. The normal excess can range from 25% of quarter up to 200% of quarter per year. Account proposal is to consider at the maximum if possible. As the maximum normal access understand by arrangement. That would be 200% of quarter. But this will depend on in day they prepare balance of payment need. There are conditions under which that the amount of money is increased or not lessened. The other issue is the pace. And that really is where we do defiantly hope to what we call fun load the money. That is to make a significant amount of that money available at the beginning rather than spread evenly through the period. In terms of I.M.F programs the general system is that upon approval by our board we dispose some money. And it is not real loan. Human sense we exchange some of our money to some of your money. The governor have to send a note to rufiyaa we will have

a collection, large collection of rufiyaa and mean while we will swopt back for a collection of dollars or yen whatever you choose to take. But the aim would be to front load so that large portion of the amount proved could be disposed at the beginning. And the second question should the exchange rate be devalued or should stay the same. It is very tricky question. You can answer better than we can and we see much merit in the exchange rate remaining the same. If the fundamentals can be kept. If the fundamental cannot be kept then it will change. Because its surprise like anything else. And in the end the price reflex the supply and demand. But there is much merit in the current exchange rate system because there is confidence. There are people know what the exchange rate is. If you move the rate there is a price to pay. You lose an element of credibility. So I think at the moment there is much value and keeping the rate where it is. And that's in the longer term maybe it's has to be something different. At that will depend on how much support you have and how quickly the policies can be precude to keep it appropriate.

Nolhivarmu member Mohamed Nasheed: Thank you. My name is Nasheed. I am from nolhivaram constituency. I have 3 questions to ask you. One is will the I.M.F assistance be a total solution to all our problems. The second question is our geography is you know very difficult from most of other countries. So there are very important development programs that we need conduct right now like harbor or housing and sewerage and many other things. Will the I.M.F assistance delay these projects or what will happen to those projects. And as you know the Maldivian economy is mostly base on tourism during the last couple of years. Government has leased lots of islands for newer developments. Around those islands there are lots of small businesses who have been catering to these islands. But because of lack of funding the development has been stop. So that snow ball effect multiple effect have occurred. So what will be the roll that I.M.F playing to finance or had this island to develop. Thank you.

Professor Mr. Kartan: Ok, well I am unfortunately I am just probably we know no cases. I am certainly the I.M.F support will not be the total answer. Because the total answer lies with you. Not with us. And would it be waggly possible with in a pounds of the I.M.F to provide the such support that you never have a problem again. Of course it is. We are very big organization. And are suppose billions and billions of dollars. But they will not be coming to Maldives billions and billions dollars. Because that's not the point. So yes, the aim of I.M.F support is to fault. One the support the very will support is in the form of advice to assist you in the process of adjustment. The second one is to revive assistance, financial assistance. And the third is what we called catalectic role which is to get other people to support you. Not based on their analysis of your problems. But based on our analysis. We act as a sort of short hand. There are lazy, older I mean it's why we both are doing the same work. So what happen is people in main likes to support you. But they says what is the I.M.F do will the I.M.F support you. That's the way the work. We do the donkey work for some, we even that element from work we do for World Bank and we do for the A.D.B. We have things could come for letters even if we are not involved. So in one period total answers certainly not in financial terms and by any means. The problem lies with you. The aim is to pry the space to make sure improvements. I total accept point of the geography. Will the I.M.F process delay the projects again. That's not the issue. We are not there advocating to lane a centurial project. We may advocate the government looks very hard have it list of capital project to make sure it's choosing the right ones. Because it is certainly true, well I haven't analyses to D.G.P to Maldives. But in other countries you can find that there is much things called capital projects. Which are no adding to real wealth of the country. So the critical things is to make sure that the very important items are done and those are not so important are done later or not at all. Exactly we are not providing, having any role in financing and the leasing in the tourism industry. In the sense here you have a problem. You need two things. I think you need the genuine in demand for tourism to pickup. And at the same

time you need the money to flow in the market. So that the people who do tourist projects can get market money. And it's not matter of financial support from international body deserves. You need the market to save look three more resorts it's over there, resorts over there good idea. They will make profits. We will support them. We will give the money. The almost total paralysis of market support, financing and last year has come to an end. There is no doubt about it. But it is still slowly recovering. So it will be a time factor. When there will be money to develop. I can understand this is the problem. You need to develop all those resorts. Because other people also depend on them. So but again I don't think if you look to the I.M.F to solve the problem financing of tourist resorts.

Hulhumeedhoo dhaairaage member Ilyas Labeeb: Thank you very much. My name is Ilyas and I am from Hulhumeedhoo constituency. My question is as we all know that over economic situation is in a serious condition and when do you think that we can become a comfort level after we become agreement with the I.M.F and the government of the Maldives. And my second question is as your own experience. Do you think the M.M.A and the government of Maldives is having a good coordination in solving this problem. Thank you.

Professor Mr. Kartan: Ok, well I think the answer to your first question is slightly different one. The question should be will the right policies how long do you think it will take for you to be back at a comfortable level. Ok, well under are mandates' and from Washington if you have a standby arrangement the assumption is the solution a broad solution for significant contribution to the solution should be achievable by the end of the arrangement. Coz otherwise it is a more long term thing. We have different facilities for long term problems. What we are looking at is something perhaps two and half years. And so I think it is a reasonable framework to look. By that time after two and half years

we would help the tourism industry has resumed significant craft and again start to be the part driver of the growth of the economy. We would help the fishing industry picks up and the fish could catch can pick up. And the other expects to move forward. And this also gives at frame of time to make the various adjustments. So I think that's the reasonable time frame. 4 years. Another second question was government coordination very good question. Ok I'll be candid. I think government coordination between the M.M.A and the ministry of finance and another people could be improved. There's no doubt about it. It could be improved in most countries. And clearly this is a different situation to one of the few years ago when the president not only minister of finance but also the governor the M.M.A. Then I wasn't here the time but I presume at least coordination. If one thing is going well that is coordination between the bodies. So yes I think those two organizations are absolutely critical to managing the financial well being of the country. And they need to talk they will have different prospective on the same issues. That's fine. They will have different sizzle opinion. Again that's fine. We just encourage them to work them out. Because if they don't have differences of opinion than there is danger you move or fall ways in the wrong direction. So yes I encourage everyone to talk to each other on a fairly regular basis and also to talk to parliament same time.

Digaru dhaairage member Ahmed naazim: since there no questions.

Maafannu hulhangu dhaairage member Abdulla Abdulraheem: As you have sighted about the tourism related income I just wanted to ask you the question that from the statistics that we have that there's just a 10% decrease in the tourist arrival within the last 6 months compare to the 2008 six months. And have you identified any other thing rather than the tourist arrival to Maldives. For example that I have been inform that there

has been a differ of tourism revenue payments to resort lease dents to next year march. Will this be a cause of the crises in Maldives.

Professor Mr. Kartan: Again very perceptive. One problem will be the tourist arrivals figures is that what we has seen is a drop in the prize. So tourist has been coming to the Maldives this year hang less than they paid last year for the same accommodation. Because the demand is down. The hotels have every need together room rater business much as possible. So and you have a double affect. So even though the tourism the arrivals is down I mean say 10 percent the receipts are down much more than 10 percent. Now as a personal observation we have seen at I can make straight for judge how much we paided our hotel in June how much was paid by my premises to stay at the same hotel the same week the previous years and it was less. I take this to be a very classic market indicator. So that's an issue. And that's needs to turn around. That's an issue that many tourists to pend an economics have how to get price back up without putting off the costumers. And so that's an issue. Now the other aspects to contribute to this. You are right in mention the lease payment this is very direct affect. You have two problems with the claim in tourism. One is the action number of people coming so the count floors the claims. The equally dramatic is that than you have a stop in the development. Why expand capacity and therefore development of the lease the resorts which you haven't yet completed gets held up with the delay in that becomes a problem making the lease payments. So if you look at your own budget you see that the budget for this year anticipated a very significant drop in revenue from these payments. And a significant pickup next year. We have to significant pickup next year does take place along the lines in visits. Because it's a very significant contribution to improving revenue next year. Coz this year alone revenue is anticipated to drop over percent of G.D.P down to revenue to claims this year. Because essentially because of the lower import duties, lower tourism seeds, low a leasing payments.

Kinbidhoo dhaairaage member Moosa Zameeru: My first question is actually regarding the world economic prices. What is the I.M.Fs view and what is your focasts. Do you believe that now we hit have the bottom or of this crisis. I strongly believe that this will have impact on Maldivian economy. Because I once we have growth in the world probably problems as you have said for the tourism I think will definitely improve. And my other question is actually you have said that we are fairly sustainable in our borrowings at the moment. And my question is actually we are talking about borrowing in our focasted revenue for the feature. And I think the previous governments policy has been taking advance rent on certain island, leasing islands an than I think so we see here that we have borrowed on our future. And also now we talk about future borrowing. And also I think once the government takes the pill from I.M.F probably there will be other people who will chip in. So this can take the borrowings to a level which might be not sustainable as you have just said. So what does your policy frame work say about it. The other issue is actually historically if you look at the Maldivian economy you will see the distribution of the wealth has been a major problem, like other countries in our part of the world. So in your policy frame work what is your suggestion with government on this issue? And why I said this is because previously we have been talking about what the subsidies that we have been given to the fishermen and also on the electricity. But we here from the media that these kind of subsidies might not be available in the future. But again the government has come up with another model which one of the ministers has recently told in the floor of the majlis that those people who are unable to pay certain bills the government will chip in to them and then they will, again this is subsidizing. So what is your suggestion to the government on this and if you will be accepting this kind of subsidies in you board policy frame work. That's basically what I have on mind at the moment. Thank you.

Professor Mr. Kartan: Well on the world economic crises if I could actually for tell exactly the pass of judgment and whether we reach the bottom probably wouldn't be working for the I.M.F. But almost we probably have almost a hundred people not stuffs did nothing but claim to have to announce what they thinks happening. Ok. The composition is clearly that the world economic crises to some extend is changing and the declaim the board declaim has slot. You can look at several large countries which is seen some kind of bottoming out. But they are too dangerous. One has rashly bottom down to made and dropped down later again or too worries to pays. And certainly if you look around even those countries which are a seen changing direction the places is barely, barely anything at all. And so I think all of you is, if you all are at the bottom is certainly not about to shoot backup wards. And it will be a hard time certainly through and for the next 6 months or may be longer and even a long term there will be the issues. And in terms of the sustainability of you borrowings, yes we take that very seriously. And indeed it's a critical element in any financial arrangement with the fund as we examine just that your debt sustainability. There are two elements to that. One element is the cost of the debt if you have recast expensive financing that is a very quick way to worsen your sustainability. And that is why we encourage loans way possible there are on a concessional basis or near concessional possible. At the moment there is very little difference in the world of concessional and non concessional lending. Because internationally interests rates are very low. But for countries who do not have excess to the market if they are forced to go to the market then the cost could be very high. We can caught in a liebo rates than the like liebo is very, very low at the moment. If someone quotes you liebo rate plus a very large figure it costing you a lot of money. So yes, we do look at that. And indeed the aim is make to sure that in fact your debt becomes more sustainable, not less sustainable over time. Otherwise we would not proceed. The same is true I am an ad of the world bank. Your asking the same question the World Bank you find that if the debt is not sustainable they do not even lend at all. They only offer a limited form of grounds. So yes, we very, we watched that very closely. In terms of

distribution of wealth, of wealth, this is truly initiative to the Maldives. It is a difficult one for a country were size of a range of opportunities. Between those live on the remote, the remote atolls who do not have great excess to thanks and those who live in Male' who are running the business in the country. A basic policy is that as much as possible feasible you should protect the venerable in fact that's important aspect of when it fund program it is look at how venerable being protected. Subsidies are classic restoration of that. Too often subsidies if you work at who benefits most of the workers subsidies. It is the rich. In most countries most subsidies are not properly targeted and the rich rived the benefit. Simplest examples of indeed would be electricity. If you analyzed how much electricity is consumed by rich how much is consumed by the poor it's quiet clear to see you where general subsidy who gets the benefits from that. More important bills is that you finding the big cities everyone have exist to electricity at the moment off subsidies rate. Where is the remote islands they do not have asses to subsidize electricity. So the price they pay is infect very high. So we encourage targeted relief. Because targeted relief can course less than overly from there can be retrieve more meaningful approach. We support that and all aspects of government policy you have to deal with difference of income. And the policy of the government it really is a primary function. In one sense government only has two primary functions. One is to defend the real sort of standard basis from outside attacks and the other is to support the venerable that's the two primary purposes of a government. So it's why we have taxes. So your taxes can ordered to provide services which everybody else can provide. And to protect the venerable so that I think should be highest priority in the government spending in the future. Targeted to the people who most needed. And not those who would like it but don't necessary need it.

Bilaidhoo dhaairaage member Ahmed Hamzaa: Thank you. Which regard to the our foreign currency issues. The tourist's arrivals have been low and the resist from the tourist. Tourism sector has being low. But how hear from the news especially from the Europe some of the countries starting to see positive signs in their economies. So my

question is in your opinion how quickly that impact on those economies will have an effect on ours. And do you have any estimated. And also I would like to ask the MMA. Whether they have any sort of calculations. Or they any sort of forecast to see whether this changing some of their specially our major markets. Like France. Germany. They starting to show positive signs. And will that positive sign have any impact in the Maldives or will it have any, how much. Or is there any forecast of how much of that will help in our foreign currencies. Secondly I want ask you about your broad policies. You are saying about the three things. One is to manage their financial sector. And do you think in your opinion has the MMA done enough. Especially with regard to interest rates. In the country while everybody is suffering. Has the MMA be done anything which regard to interest rates currently. The Bank say not done anything I must to say. You know they just step like normal times you know repayments on time interest applies and you now mp on sixty days. Not even ninety days. So that's one. And thirdly I want ask you. Whether in your opinion because we have created I think the people of the Maldives have created MMA with lot off expectation as an independent body. And in your opinion is there any specific areas you think in a long term basis we should improve. Or do you think there is an immediate need for us to import expertise or improve expertise in MMA in a particular area which could immediately impact what's happening right now. Thank you.

Professor Mr. Kartan: Well first of all let me thank you for the asking question the MMA which is good and now let the governors respond that one. First issues of pick up in tourism. The problem with tourism is it's a marginal proceed. And therefore' the economic picks up people don't go back immediately to travelling. And perhaps, there are expensive holidays. But the clearest indication we have is certainly from major operators that the order books if it is for next season look much better than they did before. Unless I think is the best indication. Remembering your attention to do 2 things. 1- You attempting to increase the number of arrivals. And 2- to get the price up. The price up is always a difficult decision. Earlier this year I was in Fiji. Another economy which has a large tourism sector. And they explained to me how difficult it is to decide when to sort of remove discounts. Because if they remove discounts at the wrong time, it sense the wrong signal. Then if they don't remove it them at all they are shooting themselves in the foot. So we do see some small amount of recovery in Europe. But I would not take that as a very positive sign yet. Now, it might be that you cannot track back the custom. Because what you really want is the people to come to the Maldives.

You don't care whether they go to the Fiji or whether they go to the seashells as long as they come to the Maldives. So on that area you know we are optimistic but not I think foolishly optimistic that this will turn around very quickly. Perhaps, if you want me to ask my questions in that, then the governor at the end, if he likes he can answer his version of my answer to your questions. On the broad policies do they do enough. Does the MMA do enough. Ok, my frank opinion is yes. At the moment the MMA has only limited abilities. It's not a fully fledged central bank. At the same time it has to deal as the governments financier whether enormous challenge. So you talk about interest rates. Well the problem with interest rate is interest rates get driven by the big animals in the zoo. It's not the small animals. And the biggest animal in the zoo is the government by far. Most of the available food is being eaten by the government. And that's the point that comes about. So it is very difficult under that sense to envisage easing or reduce interest rates unless they are done on artificial basis. So, the commercial banks themselves needs to operate profitably but they also needs to operate prudently and non performing lands or none performing lands. But they are as a failure to pay on time. And which usually means that they are having to makeup the cash flow from other loans that are performing. So, that remains a problem. The third element is what improvements could made to the MMA. Well, in that sense if you criticize the MMA which you are entitled to do, you are also criticizing the IMF which are also entitled to do. Because we have been trying to increase the expertise within the MMA. We provide quit a lot of technical assistance. Even as speak we have a team here trying to assist the MMA on drafting over MMA act. You know because one answer is this is not a central bank. It lacks. Certain functions of central bank it lacks. Illegal background basis ready to be a true central bank. That's one area. We have also got technical assistance in the Arab bank supervision. That is another area which has a working progress. Then we have a third in the area of monetary policy over market preparations. Again, a working progress. So yes, I do see the MMA as very much a working progress. It is interesting that they have an independent role. And it's a valuable one. And but yes, I think there are number of areas that they can be assisted by asking everybody else to do so. So then, I will hand over to the governor to answer any of those 3 questions the way he likes.

MMA governor Fazeel Najeeb: Thank you for that question. I would like to be very brief. But on the specific question you asked with regards to the impact of the growth in the western hemisphere. The impact of it on our economy, I think there is always going to

be sometime before that happens. Because as our journey has indicated there is always the question of orders coming in and for what time in advance. So it's done. I think immediately after I arrived in the country we had a meeting with a number of officials from the government side. Among them a prominent, a very, very experienced economist, A minister of state who said it doesn't matter what happens in the world. We are not going to be affected. And unfortunately with due respect I had to disagree with him and I said Mr. minister with due respect I strongly I cannot most strongly disagree with you. Because what happens in the west will immediately impact us, not immediately but will impact us but there will be sometime for that happens. And it happened. So it will rains, but of cause we have the crisis impacting us. We have the domestic situation impacting us. So all the rest of it. As regards I will just very briefly as to what we are doing and we are very thankful to IMF and also other international institutional financial agencies who are advising us from time to time. We are with the limited expertise which we acknowledge which we have limited expertise with the limited expertise we have we are doing the best we can. We are you know suggesting to our advisers these are some of the things we can do what u think. And their reasons a great deal of differences a professional advice that we are receiving from what we are also saying our selves. So as generally has pointed out what do we do with regarding for a situation do we devalue. Yes it is a very easy thing to do. I said this to this very committee during the previous parliament, the sixteenth parliament there is something that we can do. But it won't hold up unless we do a lot of things. So we maintain those policies and you now for your selves IMF they have emphasis the importance of maintain the current policy. And like everybody else you know the World Bank, the ADBA everybody else. So yes, I agree we have limited expertise for what we are being. But we are being helped out. We are doing best we can. And as far is the coordination between the government and MMA is concern I think there is much room to improve. We would like to be able to our talk to the Ministry of Finance more frequently and in a more open manner. Because we are not talking about colures. We are talking about the whole economy and what we have to say

is we say whether it is to the president for the parliament or the Ministry of Finance. But we have to say we say and we will continue to do that. Thanks.

Digaru dhaairaage member Ahmed Nazim: Ok. Thank you very much for taking the time to come and meet us. And then, I am sure that u have enlighten our members and this dark days. So I thank very much once again and then we look forward for our next meeting which is on Wednesday on the nineteenth.

Professor Mr. kartan: Can I just passed a question, to anyone here is what do you think the government should be doing in the current circumstances.

Maafannu hulhangu dhaairaage member Abdulla Abdulraheem: - Expenditure reduction and the ways of increasing income by taxation policy and other diametic mashers' of having a much more balanced we on political agenda.

Digaru dhaairaage member Ahmed Nazim: Yes, I was the chair of the public accounts comity of 16 th parliament also. So I have seen through all in and out of this. So what I have observed is that the fundamentals have got to be got right. Because it's like at present it like giving money to a, you know alcoholic. Hundred million dollars came from India it is vanished. So it's the same thing happens if we don't get our fundamental right. So I think we are on the right path and then the best thing is to go with IMF and then to get our fundamental rights. So that others also will chip in hopefully with a comfort letters that you issue once we get our fundamentals right.