



MALDIVES ECONOMIC REVIEW

In this Issue

An Interview with the
Cabinet Minister of
Tourism and Lands of
Sri Lanka



Honorable Harin Fernando

Celebrating the



**GOLDEN YEAR
OF TOURISM 2022**

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Editorial

In this Golden Jubilee Year of the advent of tourism in the Maldives we are delighted to offer our latest issue with a focus on the Tourism Industry, albeit viewed with differing perspectives.

Our Cover article is an Interview with the Honorable Cabinet Minister of Tourism and Lands of Sri Lanka, MP Harin Fernando. In the interview the Minister offers his perspective about the growth of the tourism industry in both countries and offers the congratulations of the Sri Lankan tourism industry to the Maldives in this Golden Jubilee Year. The Minister also offers his hopes of a future where the tourism of both countries mutually benefit from shared cooperation. We thank the Minister for his time and indeed the very enthusiasm with which he responded to our request.

As our nation celebrates its Golden Jubilee of the advent of the tourism industry with much activities and celebrations two giants of our tourism industry, a member of the founding team, the veritable Champa Hussein Afeef together with Entrepreneur and Secretary General of the Maldives Association of Tourism Industry (MATI), Ahmed Nazeer, agreed to sit down with MER and respond to our questions.

In this wide-ranging interview Afeef and Nazeer have offered their opinions and viewpoints with candor and wisdom, matured over an active and personal involvement in starting, building and growing the tourism industry of today. We thank them again for their hospitality, time and honest opinion.

Dr. Yuba Raj Khatiwada, former Finance Minister of and Governor of Rastra Bank; the Central Bank of Nepal offers his thoughts on setting up and implementing a regime of Social Protection in South Asia. Acknowledging that the issue is taking longer than hoped, for he looks forward to positive developments during the next SAARC Summit.

Ibrahim Mohamed's contribution titled 'Land grabbing and enabling the extermination of 'islandness' and resilience of island communities in the name of "Sustainable" development' is certainly a thought provoking and indeed candid piece. Ibrahim, a PhD in Environmental Science, brings together his academic knowledge and his passion for environment related issues into his article and highlights issues of vital importance to the 'islandness' of this country- Maldives.

Haleem returns with a worthy and insightful take on the development of the financial sector in over 6 decades. Haleem, as usual, drills down on available financial data to show that our capital market is constrained by a conservative banking sector and limitations in the regulatory agencies.

Athif's offer this time, is about the veiled truths hidden behind the published CPI numbers. Titled 'Going beyond the Consumer Price Index (CPI)', Athif in his article examines some of the dynamics and the economic factors that need to be understood and appreciated to gain a fuller understanding of the CPI numbers of the Maldives.

An Insightful Conversation with two leaders of tourism.



Hussain Afeef



Ahmed Nazeer

This year marks the 50th anniversary of tourism in the Maldives. For much of this time, the industry directly accounted for over one third of the country's annual GDP. While this heavy reliance on tourism has been a source of concern for many, does it appear that the industry's level of dominance over the economy has peaked?

MER's Fazeel Najeel posed this and a host of other questions to Mr Hussain Afeef, Vice Chairman of MATI and to Mr Ahmed Nazeer, Secretary General of MATI.

In this wide-ranging interview Afeef and Nazeer have offered their opinions and viewpoints with candor and wisdom, matured over an active and personal involvement in starting, building and growing the tourism industry of today.

MER thanks them both for this interview.

Has the tourism sector peaked? What more can the tourism sector do in terms of economic contribution keeping in mind its achievements to-date?

Afeef

I don't think it has peaked. It's far from peaking. Why should we build a big airport? What it can do more is to really finish building and opening all the resorts that are earmarked. That will contribute a lot more to the economy. I hear there are many islands that are not opened yet. If these places are opened, then we could give a huge boost to the economy. May be there are so many chickens without laying eggs. If they start laying eggs we would have so many eggs.

Nazeer

I think it has not peaked for sure. We have a long way to go to make more money for the country. Like Afeef says, if they can complete those islands, not that all islands will be completed because some are not looking good, but there are a lot of properties that are leased out, that can be developed with the support of the government or others. Until today we have always had new developments coming once in a year or once in two years, and these developments always have the wow factor that puts us in the limelight. That process has to keep on going and that will happen with each new development. All of these things that are happening are five star and four star but no body knows the real picture. The five star segment gets the talk but the money we make are from the less important star rated properties overall. People going out on holidays will not stop as long as the world is there. So we have a market for tourists to



As for guest houses and hotels, they are here to stay, so the government and the private sector have to work together to ensure that the balance is right.

- Ahmed Nazeer

visit Maldives. I don't want to say it is guaranteed but as long as people are living in this world they would at some stage want to go on holiday and the likely chance for us getting them is great.

Would you support the idea of guest house, resort and hotel segments working together, and along with that or separately, joining hands with another country, for example, Sri Lanka in tourism promotion? If yes, how would you support such a strategy and if no, why would you not support it?

Afeef

I think however good the idea might be, it's a dream that can never happen. It would never happen. It is too idealistic.

Nazeer

I think if you look at the practical side we have always had combined tour with Sri Lanka and even with India. But the number of people involved in that are very

small and it's not something that we can say is mainstream.

As for guest houses and hotels, they are here to stay. So the government and the private sector have to work together to ensure that the balance is right. I think if we don't do that we are in trouble. We go to a fair, say in London ITB or Berlin, are all invited to take part in it. They want free participation, but that doesn't happen. I can understand, they are small people, like small tour operators, but all tour operators are treated the same. WTM is coming up in London. Even bigger parties are struggling to get a table there. So you can image how smaller parties would have to live with. We have so many people going there, so many travel agencies. An unheard of event in Mumbai, there are 10, 20 tour operators there from Maldives. I would have never thought they would go there.

Afeef: It is not only businessmen who go there; out of that 20% are entrepreneurs looking for business, looking for start-ups.

Nazeer

On the whole, guest houses are there, we cannot say we are opposed to it and have to be removed because they don't contribute enough to the economy. That is not on. We have to learn to work with them make sure they also contribute to the economy by taxes and so on. Right now, they pay very little, but I don't think it will be like that forever.

Afeef

We are working together even now through the Tourism Ministry who coordinates with fairs, etc. They have the same rights as the resorts to go to fairs. So they are not discriminated [against] in anyway. So we have joined forces through the Ministry of Tourism or MATI. They are not separate at all.

Nazeer

Now the Fishing Association is complaining that they don't have a budgetary contribution by the government for them to participate in promotional fairs, as is given to tourism. I think the government would be worried about how to tackle this sort of issues. But the this segment [guest houses] is an important part. Guest house is cheap, but there are a lot of people who stay there. It's not a joke anymore. May be when it started it was, but it is serious business now.

Afeef

I think it is serious business and it must be more regulated or more looked after like the hotels.

Nazeer

We have always advocated that regulatory framework has to exist for all those people in the tourism industry. If left unattended it will be a headache for later, and that has happened with the guest house business, because somebody invests and develops with a lot of money and then comes and asks for the licence and there is no way you can turn him down and say, you have done everything wrong, sorry. So they try to make a compromise and get them to open

the place. But if instead if they start the work with the permission I think it will be a lot easier and everybody would be onboard. That has to happen sooner or later.



But even with joint efforts we are unable to convince the government on anything. That is happening now.

Would you support another sector (other than tourism) to be promoted as a part of an economic diversification strategy to reduce reliance on tourism? If yes, what sector or sectors, and how would you support such a strategy?

Afeef

I think it's very hard for us to create a baby. The baby must be created by the people who are going to govern that baby and then people like us must come and join forces, because I don't think tourism sector can create another force and then join them. I think something must be born and then we see it's a good thing for the economy, the country, and then we must join them.

Nazeer

I think the idea is good. We need to diversify our economy. But it is more talk than anything happening. But I hope one day something happens, something that we can hand on and run parallel with the rest of the economy. When COVID came about there was a big debate on our reliance on tourism, and we were all staying at home, and we thought surely they would come up with something that would get us enough money to support the economy. But despite all that you see what happened.

Afeef

The country imports everything, even toothpicks. So why can't some entrepreneurs go out there and start doing something. For a simple thing, I think we must be importing tons of orange juice and apple juice, mostly for tourists. They are

packed in Dubai or Saudi Arabia; but they are not growing anything. Apples are grown in some other country, it goes to Saudi Arabia, or squeezed juice is brought in containers and packing is done in these countries. These things can be done here. You can make toothpicks for all these people you know. You can make little butter pieces for these people. There are so many projects that people can do without tourism sector being involved in it. Once these things are done to a certain level the government can put certain restrictions on importing so that we are encouraging locals. So, you know what to start, but who is going to do that? Where are the people to do it? If there were real entrepreneurs in this country in that kind of way who really want to do something, you can buy a kilogram of sugar and put it into small packets and sell.

Nazeer

I know a guy who is doing it and he is sending it to Sri Lanka. His advantage is, this is subsidised sugar. He's not getting enough resorts to buy this because his product is not good enough for them. But in Sri Lanka they are willing [to buy it] because it is cheap.

Afeef

So, I don't think diversification is so difficult. It is there, within our fingertip. What we need is people to do it and the will to do it. But nobody is willing to do it, because we are used to having the fruits overnight in whatever we do.

Nazeer

What is happening is government policies are not quite aligned like that. If I want to start a small business, it is promising but I don't have much

"So, I don't think diversification is so difficult. It is there, within our fingertip. What we need is people to do it and will to do it"

Hussain Afeef

money, I don't have any land and I go to HDC or some place, they ask me a big price and I run away from it.

“You know from statistics from the early days, what did we start with? Where did the money come from? From the first year of tourism what earnings? All these things you see here today in money retained in the country”

Hussain Afeef

Do you have any views on ownership of tourism business now, and going forward, should there be any change in ownership policy? If yes, what changes?

Nazeer

If the government makes money from the resorts, whether it is foreign or local doesn't matter, for that purpose. But when it comes to dividend time, then there is a little difference, because if it is a foreigner then there is a government tax on it and then the money is allowed to go out, which is probably better in some ways, to be honest, rather than the dividend going to the Maldivian because then the government collects another 10% from that. So, in a way the government deep down would be saying if everybody is like this then we would make 10% more from each resort.

What is your view on the assertion that a significant amount of earnings from tourism is not retained in this country?

Afeef

If a significant amount of earnings is not retained here, then we couldn't do what we are doing. In the last two to three years we [Afeef's companies] have invested about USD 100 million in this country. But nobody sees the risk we are taking in investing, and 70% of that is money we don't have, making a deal with the bank, you pay 30%, they pay 30%. So, what is the question then? If all this money must go into some people's hands, then they will say, yeah, we're getting that money. How can these loans be paid if you're not [retained in this country]? They are saying all this money [dollars] must be kept with the government. If the government took all the dollars from us, tomorrow I have to pay a loan of USD 30 million to some bank, would they [government] give that 30 million? No, they won't. So, how do you do business? So that's nonsense talk. There's a very nice way to measure what we're getting. You can just take a resort for example, what is the gross income? Out of that gross income, very easily you can say about 23-24%, or for the bigger and high-end resorts probably up to 25% goes to employment expenses. GOP is about 35-40%, that means you spend a lot of money on buying things, and from the GOP you take profits out, and then after you take the profits, you pay the bank, because that's not part of the operations. We're spending about USD 25-30 on an employee, without [apart from] salaries, on all their benefits, accommodation and housing costs. In a place like Meeru, we're spending about USD 24 per day. On top of that comes salary. Minimum salary now is MVR 8,000, and then you take home about USD 1,000.

Nazeer

I have some other idea about it. We make all the money from outside, and is there anything wrong with some of that money going outside? I think we get too sentimental about this whole thing. But nobody is taking money out of this country illegally. Everybody is doing legal things and they should not talk about that. It is wrong to try to paint a picture of some foreigners doing this nonsense, which is not true.

Afeef

You know from statistics from the early days, what did we start with? Where did the money come from? From the first year of tourism, what earnings? All these things you see here today is money retained in the country.

Nazeer

I go to meetings, even at MMA, and then there is accusation always pointing finger at foreign resort owners, like Sri Lankans. They say none of them has an operating account here, they have their operating account in Sri Lanka. But can you imagine, somebody operating a dollar account out of Sri Lanka, how hard it will be? Aitken Spence, and others, they are enjoying the benefits of this open economy by having everything here [Maldives]. They take only the minimum to that place [Sri Lanka]. But exactly the opposite is the picture painted by us about them, which to me is very wrong. It is easier to operate an account here when you are here. So, everybody is bringing their money here now. Earlier, we opened an account with SBI Frankfurt because the tour operators find it easier to remit the money there. But very soon we found that it is irrelevant. Everybody is sending the money here [now]. We didn't do it because we wanted to hide the money from here. We wanted to make it easier for somebody. We have closed [that account], we don't need it.

Would you support a view that one way to increase benefits of tourism to the domestic economy is to increase employment of domestic nationals in the sector?

Afeef

I agree 1,000%. But where are these domestic nationals? I will give you an example. When we were doing Herethere, we advertised to take employees from Addoo. Four guys applied. They were 50-80 years of age. Then we brought a whole lot of Bangladeshis, or elsewhere. They had a system where the local people, each house, had one foreign servant, and they (this is human trafficking) traffic one person to us. This is

happening. So, they would say, I have four people I can give you for work tomorrow on Herethere, and they send four people, and they would charge us MVR 200 per person. Could you call that domestic people? No, you can't. But you can interpret it as though they were hired locally. Newspapers said that Champaa Afeef's company brought in foreigners [for employment] and that no one was taken from Addoo. So I was slaughtered, cut into pieces and canned, without asking me one question. Next day there was a guy who came to sell us bananas, but we couldn't buy because of something.

We imported bananas from Sri Lanka or some place on a large scale. The next day headlines said, they [Herethere] didn't buy bananas or fruits from Addoo, and that everything is imported. But this guy had a banana tree in his backyard, and had a banana bunch, he came to sell that, but we couldn't buy it that day. There was no way they could supply the fruits and vegetables that we needed. But then the perception was created like that. I don't think there is a way that we would have enough [domestic] labour. No way.

Nazeer

If you go to any of these islands, locally inhabited islands, you would find a nice house and ask, who's house is that? Oh, that's [the house of] a boy working in a tourist resort. You would not hear anything other than that most of the time, may be there are other cases also. May be he's working abroad and sending his money. But generally speaking, that's the trend we see. Earlier, when we were young when we went to Kulhudhuffushi, you would see such houses there, because they had gone to work on ships, may be MSL, and they would send the money. Now that is true of tourism.

So that means there are a number of locals working [in tourism], and I think we should encourage local employees where possible, but politically this is being twisted to say that you people are not employing enough Maldivians. We employ enough Maldivians, whoever wants to

work, we always find them work. There is no way that we turn down a Maldivian to say we have no job for you, you're a Maldivian, no good. We don't do that. Nobody is doing it, because for us it is a little cheaper to employ a local than a foreigner. A foreigner has more costs than a local. So that is there. But we must not forget that we are in a resort environment, and that place has to have the right mix of people to serve the customers we have. We are a very international organisation. So despite the fact that we love full Maldivian, 100% Maldivian [workforce], that is a dream that will never happen. In order to have the right mix, we have to have foreigners as well. Otherwise, this industry will not prosper the way it is [prospering now]. Recently they said musicians [playing on resorts] must be local.

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Ahmed Nazeer

Can you imagine a music band going to Haa Alifu Atoll to perform and coming back, what cost it will be? It is not possible. So this is a knee-jerk reaction by the government to an article written in a paper or somebody making a complaint.

Afeef

The thing people make complaints without really thinking about it. We have 160 resorts, and we have 40, not even 40, ... 20 bands in the country. How can you give entertainment to these 160 resorts?

Do you support the proposed increase in TGST rate, if no, why? What is an optimal TGST rate for you, and how long would you say it should be maintained for? How does the proposed rates compare with competing destination markets?

Nazeer

I went to see the IMF and World Bank teams at the Finance Ministry recently about this, and we were very worked up, we, the associations. I asked the question, which other country is having a higher tax than us? They said one country, Fiji. So, I said if we have to be like Fiji with our tourism, then I think forget about the finances in this country and close up democracy and everybody go back to fishing, because it is very little tourism in Fiji, where as 90% of our income is from this industry and we have to make sure that we have the right mix of rates in order to attract the people. With this increase, I think we're going out of it, out of our range. That's what we feel, and we have objected to that and we have said that in so many words. Just today, a study done by a university in the UK was cited by a local accountant, with Maldives as the focus of tourism, and according to that study, every 10% increase in tax is a 5% drop in tourist arrivals. So, a 4% increase means we [would] have a 2% reduction in tourist arrivals. So, what we feel is that the market is not ready to accept this increase because this is a very touchy time.

European economies are struggling with energy crises, and on top of that inflation is huge. Even



the Russians who are here now, who used to spend big money, everybody is saying, no no, they are watching their dollars now. So this is the situation we are in and we are targeting to increase the tax at a time like this. I think it would have been better if they targeted to do this at a time when everything is more buoyant. Unfortunately, that's not the case.

Afeef

The funny thing is they put [raise] TGST, we fight and we shout and we do this, but there is no reduction in the number people who come.

Nazeer

The first time when this was introduced in 2012 or so, many of us absorbed it for quite sometime until we could pass it the tour operator. Same thing will happen this time.

To what extent is financing tourism investment an issue, and would you support an initiative to incentivise the listing of tourism businesses in the domestic or a foreign stock exchange as one source, among others, of finance? If foreign, which stock exchange?

Nazeer

Recently we have had some initiatives saying why don't we get the government of Maldives to agree to see whether the Indian government would permit Maldivian companies to be listed in Bombay Stock Exchange. I did some work on it and I found that many of us are saying for us it would be better to list in a stock exchange like in Singapore where it would be easier to raise finance. So there's a thinking there. But whether this will happen or not, it has to happen. Afeef has been talking about this for a long time.

Afeef

What I say is, the fastest way for this country to prosper is for the resorts to be listed, and the entire country to be a part of the shareholdership. Finished. Everybody gets dividends every day, every month, from 160 resorts. If 30% or 10% of

these 160 resorts are sorted out, everybody in this country will get so much money.

Nazeer

Afeef has been saying this, why don't you people try, and we have tried Crown. We have found out that it is very difficult for us to do this the proper way. That is why it has not happened.

Afeef

The first time we wanted to have this, the government wanted to have a stock exchange, they wanted us too. We had to buy shares of MTCC, I promise you, this is not a lie, we had to go and fill a form, where you say your birthdate, your age, which sex you are, married, not married, which party you support, even that was in that form. If you have a relative, you can't sell shares to a relative of this company. I was a shareholder, and my brother can't buy.

My uncle or my nephew, anyone who is a relative can't buy. Relative was not defined. So, who is going to do that? And then, only if you sell 50% you will be getting any kind of monetary benefit out of it. And who wants to sell 50% at the same time? So, they want to give and not give. I had this MTDC thing. What a big thing! I started doing that, we sold shares of about MVR 30 million to the public, MVR 100 a share and each one can have 1,000 shares. It was going so nicely! I had fantastic vision for it. We had 15 islands.

We could develop 5 islands and give 10 islands on rent to all these people and give the shareholders money out of it. But it was not to be. Now, I have had offers from huge companies, this is the other side of the story, who want us to be stock listed, they wanted to buy, a big conglomerate, these are the big boys we are talking about.

And it will be USD 1 billion to USD 800 million or USD 500 million dollars. I said what shall we do with this money? They come and say, look you get USD 500 million if you sell 50% or something, and then I said what are we going to do with that

money? Oh, you can invest the money. Then I said where do you invest this money? Oh, you can go and invest in the stock exchange in some other places.

I said look, here we get 13, 14, 15% for our money, and you tell me one place outside Maldives where you can get more than 2-3% for your money now. So, what are you asking me to do? You are asking me to stop, shut down a business that I get 13-14% from, and sell it to you and then go and then again put it into a fund which will give me 3-4%? Is that what you are asking me to do? Or buy government bonds which gives me 2, 3, 4%? I said, let's stop talking about this now.

They were trying to see if they can do me in by 500 million, 800 million, a billion. What do you do with this money anyway? So, this is what funding is about. But I think if we sell domestically even 5% of each resort to the local people to help local people, to the local exchange, then we'll be able to do a lot of contribution, because there are a lot of young people coming up, they are married, they are getting children, they want to get ready for their child to go to Australia, New Zealand to study or something, so, in the years to come in ten years or so, they would have saved enough. These are things I got from our MTDC people. They said, Afeef, this is what I wanted to do, I want to save some money for my children. So, there is no more to talk about, you know. I have tried, I have failed.

Nazeer

But there is the other side of the story also. There are a lot of resorts that are struggling, and they want to make it easier for cashflow. So, they need to raise more money in a more competitive way, rather than borrow from the bank at high interest rates.

Afeef

Yeah, that is what we are doing, right? If they buy shares, the company will get money, but still, there'll be dividends coming for the shareholder. They would be having yearly dividend of MVR 10

or MVR 5. That's what they are going to collect over the years to send their kid to school. That's what I'm talking about.

Nazeer

But I think there's a need to look at us being able to list in stock exchanges definitely for the Maldives. That doesn't necessarily mean Maldivian-owned properties only.

Afeef: If you fit in to the regulations, you can do it, you know. I know people, people who have approached me, banks have approached me to do this, why don't you do this, we can do all the work. If we fit in to their criteria and follow the regulations and have proper accounting systems, then it's not a difficult thing. It takes time, but it's possible to do.

What issues do you believe remain unresolved in the sector generally, for example in infrastructure, and also in maintaining the highest levels of service in the sector?

Nazeer

I think infrastructure has to be done by the government and we go by the master plan. The master plan is done by the government in association with the private sector. But it comes up with a plan, and for things like, for example, handling rubbish, there is a plan in the master plan. But these things are not done properly. But yet, we, resorts have to function and also comply with the government regulations at the same time, and it becomes very difficult when these things are done the way it is supposed to. The resort part is taken care of, but the infrastructure part is not being attended by the government for various reasons.

Each government comes and goes, but those things never get done. The incoming government will blame the previous government. The real effect is that it impacts the industry in a negative way. The government is always willing to regulate more now than ever before, and the regulations that come have to be followed by us. But we find it often difficult to follow them properly because

we have to do everything by ourselves. Somethings for which we expect support from the government side does not happen.

Afeef

We should maintain the highest levels of service in the sector, because what we need is to train people and have good service because that's where the future will be cemented only because when we have good service.

Nazeer

Everybody is saying our tourism is world class. If you say it is world class, our services also have to be at that standard. Otherwise, we are not doing justice to that word. Two years in a row they said we have got this award for best resort category in the world or something. There are many resorts that are doing very well. But there are some resorts that are I would say substandard, despite the fact that the government, the Ministry of Tourism is supposed to go to each resort and check every year. Despite that we find that there are resorts that even they have closed. If the service is good, I don't think there is a need to close it. So, we have a big job here in order to make sure that day in and day out our service is there, and not like this. Continuous training is needed. Those who come out of the university want to become GMs or high executives in the office. They think that that is the most suited job, I have studied that so I deserve to be there. If I get to be pushed into a lower job, then he's feeling bad. Pressure from his friends and family may force him to stay there, but if he has a way out he wants to go and do something else.

Afeef

The real bad situation in that is that there are parents who say, dharifulhu (one's son) is going to a resort as a waiter, and then, ahcheedi, going to set dinner for people? You mustn't go! That's an attitude problem. So, the person can't go [to the resort]. But without being a waiter, he cannot be a restaurant manager.

Nazeer

Our head waiter, Naeem, in Veligan'du which is a four-star property, is now 60+ years old. He has

been a waiter, he has been a captain and all these things in that resort, he has four children, some of them with masters. We didn't give him money to do these thing. He did it with the money he earned. So, what can we say? Do you need to be the top man to do that? He has proved otherwise. Afeef can tell you many stories like that.

Afeef

We educated about 250 kids, sending them out and really waiting. The negative thing about this is that there is so much of poaching of our staff. If you say I've worked or if they see in the application I've worked at Crown and Champaa resorts, great! Some people are coming and even getting employed with us for three months, because you have three months' probation period, and then leaving. So, when they send their CV they say, where did you work last? Champaa Resorts. Why? Because we were enrolling all our staff, not one, all our staff in different online programs and we pay for each, 500-600 students. So, they have vast knowledge of things. So we train them, others take them.

Nazeer

That is a very good point, Afeef. What I'm trying to say is you don't need to be a top earner in order to look after your family and have a good life. You can be just an ordinary man in the resort and still, if you can manage your finances well, you can do all these things that you want to do in life.

Afeef

This year we're marking fifty years of tourism. But I don't know how many qualified general managers we have in this country. May be one or two, or none. All I know is I sent two kids there, after they did all their masters, to Cornell, and that's the ultimate dream of all GMs, to go there and get that certification. We got two kids who got certified there now, from Cornell, New York, as general managers. Now they will be taken by any international chain or anything because of their certificate.

But I have not made them general managers on our resort. I told them, you have to be resort

I think the duty of the next generation whoever is taking over from here has the responsibility to make sure that this is looked after and take it to even bigger heights.

Ahmed Nazeer

manager now for two years at least. We have a general manager, we brought him, 50 years old, about 20 years in hotel business. He doesn't have this Cornell certification, but he's a GM in Ritz Carlton. But these are the seasoned guys who know how to sell and upsell and do the things. The other guy comes from the book thing, you know. So, in two years, he will be ripe to get into that position. That's what we are doing.

Nazeer

We have an advantage in this country for fresh graduates to come and work here. Because they are young, they are energetic, they don't mind working 10-12 hours a day. It is a very difficult place to work, not like a set up city hotel. This experience is worth a thousand dollars, because you can't get this anywhere else. So, all these hotel schools want to send their students to study here for their work experience, and we can't simply take them now because the government is also restricting it. I thought it's not a good idea to do that. These kids contribute a lot, and they learn a lot. So, the resort benefits, and they benefit equally. They go back and talk about the Maldives, which is also another good thing.

Afeef

I had a fantastic experience. We had a French guy who came like an intern. He was a waiter, and very quickly he clashed with our head waiter. You could sit there and watch this guy. Work time, it's work for him. He's just going and on the way back he doesn't mind it's not his client's dirty plate, he just picks any dirty plate, any glass, and he was working so hard, and he was doing it professionally as it should be done. This is what he did in his hotel school in Lausanne or wherever. Sometimes he would say a few words to his clients, but not for more than they are allowed, two to five minutes, finished.

So the head waiter complained that he was always talking to guests. But I tell you, if we had five waiters like him, they would look after 200 people, no problem, with a buffet and rest of the things. But we need 15 or 20 waiters to look after these 200 guests, because of the attitudes. And that, we are also learning. For us also it's learning. We are used to the old style.

Any additional words or messages for our readers, this being the 50th anniversary of tourism?

Nazeer

I think we have successfully navigated the 50 years of tourism and we are a product that is recognised by the world. I think the duty of the next generation whoever is taking over from here has the responsibility to make sure that this is looked after and take it to even better heights.

Afeef

We will let the future generation perfect it.

"We will let the future generations perfect it"

Hussain Afeef

An Overview of Social Protection in South Asia

Dr. Yuba Raj Khatiwada

1. Introduction

South Asian Association for Regional Cooperation (SAARC), established 37 years before as a regional intergovernmental and geographical union of 8 nations in South Asia aimed at collaboration and cooperation for the region's development and wellbeing. As such, its specific objectives were to promote the welfare of the peoples of the region and to improve their quality of life; to accelerate economic growth, social progress and cultural development in the region and to provide all individuals the opportunity to live in dignity and to realize their full potentials; and to promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields, among others. In nearly four decades of its establishment, SAARC has remained far from achieving many of its objectives.

SAARC region comprises 3 percent of the world's area with 21 percent of the world's population and about 10 percent of the global economy. A large portion of the world's poor live in absolute poverty in this region. Various forms of social exclusion, inequality, and huge infrastructure gaps are common characteristics of the region. The SAARC Charter commits to promoting peace, freedom, social justice and economic prosperity by fostering mutual understanding, good neighborly relations and meaningful cooperation among the Member States. This paper makes an overview of status of social protection in the SAARC States and some way forward for national and regional initiative to achieve the cherished objectives of this regional organization.



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Mr. Khatiwada has held several responsibilities such as Ambassador of Nepal to The United States of America - February 2021 to October 2021; Special Economic Advisor to the Rt. Honorable Prime Minister - September 2020 to January 2021; Minister of Finance, Government of Nepal - March 2018 to September 2020; held concurrent responsibility of Minister of Communication and Information Technology and Spokesperson of the Government of Nepal - February 2020 to September 2020.

Governor, Nepal Rastra Bank - March 2010 to March 2015.
Vice Chairperson of National Planning Commission, Government of Nepal - November 2015 to August 2016 and June 2009 to March 2010 and Member - November 2002 to June 2005.

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Academic Background: Ph. D. in Monetary Economics; Master of Arts in Economics and Master of Public Administration.

2. Social Protection Initiatives of SAARC States

The SAARC region is in a demographic transition with declining fertility, increasing longevity and thus moving towards ageing population, an issue that is challenging from social protection perspective. In the Eight SAARC Summit held in

“However, not much progress could be made during the successive summits ...The 19th SAARC summit, overdue for many years now, is expected to chalk out the action plan for the implementation of social protection schemes in the region.”

New Delhi in May 1995, the Heads of State or Government reaffirmed their commitment to provide expanded opportunities to the poor to enhance their overall capacities and improve living conditions and to adequate economic and social protection during unemployment, disability and old age. The Twelfth SAARC Summit held in Islamabad in January 2004 recommended the formation of an Independent South Asian Commission on Poverty Alleviation (ISACPA) to prepare a report on “Our Future Our Responsibility” and came up with Social Charter. The Charter mentions its implementation through a National Coordination Committee or any appropriate national mechanism as may be decided in each country. The Charter committed to formulate a National Plan of Action or refine existing ones to operationalize its provisions through a transparent and broad-based

participatory process while stakeholder approach to be followed in respect of implementation and evaluation of the programs.

The provisions of the Social Charter are now being implemented across the region with the establishment of National Coordination Committees (NCCs) in all Member States. However, not much progress could be made during the successive summits until the 18th SAARC Summit held in Kathmandu in November 2014 discussed the necessity to address the social protection needs in the region. The 19th SAARC summit, overdue for many years now, is expected to chalk out the action plan for the implementation of social protection schemes in the region.

3. Achieving SDGs through Social Protection

Social Protection is one of the key instrument of achieving Sustainable Development Goals (SDGs) in SAARC region. Major social protection activities for achieving SDGs and inclusive development include mainstreaming social protection in development planning, programming, budgeting of the government, allocating resources at both the national and sub national level governments, and including non-state actors in this initiatives.

Besides, the states have to collectively work towards setting social protection floors with country flexibility in the norms of the floor while addressing common shocks that the region might face from within or outside the region, forge regional cooperation to collectively achieve the sustainable development goals including through the social protection interventions and use SAARC platform for positioning the region towards cooperation and collaboration on key SDG areas pertaining to social protection. This may include: (a) exchange of information about national policies and programs for spurring rapid learning; (b) raising common voice on financing for social protection targets set in SDGs, and (c) collaborating with the UN and other development

partners to promote the use of social protection to achieve the SDGs.

4. Social Protection floor in SAARC States

The concept of Social protection floor for both workers in the formal and informal sectors of employment is basically of high relevance in South Asia. In order to promote higher productivity, a minimum level of social and economic security is inevitable. This inevitability demands for minimum social protection coverage to all basically in health protection, better housing and income protection even in case of unforeseen emergencies.

The first of the social protection floor interventions is universalizing health care services. For this, the states should remove financial and non-financial barriers to accessing and receiving high-quality healthcare; develop health care financing mechanisms based on the individual's capacity to pay for health services - without a trade-off with other most essential consumption. They should also strengthen the supply side of health services to provide quality health services and institutional capacity to cope with the complicated diseases.

Housing has been a critical public intervention for achieving inclusive development. Rapid urbanization, exorbitant real estate prices, and insufficient public sector housing schemes in South Asia are causing expansion of slums. The inhumane living conditions in slums must be addressed if basic wellbeing is to be ensured. South Asia is prone to various disasters. Such natural disasters have often led to migration of disaster-affected families from areas crippled by the disaster to unaffected areas, created temporary tent cities and slums, or expanded existing slums. Thus, it becomes imperative for SAARC States to consider housing management as an integral part of wider definition of social protection.

Considering the challenges created by climate change and a number of environmental issues, disaster risks have multiplied manifold and have become new agenda of social protection. Natural risks added together with inequalities in society have imposed a higher degree of sufferings to the peoples in South Asia. The situation has been further aggravated by social unrest and conflicts causing violence and displacement of people. If these issues are not adequately addressed, all returns of economic activities, efforts, better productivity and achievements will not produce inclusive and sustainable development.

5. Migration and Social protection

South Asia has growing movement of formal and informal migrant workers within the region. So, in order to address poverty of the working poor, it is necessary that migrant workers from (and in) SAARC States are ensured non-discriminatory and wider social protection coverage; informal labour markets are largely formalized; and workers in informal labour market are covered by social security schemes.

The condition of informal work for millions of workers in South Asia is worse and unprotected than in the formal sector. This is the reason why working poor comprise a sizable portion of the labour force. They face low and uncertain incomes, high levels of hazard associated with the work, and are not covered by social protection schemes. The economic downturns have often resulted in more people working informally, and in more people earning less through their work. This implies that more working people will have less access to social protection through labour market interventions.

Migrant workers may either directly or indirectly be denied access to social protection by the recipient country; or being employed in informal or other sectors of the economy, they may be making themselves ineligible for full social protection. Even when migrant workers are

Social protection schemes in SAARC region have to respond to the dynamics of poverty vulnerability along with their demographic transition and life cycle.

eligible for social protection, government enforcement and employer stakeholders may undermine genuine access to these rights in practice through their actions or inactions. Initiatives should be taken to ratify and apply ILO Conventions and Recommendations containing standards relevant to migrant workers and their social protection, notably equality of treatment which will imply that social security laws, regulating both social insurance and social assistance schemes, cover migrant workers.

6. Restructuring Informal Social Protection System

The SAARC region is rich in social organizations set up in the informal sector to offer orphanage, child-care schemes, and shelters for aged and disabled persons, housing or shelter for destitute, victims of girl trafficking, and displaced people from conflict or disaster, etc. With even a small support from the government, they can better deliver their services and reduce the welfare work burden of the government.

SAARC States can work to institutionalize the informal social protection through multi-stakeholder approach that includes governments, private sector, community organizations, cooperatives, non-government organizations, formal and informal workers, and trade unions. Support the informal institutions of the family, community, social classes, religious faiths and trusts to provide significant protection to the elderly, disabled and incapacitated member of the family and society. The SAARC States can design formal social protection schemes in such a way that it can reinforce informal social protection if the distribution of resources through such a system is seen to be fair according to local norms and values.

7. Conclusion

Social protection schemes in SAARC region have to respond to the dynamics of poverty and vulnerability along with their demographic transition and life cycle. The, the likely growth of elderly population over time demands that proper social protection institutions and schemes are in place to cope with this upcoming challenge.

Social protection should include interventions related to food and incomes, as well as access to services in health, education, shelter, coping with disasters and avoiding to and recovering from conflicts. As such, the framework of socio-economic security embedded in social protection should refer to an approach that covers all areas of vulnerability, and implicitly would ensure a basic minimum standard of protection.

SAARC States have to draw regional action plan for social protection that includes strengthening of collaboration in the management of disasters like floods and droughts and pandemics like Covid 19. They need to develop institutional structures, build capacity to deliver means tested social protection, support the replication of best practices, and share experiences gathered in this area. Such action plan should mainstream social protection in the conventional areas of cooperation the region has initiated - such as poverty reduction, food security, education and health, environment and climate change, disaster management, and financial cooperation.

Time has stood still in this realm of financial sector development for over more than 6 decades

Abdul Haleem Abdul Latheef

Abdul Haleem Abdul Latheef is the Co-founder and Chief Investment Officer at First National Finance Corporation.

Haleem started his career as an academic and held the position of Head of the Department of Accounting and Finance of the now Business School of Maldives National University.

He served as the CFO at Pension Office for eight years, leading the investment management, investment operations, and financial management functions. Haleem worked in the banking, insurance and consulting practice before setting up First National.

He is also the current President of Maldives Red Crescent and a Board Member of the Pension Fund.

1950s Maldives

1950s is an interesting period in Maldives economic history. This was the era when liberalisation of trade took place in the Maldives, following several important historical events; the resolution of dispute between Vohra merchants (who settled in Maldives during 1857); tax reforms; formation of trade development bodies (Fisheries Advisory Board, Coir and Cowry Advisory Board); and establishment of shipping line. These historic developments paved way for the emergence of private enterprise in the Maldives and the necessity for availability of capital to fund private enterprise.

However, money lending, a practice which was well established by the 17th century in Europe, has not come to Maldivian shores until 21st century. In Maldives, the earliest reference to financial intermediaries appeared in an article titled "Dhiri Ulhun Kuri Eruvumah Ehee Foaru Vaidhey Dhirey Fundu", published on the 3rd January 1959 in *Viyafaari Miadhu*, the earliest known newspaper in Maldives. There appeared another article, in the same newspaper, published on the 25th of February 1959, on the same theme under the title "Dhiri Ulhun Kuriyah Gendhiumah Takaa Mogeyju- Idhaaraa Eh".

Modern Banking was introduced in the Maldives during February 1974 with establishment of a branch of State Bank of India (SBI), to facilitate international trade. Central Banking was introduced in the Maldives under Maldives Monetary Authority Act (1981). In 1981, Maldives Monetary Authority was given privileged control over the production and distribution of money and credit to the nation along with powers to regulate the banks and other financial intermediaries. The Act was subsequently revised three times; in 2007, 2015, 2020.

Surprisingly, more than six decades after the development of the thought, the issues the author saw during his time, remain as the biggest truth about the development of private enterprise in

Maldives; the capital constraint. Although money supply (broad money) has increased over the past 35 years in absolute terms, the capital constraint has kept choking off private enterprise in the Maldives.

During the last 20 years (pre-covid) our real GDP growth averaged close to 7%, which is far above that of OECD and Upper Middle-Income Countries, amidst the chronic capital constraint. I cannot stop wondering the potential GDP for the Maldives, had there been a vibrant financial system. It seems time has stood still in this realm for over more than 6 decades.

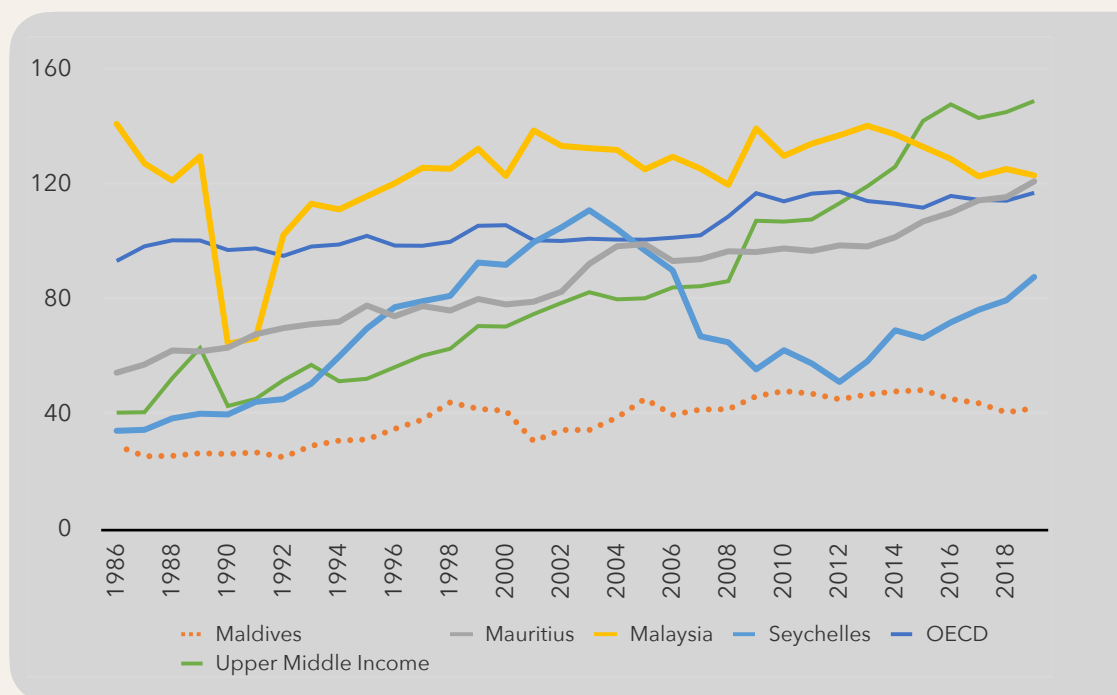
Bank Lending

Saving rates offered by banks have decreased over the years. Lending practices have been overly restrictive. Banks generally require the Debt Service Coverage Ratio (DSCR) to be above 1.5 times Except in case of Government projects, the banks require perfection of collateral in the form of an immovable asset. Other properties like vessels and vehicles are not considered as primary collateral although ownership of these assets contribute to the credit approval process. The acceptable assets are restricted to property in Male City. The security cover ranges from 133%-150% of the loan taken, unless there is a government guarantee.

The equity requirements of typically 30% of the proposed funding is another risk control measure imposed by banks in Maldives. Apart from the high thresholds for bank financing, bank lending is subjected to the following;

- Personal guarantees from the shareholders

- All proceeds on the project to be deposited to the bank
- Progress payments and verification of work done
- Restrictions on further borrowing
- Restrictions on dividend distributions
- Restrictions on sale of assets
- Restrictions on related-party transactions
- Disclosure of information that may impact the



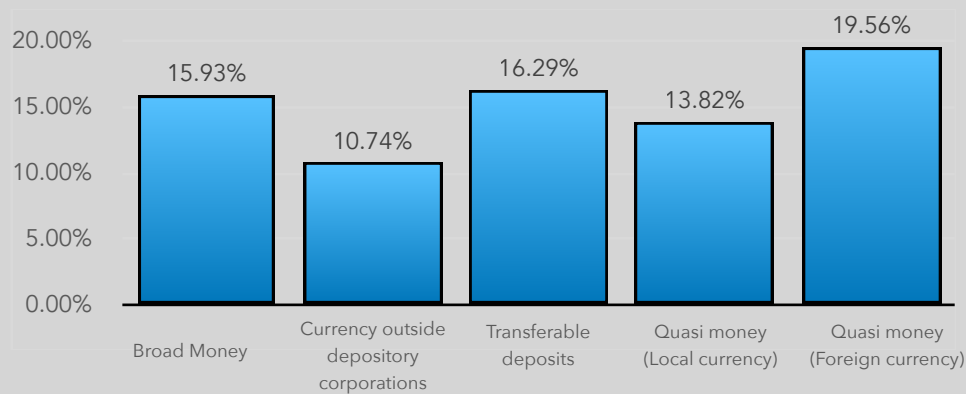
Broad money as % of GDP (1986-2020)

future earning of the business

- Single party exposure limits in addition to regulatory requirements
- Additional rights for the bank if there is a default in any other bank or any other facility held by the borrower, or any party related to the borrower.
- Rights over all bank accounts of the borrower and other related parties.

Growth of Money Supply

Money supply, which stood at MVR 0.3 billion in 1986 reached over MVR 52.22 billion as of 2021, registering a growth rate of 15.93% on compound basis. Despite of the money supply growth, relative to GDP the money has remained low.

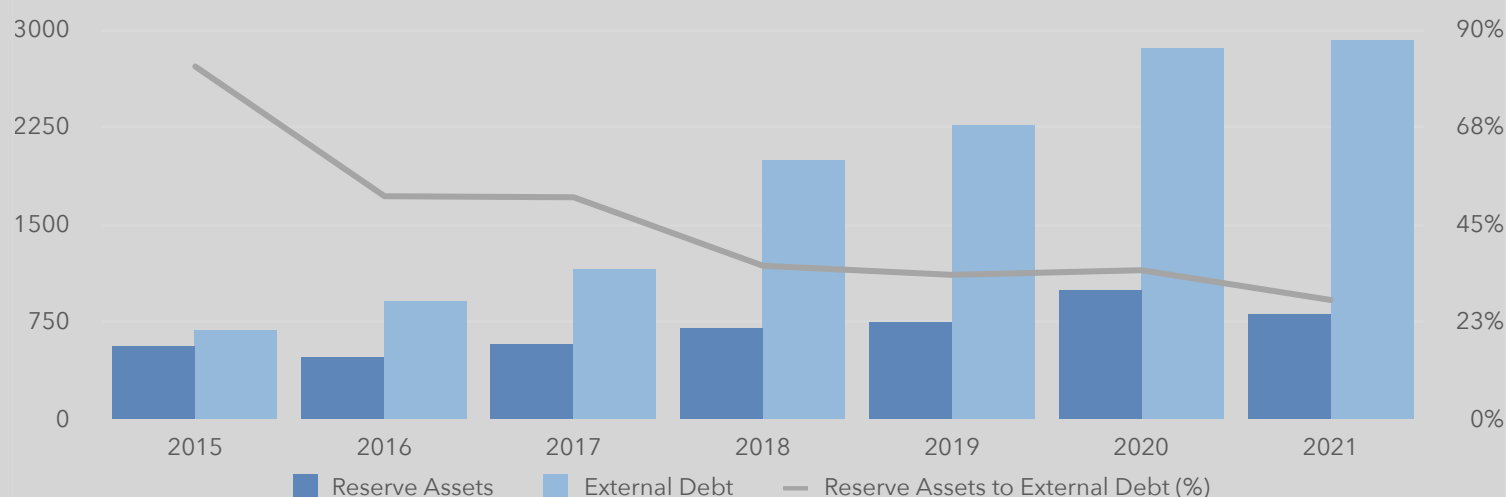


Money Supply, CAGR (1986-2021)

According to data from World Bank, Maldives Broad money to GDP ratio averaged 37.70% (1986-2019), whereas countries like Singapore and Malaysia, along with OECD, the ratio stood well above 100% during the same period. Maldives lags far behind compared to Upper Middle-Income

within the Maldives finance system may have forced capital to flight to more conducive environments. The trust in local currency has significantly deteriorated as indicated by the huge increase in foreign currency denominated quasi money.

Although reserve assets have increased exponentially over the past 25 years [from USD 76.16 million (1996) to USD 805.81million (2021)] the reserve asset ratio relative to external debt has deteriorated significantly. This is also true relative to GDP as well. In addition, these deteriorating indicators the reserve volatility remain high with a monthly



Reserve Assets, External Debt (2015-2021)

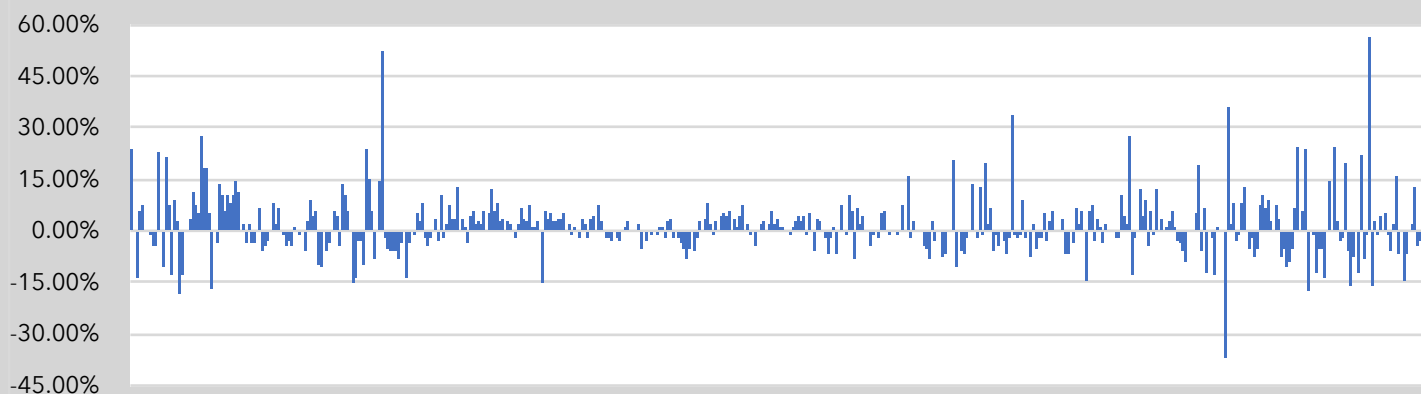
countries. This might perhaps explain the issue of chronic capital constraint for businesses in the Maldives.

Trust in local currency

The Maldives financial system has not evolved beyond tradition banking despite of technological process, investor sophistication and demands from enterprise. The reasons maybe many fold. Limited investment choices and finance facilities available

standard deviation of close to 9%.

Face with these structural challenges, it is imperative that strong polices are in place, urgently, to retain capital locally, for us to remain prosperous and pass on the many developmental gains to the next generation, especially in the context of limited economic diversification opportunities, aging assets especially the tourism industry assets and public infrastructure; rapid increase in personal debt [personal debt reached



Monthly Reserve Volatility (Feb 1986 - Mar 2022)

over MVR 3 billion (2021) from MVR 610.89 million (2015)], the expected fiscal pressure to fund health and pension expenses of a rapidly aging society.

The new frontier of development

The dual trouble of too conservative banking sector and dormancy at market development and regulatory agencies have exacerbated the capital constraint. Despite the banking sector's dominance in our financial system, in terms of legal development, it is interesting to note that Securities Law predates the Banking Law. The Maldives Securities Act came into effect in 2006 while the Maldives Banking Act came into existence in December 2010.

The Maldives Securities Act was an important foundation for the development of alternative conduits other than banks for transfer of capital from savers to the borrowers. The Maldives Securities Act is an important enabler for development of the financial system. Under the Act, licenses are issued to establish stock exchanges, brokers/dealers, investment advisors, underwriters as well as depository service providers, credit rating agencies and custodians, which are integral component of a vibrant financial system.

Crucial developments under the Act were the issuance of Regulation on Issuance of Securities and Regulations on Registration and Management of Investment Funds on the 7th August 2016. The Regulations on Registration and Management of Investment Funds have provided a strong foundation for the conduct of professional money

management business in the Maldives. Thus, under the new set of regulations issued by the Capital Market Development Authority (CMDA), investment vehicles such as mutual funds, trusts, family offers, and endowments can now be legally incorporated.

With the new basic framework in place, an important policy initiative should be to create a conducive environment for professional money management firms to thrive. This will certainly, lead to formation of a strong asset and wealth management industry in Maldives.

The asset and wealth management firms can contribute to the financial system both at micro and macro level as they bring new set of skills, expertise, and technology. While specialising in their respective domains, the asset and wealth management firms can work in close collaboration with banks and other asset owners such as pension fund, insurance companies, high net worth individuals and even central bank to address the capital constraint issue. At macro level, both established and the emergent firms can work together, contributing to design and development of a new financial system architecture that is attuned to the realities of today's technology and investor's demand. In addition, the industry can collectively contribute to address structural challenges in our financial system; monetary policy effectiveness, reserve management and public sector debt.

Land grabbing and enabling the extermination of 'islandness' and resilience of island communities is increasing the ecological footprint of Maldives.

You that never done nothin'
But build to destroy
You play with my world
Like it's your little toy
Masters of War, Bob Dylan

Ibrahim Mohamed

Ibrahim Mohamed is an environmental and social science expert specialized in climate change adaptation, with a PhD, in environmental science, from the James Cook University of Australia. He researches on critical issues related to climate change including governance and policy, bio-geophysical aspects, food security, biodiversity and pollution.

He began his career as a professional science teacher and after working on rural islands, he found his true passion and moved to work in the environmental science and management sector. After resigning from his post as Deputy Director general of EPA, he currently works as an environment and social safeguard specialist for the donor funded Greater Male' Environmental Improvement and Waste Management Project executed by the Ministry of Environment.

Introduction

Flying over the Velaanaa International Airport of Maldives will give you a glimpse of the turquoise blue lagoons and the lush green islands. From the bird's eye view, it may look idyllic Robinson Crusoe islands. But the land making and reef burial which involved in making some of these luxury resorts are little known to most outsiders. From a sustainable development point of view, these undertakings may prove to be a no-win situation.

Working with “care” in greenwashing

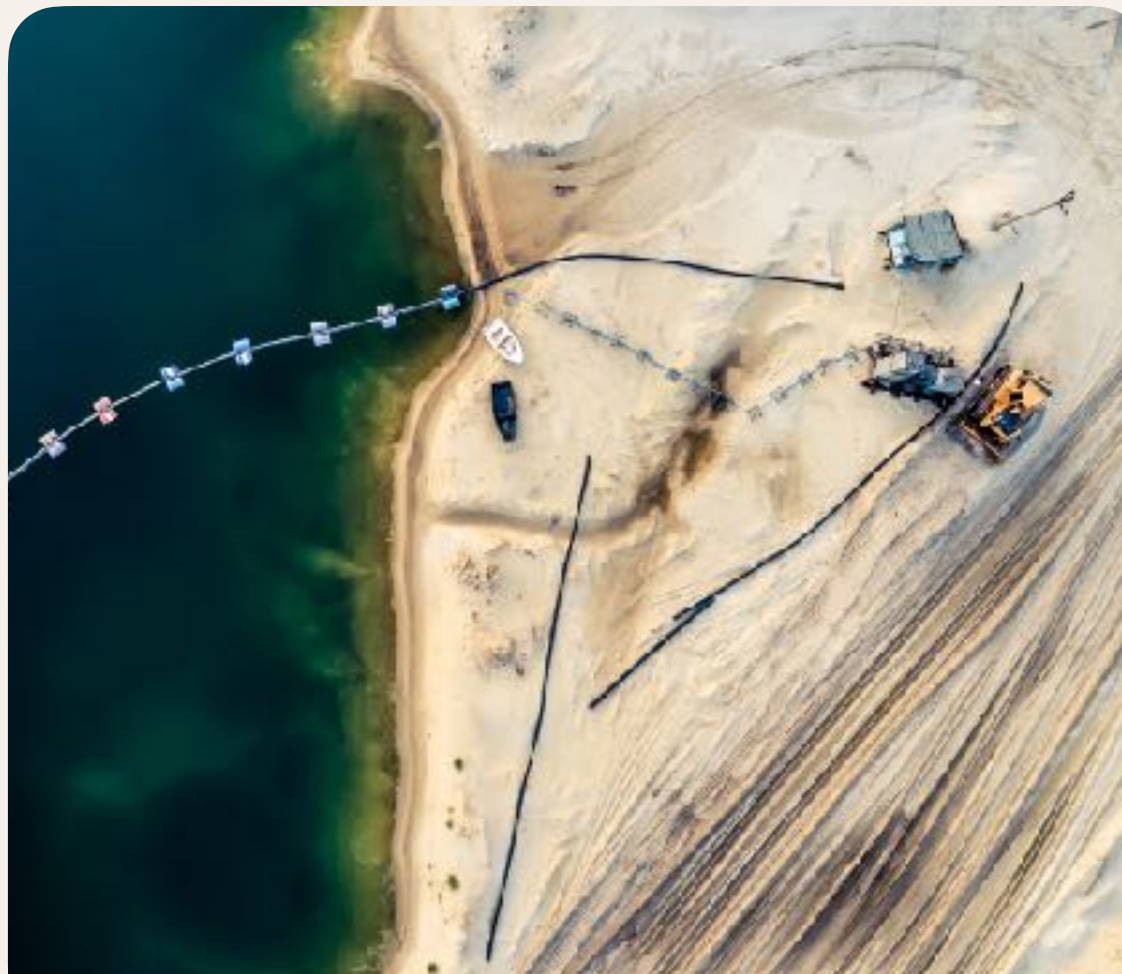
A delegation from the Maldives has just arrived from Egypt after the 27th Conference of the Parties meeting of the United Nations Framework Convention on Climate Change. There they have been able to work with other vulnerable nations to reach a consensus, to form a much-needed loss and damage funding mechanism for nations affected by climate change. Yet in the same

month, one of the largest dredging companies of the world plans to dredge 5.63 million cubic meters (cbm) of sand from the intra-atoll basin of the southern-most atoll and the smallest complex atoll of the Maldives, called Addu. According to the initial Environmental Impact Assessment (EIA) of this project, 6.9 million cbm of sand would be dredged. Hence, about 1.2 million cbm of sand is now curtailed from the initial proposal, a reduction of 18.6 percent from the previous plan. However, an area of 11.7 hectares, previously included under this project, is now reclaimed using 252,701 cbm of sand dredged from the lagoon by a Maldivian company, and carried out without an EIA. Another 20.6 hectares of reclamation originally in this plan is now postponed, to be reclaimed under a different project. Consequently, 194.2 hectares of new land is to be made under this project, costing 85 million USD for dredging and reclamation.

Scrapping 42.3 hectares from the original plan is greenwashing, designed to make this dredging project look like it has been scaled down. In fact,

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When the products and services provided by coastal marine ecosystems that provide abundance and economic freedom for people are destroyed, they are forced to become wage laborers



only 10 hectares have been removed from the original project proposed to make 236.5 hectares of land. As a result, only 10 hectares of the coastal marine ecosystem will be spared permanent burial when all reclamations of Addu are completed. Hence, this greenwashed scaling down of the project only serves to reduce the permanent destruction of a mere seven percent of coral reefs and seagrass beds from the original plan. As a result, about 800 million USD worth of

coral reefs and seagrass meadows capable of sequestering 600 tons of carbon annually will be irreversibly exterminated. Even if some corals are relocated as proposed in the EIA, the ecosystems that caused to thrive them will be gone forever, while the survival rate of corals relocated to another atoll or another region of Addu atoll is uncertain. The seagrass beds, worth about 4 million USD annually, can never be relocated and will be destroyed permanently. In addition, the dive tourism industry could face severe losses amounting to approximately 60 million USD annually. No amount of greenwashing will reverse the damage caused by this project.

The biopolitics of Land Making and Reef Burial

“Land making and reef burial” is a biopolitical scheme conspired as a part of “bigmanity” politics, to give land to capitalists at the cost of biological and ecological destruction. These environmental disruptions are deliberate in most cases and result in the destruction of the “islandness” or “jazeeraa vanthakan”, and the ways of life and valuable natural resources of islanders. The ecosystems that are irreversibly destroyed by such schemes are interconnected and intertwined in the biogeophysical evolution of the Maldivian coral reef system over millennia. The rhetoric and imagery of “Mini Dubai”-style development irreversibly destroying these ecosystems is in fact hysteria hyped by biopolitics to exterminate the essence of “Islandness” and the means of subsistence of islanders. Most of these reclamation projects have become white elephants, while a group of elitists becomes rich from surveys, designs and building components, all of which can enable corruption and mismanagement of public money in various levels of governance.

When the products and services provided by coastal marine ecosystems that provide abundance and economic freedom for people are destroyed, they are forced to become wage laborers. For instance, the loss of reef fishing grounds, bait fish grounds, and fish nurseries as



well as beaches on the fringes of islands force people to abandon traditional livelihoods that sustained them for generations. This destruction is beneficial to the oligarchy and the elitists in two ways. One is the availability of labor and the other is the increased environmental value and hedonic price of their idyllic Robinson Crusoe Island “dollar traps”. Consequently, the rhetoric of “Mini Dubai” as the epitome of modern development concedes the role tourism tycoons play in



Additionally, when a high debt is incurred to reclaim land, inevitably having to be repaid with high interest, the reclaimed land must be leased or sold to the highest bidders and for other taxable endeavors. Opportunities for such endeavors often involve corruption and political influence.

changing the environment, enabling the extermination of “Islandness”. Resort islands, both artificial and natural are manicured and pedicured to look as natural as possible, while local islanders are hoodwinked into believing that their natural environment has to be destroyed and their coral reefs buried to create land for development. This rhetoric and imagery are the result of huge borrowings complimented with environmental indifference.

While traditional islandness and island life were less pervasive in terms of environmental destruction, modern development is having many undesirable impacts on the islands, especially owing to the disruption of the intricate natural dynamics of islands. Lessons learned from various coastal modifications demonstrate that such activities transform the resilience of islands, making them vulnerable. However, the extent of these impacts on the resilience and vulnerability of small islands from urbanization, land transformation, and construction is difficult to

assess and measure due to the slow onset of impacts and uncertainties arising from global climate change. Currently, the decision tool commonly used in the Maldives for development proposals is the EIA.

At present, EIAs are inadequate for many reasons. For instance, they are project specific and only focus on short-term impacts within the immediate boundaries of project activity. Meanwhile, the process itself is flawed due to malpractice and flawed review processes. For this reason, development related decisions are often politically influenced, undermining cost-benefit analyses of the long-term impacts of such projects.

Consequently, unsustainable development projects often destroy the environmental value of the islands, and their economic potential as well as resilience. As a result, huge amounts of money have to be spent to remedy the maladaptation resulting from such development projects, especially when they are conducted in haste to win votes. A case in point is the airport at Hoarafushi, which required millions of Rufiyaa to make viable after commissioning.

Manufacturing Land Scarcity and the enigma of “spatial” zoning

Land making by “reef burial” is one of the most lucrative businesses in the Maldives, where land scarcity is absolute owing to the country being only one percent land, consisting of about 300 square kilometers. The average cost of making a hectare of land by dredging sand from a reef and burying coastal marine habitats was 4.3 million MVR before COVID-19 and the Russia Ukraine-War (MNPFI, personal communication, February 28th, 2021). Indexation based on economic changes to world markets, oil prices and labor markets as well as major economies falling into

financial hardship could mean inflation of this prices, to approximately 6 million MVR. To make this lucrative business feasible, land scarcity has to be manufactured, especially as an electoral incentive for politicians. For instance, the reclamation of Mathi Komandoo was initiated for the by-election of Komandoo constituency.

Scarcity is politically and socially generated and manufactured from various levels of the political pyramid. In this way, capitalists and elitists gain power and influence, via political maneuvering to justify the acquisition of resources and creating boundaries, while avoiding social justice, equity, and distribution of resources (Mehta et al., 2019). Mehta et al. (2019) also found that presumptions of scarcity are often advocated as a strategy to enable exclusionary schemes of resource control, appropriation, dispossession, segregation of local communities, and gaining exclusive control of the land. For instance, the proposed land use plans for the Addu mega reclamation only reserve a mere 13.3 percent of land for residential purposes and three percent for community-based farming, while more than 70 percent of land is to be given to investors to build hotels, guest houses and

resorts. Additionally, when a huge debt is incurred to reclaim land, inevitably having to be repaid with high interest, the reclaimed land must be leased or sold to the highest bidders and for other taxable endeavors.

Opportunities for such endeavors often involve corruption and political influence. For instance, the biggest corruption scandal in the history of the Maldives arose due to tourism tycoons illicitly gaining islands and lagoons. Additionally, a large percentage of reclaimed land is often acquired by elitists, rich and powerful politicians, and their collaborators and families. As these tycoons' and oligarchs' sole purpose is to maximize profits, they import cheap labor and products, leaving local communities to the dubious benefits of trickle-down economics.

The notion of land making is also hyped up as a means to provide air transport to island communities. As a majority of islands have limited space to build an airstrip, the land is reclaimed, often as DBO (design, build, operate) contracts, while also giving those investors additional incentives such as an island for resort



development. Take for example the case of Alifushi in Raa Atoll. The 29.2 million USD project includes the reclamation of 50.5 hectares of land, of which 38 will be used for making an airstrip and the remaining 12.5 hectares for residential use. As the uninhabited island sharing the same lagoon of Alifushi is open for resort development, the islanders will no longer have any prospect of getting more land in future. Consequently, the islanders will have to depend on wage labor as they will face an absolute scarcity of land. While the lucrative seaplane operation is profitable, local islanders are excluded from this service, which mainly caters for tourists. Hence, the only option for local islanders is to substitute their coastal marine resources with an airstrip, built by burying their natural resources.

“Spatial” exclusivity for elitists and tycoons

According to the land use plan for reclaimed areas under the Addu project, 13.3 percent of reclaimed land is for residential use and three percent for community-based farming. For instance, on Hithadhoo island, an exclusive tourism zone amounting to 40 hectares is proposed from the land reclaimed under this project. Except for 5.8 hectares reserved for the expansion of Addu Port, the rest will become tourism zones. Even on the island of Maradhoo Feydhoo, which has absolute land scarcity, 16 percent of the prime beach front land is to be exclusively zoned for tourism development, while the request of the island community to reclaim without destroying their existing beach was rejected. Additionally, tourism tycoons will grab three reclaimed islands. In comparison, on Noonu Atoll, which consists of 54 uninhabited islands, 32 are leased. Currently, 19 of these are for tourism development, and the remaining for agriculture and other industrial activities. As about 50 percent of land in the atoll is for residential purposes, and 40 percent of the land is leased for investors for tourism and agriculture, the percentage of natural land available for the public is only 10 percent.

The World Bank’s Systematic Country Diagnostic Report (2015), states that the benefits of tourism do not trickle down to the neediest segments of the island communities, owing to a predatory model that favors rich elitists and foreign investors. Hence, relying entirely on tourism is a dilemma for the Maldives, as in many other SIDS. As there are few or no incentives to develop community-based tourism ventures, the lucrative business always favors the established elitists who can raise enough finance.

Hence, most of the land and islands leased for tourism are taken by rich and powerful elitists or people with political influence. This further widens the gap between the poor and rich, causing poorer households to slump into poverty.

The lingering Curse of World War II British Base of Addu

The lives and livelihoods of Addu people have always been prosperous as their ancestors were great navigators who travelled to neighboring countries for trade. Historically Addu was also a meeting place for Middle Eastern trade merchants who were scouring the Indian Ocean for spices, ambergris, and other valuable goods. But the extent and speed of transformation of their lives and livelihoods reached a pinnacle with the establishment of a British Royal Airforce Base in Gan of Addu atoll during the Second World War. This rewrote the story of the atoll’s demography and prosperity, allowing its inhabitants to shift to modernity they had never previously experienced. Many became wage laborers and their trade system with neighboring countries was abandoned. They lost the rich culture of their maritime expertise and navigation, along with their traditional boat building craft. Even though not paid a British minimum wage, they were able to obtain essential goods and services at subsidized rates.

This allowed them to buy construction materials and luxury goods. After almost 35 years, the British officially closed the RAF base of Gan in

1976. As the British left and people could not continue to earn any wages, many were forced to migrate to the capital, as they had abandoned their traditional livelihoods, replacing them with wage labor. Those who had enough savings started retail businesses on Male' by importing goods from Singapore and other countries. And as tourism had started by then, many also were employed in resorts around Male' as most had the advantage of being able to speak English and had learned about work culture and ethics.

The real curse left by the British in Addu was the concrete runway. The rest of what they left was transported to Male', including the corrugated iron sheets on the roofing of buildings as well as

COVID- 19 began, while tourist beds have yet to be built. The mega reclamation with an Indian EXIM bank loan of about 75 million USD is now underway to pave the way for 8,000 tourist beds. The lingering curse of the runway is yet to be lifted as the tourism product marketed for 50 years in the Maldives is sandy beaches, which are absent in this atoll. The prospect of molding nature and making beaches has become futile due to the enclosed nature of the atoll and natural dynamics favoring beaches armored with coral rubble, instead of powdery white sands. The consequences of substituting land and islands for natural coral reefs and vast coastal marine habitats



push carts made using discarded jumbo jet wheels, and even cutlery. For nearly 46 years since this runway was left behind under five different governments, the development of Addu has always centered around it as the epitome of modern development. Politicians from every government hype it up and give Addu people hope of transformative development based on this airport. It was named an international airport in 2012. In every five-year term of every government, this airport has become a focus of vote-gathering, with incumbent governments pledging to create 8,000 tourist beds in Addu to make the airport viable. The irony is the existing two resorts in the atoll have been closed since

in the smallest complex atoll of the Maldives may not be evident immediately.

Shedding crocodile tears in international forums

Loss and damage refer to permanent financial and other losses incurred, due to extreme events as well as slow onset impacts resulting from climate change. As the SIDS have been lamenting it for the past 30 years in all major climate conferences including the COP of the UNFCCC, the promised finance may soon be realized. The Maldives along with G77 nations always advocate that richer countries who were mostly responsible for emissions should pay for

loss and damage. While the Maldives strongly lobbies for adaptation money, instead of transformative adaptation the country focuses on short term fixes and reactive adaptation, which are politically attractive and prone to maladaptation. In the meantime, SIDS are also now pleading with donor countries to re-structure existing debts to alleviate the adaptation finance gaps. The sovereign debt vulnerability of the Maldives has heightened owing to COVID 19 and the consequential printing of billions of Maldivian Rufiyaa. While the Maldives is among the top debtors of China, borrowing from India has risen staggeringly and various financial institutions such as the IMF fear it is now reaching unsustainable levels. Sri Lanka defaulted when the country had to pay 71% of its revenue for debts. While debt is not inherently bad, especially for crucial government investments, problems arise when the majority of debt money is spent on infrastructure projects with little benefit. For instance, tar roads on small islands or harbors that are proportionally too large for a small population, or an airport that cannot be run and maintained sustainably, must be properly assessed via cost-benefit analysis. Currently, the only decision tool for most infrastructure projects is based on political incentives. Long term strategic planning, cost-benefit analysis, Strategic Environmental Assessments, Environmental and Social Safeguards Assessments, Sustainability Assessments, Health Impact Assessments and various other decision tools are lacking except for projects funded by multilateral banks. Even then, Indian EXIM bank's assessments are lacking for projects they have funded.

The dark side of development and maladaptation is a topic that is never exposed on international platforms. The politicians who travel first class to these conferences, spending millions in public money, often shed crocodile tears and come home to continue their rent-seeking predatory policies, enabling the continued destruction of the environment.

Conclusions

Modern development hyped by "biopolitics", "bigmanity" and extermination of islandness is

The politicians who travel first class to these conferences, spending millions in public money, often shed crocodile tears and come home to continue their rent seeking predatory policies, enabling the continued destruction of the environment.

increasing the vulnerability and lowering the resilience of the small island communities in the Maldives. Unsustainable development, lacking transformative adaptation for future global impacts such as climate change, pandemics and wars, undermines the relationships humans have with the natural environment, reducing the significance of natural and social capital, while financial capital is hyped. Financial gains based on predatory capitalism benefits only the elitists, while leaving the poor and disadvantaged to the mercy of trickle-down economics. For development to be beneficial to the wider society, integrating development with nature and for nature by preventing human actions that forcefully oppose the natural dynamics of islands and islandness is critical.

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Going beyond the Consumer Price Index (CPI)

Ibrahim Athif Shakoor

The Consumer Price Index (CPI) measures the change in prices of a selected basket of goods and services within an economy, over a period of time. The CPI is therefore a vital indicator of the health and wellbeing of the economy. A rising CPI, ceteris paribus indicates a loss of value of the national currency and a reduction in the spending power of its citizens.

The simplest way of thinking about the CPI is to imagine a basket of goods and services comprising items representative of those purchased by Maldivian households. Now imagine the basket is purchased each month. As prices change from one month to the next, so too will the total price (or cost) of the basket. The CPI is simply a measure of the changes in the price of this fixed basket as the prices of items in it change.

*Review of the Consumer Price Index, 2012,
Maldives Bureau of Statistics*

Key Figures

Inflation rates : Republic	May 2022 to Jun 2022	Jun 2021 to Jun 2022
	% change	% change
All groups CPI (Total)	0.45	5.19
Food and non-alcoholic beverages incl fish	0.78	5.21
Tobacco and Aracanuts	0.52	7.61
Clothing & footwear	0.44	1.52
Housing, water, electricity, gas & other fuels	0.07	12.92
Furnishing, household equip., Carpets & Other Floor covering Health	0.48	3.15
Health	0.00	4.43
Transport	3.66	9.17
Information & Communication	-1.93	-7.06
Recreation, Sports & culture	0.55	3.25
Education Services	0.00	-0.62
Restaurants and Accommodation services	0.00	3.37
Insurance and Financial Services	0.00	0.00
Personal Care, Social Protection and Miscellaneous goods and services	0.14	1.44

Table 1. The CPI of June 22

June 22 CPI, Maldives Bureau of Statistics

The basket of goods measured for CPI purposes will, of course, differ from country to country and may even differ from period to period within the same country as the purchasing patterns of the population change over time.

In the latest CPI (July 22) figures released by the Maldives Bureau of Statistics show that in general prices have gone up by an average of 5.19% from Jun 2021 to Jun 2022.

But what does an average increase of 5.19% over the period mean? Does it mean that all prices have gone up by 5.19% over the review period? Decidedly it does not mean so.

As defined by the Statistics Bureau, the CPI consists of price fluctuations of a ‘basket of goods and services’ that vary over time. Apart from the essential products like food and beverages, the basket also includes items like tobacco, arecanuts, furniture, apparels, meals in restaurants and household equipment. Among other things. The CPI basket also includes the movement in the cost of services like health, education, financial and internet services.

As can be seen in Table 1 above, while the average movement of the CPI over the 1 year period is 5.41, different components of the CPI basket has changed with different degrees of change to arrive at the overall change in CPI of 5.41%.

Going beyond the CPI numbers

It is interesting and indeed illuminating to drill down, go beyond the CPI numbers and reflect on the causes and the implications.

The CPI report issued by the Bureau of Statistics is accompanied with notes regarding the reasons for changes. They are fairly detailed and any interested observer will gain much knowledge and understanding by a perusal of the same.

<u>Biggest change of CPI -June 21 to June 22</u>	<u>% change</u>
Housing, water, electricity, gas and other fuels	12.92
Transport	9.17
Food and non-alcoholic beverages incl fish	5.21
Information and Communication	-7.06
Restaurants and Accommodation Services	3.37

Table 2. Some selected numbers from the June 22 CPI

Here, we shall attempt to go beyond the details provided in the CPI report and attempt to go beyond and reveal some factors affecting the CPI numbers. Factors that even while keeping the CPI low, may mean that the net effect to the economy and public debt are still considerable.

“

Like any other piece of vital national statistics, the CPI is couched in very specific language and refer to very specific numbers arising out of specific circumstances. To fully appreciate the CPI it is important to drill down and understand the language of the CPI numbers

Note: Unless otherwise stated the following commentary refer to annual changes from June 21-June 22.

1. The largest movement is seen in the 'Housing, water, electricity, gas and other fuels' segment which as the heading itself indicates include several components.

As also noted by the Bureau, the main reason for the large variance in this group arose from the increase of the price of petrol in the local market which had carry on effects on general transport prices including taxi fares and international and domestic transport.

However, it is important to note the following

- Local prices of fuels have not been allowed to vary as sharply as international prices as local authorities have attempted to dampen inflationary tendencies
- Even while the price of petrol and diesel have varied, electricity tariff have not varied over the period, as state authorities have 'sheltered' the rise in the cost of electricity generation within the already burdened state companies
- Housing prices have come down as the 7,000 Hulhumale housing units and additional state and private housing projects have matured. This is an important factor to consider as actual rental prices account for almost half (11.68%) of the 23.29% overall weightage allocated for the segment

2. Following naturally from the above, the 9.17% change in Transport is inevitable and unavoidable.

- Passenger transport would have increased for all manner of transport. However, the price of bus and ferry services managed by the state company, MTCC have not been

allowed to change and it is those services provided by private parties that have varied with fuel prices

- In the same vein, although important to mention separately, airline tickets of the state airline, Island Aviation attract a separate subsidy that helped keep overall prices low.

3. The rise of 5.19% of 'Food and non-alcoholic beverages' including fish. Several issues may be noted here

- The review period has witnessed peak international grain prices for a 15 year period. However, local market prices for rice, flour and sugar have been kept artificially low, again by concealing the prices hikes within the state company STO.
- That being said, it is also important to note that pasta and other similar products that are privately imported are also included in the group, albeit with a lower weightage, which would have reflected some of the international prices hikes.
- On a month-to-month basis, the most significant gains in the category were for fish which accounted for a 3.44% rise from the previous month. The fact that this period is the roughest months of the westerly monsoon would have accounted for the rise in fish prices and do not, in and by itself, indicate any important long term inflationary tendency

4. The -7.06% reduction in the 'Information and communication' group indicates an understanding reached between that state as one party and the existing 2 telecommunication companies.

- This agreement was reached on the basis of the state NOT allowing the

entry of a third party to the telecommunication industry if existing actors agree to lower prices.

- This considerable reduction, therefore, does not indicate any lowering of producer costs but instead speaks of strategic and long-term interests of the telecom players.
- This agreement also means that the potential benefit of a third party in the industry, thereby increasing competition, and potential gains to the consumer has been averted.

5. The 3.37% rise in the 'Restaurant and Accommodation Services'

- While prices of meals in restaurants and cafes had gone up, the indiscriminate availability of food subsidies, even to restaurants, cafés and even resorts have meant that some potential changes are concealed.
- In the near future, if the stated intention of the government is acted upon, and such subsidies are not available for commercial actors, this segment will show a sudden and dramatic rise.

It is also important to note that different categories of the CPI attract different weightage and that changes in different categories will therefore impact the overall CPI by different degrees.

1. Food and Alcoholic beverages attract 28.44% and Housing, Water, Electricity, gas and other fuels attract 23.29% weightage in the CPI. Together both these categories carry a 51.73% weightage on the total CPI index and will therefore, in and by itself, mean that a change in any of these categories will have a considerable impact on the overall CPI

2. However, it is important to note that for example the 'Food and non-alcoholic beverages' category include several subcategories with FOOD items being 26.12% and that non-alcoholic beverages account for only 2.31% of the total 28.44% weightage allocated to the Food category.

Table 3. Weightage of selected items in the CPI basket

Category	Weightage
Food and Alcoholic beverages	28.44
Food	26.12
Fish	8.65
Non-alcoholic beverages	2.31
Tobacco and Arecanut	2.25
Housing, Water, Electricity, gas and other fuels	23.29
Health	5.42
Education	2.50

Review of the Consumer Price Index, 2012, Maldives Bureau of Statistics

3. It maybe also interesting to note that of the several items in the Food basket, Fish carry the heaviest weightage of 8.65%. And as already mentioned, changes in local fish prices, from month to month is mostly an indicator of weather.
4. However, with the increase in prices of fuel oil, fish prices, may in the long run, show a marked and sustained price hike and fisherfolk try and absorb the additional cost of harvesting, processing and marketing fishery products.
5. Health services attract 5.42% weightage while Education is offered 2.50% weightage. Therefore, changes

Interview with the Cabinet Minister of Tourism and Lands of Sri Lanka; Honorable Harin Fernando

In this Golden Jubilee Year of the tourism in the Maldives MER sought and was fortunate to have been granted an interview with the Sri Lankan Cabinet Minister of Tourism and Lands MP Harin Fernando.

In the short tenure you've introduced many changes including the introduced multiple entry, easy entry visas for many countries. After dark moments there seems to be light at the end of the tunnel.

How do you see the short term and the medium-term prospects for tourism recovery in Sri Lanka?

We are confident of getting tourism back on a track of recovery over the next 16 to 20 months. There are many global factors that could impact positively as well as negatively on global tourist movements. We are closely monitoring all developments and will act swiftly to take advantage of all opportunities available. I do not want to jump the gun. – As I see it, we might be even in a position to supersede the targets we have set, especially in respect of 2023 about 3 months ago. For 2022, we are targeting 1.0 million tourist arrivals. It is very challenging but we will be going all out for it.

In most of our traditional generating markets, their economies too are faced with



Honorable Harin Fernando
Minister for Tourism and Lands
Sri Lanka

Mr. Fernando previously served as Cabinet Minister for several portfolios including as Minister of Sports, Minister of Foreign Employment Promotion and Welfare and Minister of Telecommunication, Digital Infrastructure. He has also served as the 7th Chief Minister of Uva Province.

many challenges which in turn impacts on tourism. Amidst criticism of all sorts, we are well organized to deliver the required results from a tourism perspective and bring in the much-needed dollars for the economy.

Look at global tourism. – Current recovery post pandemic has been around 50% of what it was

"As I see it, we might be in a position to supersede the targets we have set, especially in respect of 2023 ..."

around 2019. For that matter, even Singapore. If we achieve 1.0 million arrivals by end 2022, it will account for just over 50% of what we achieved in 2019. In 2021 we had only 194,000 arrivals and in 2020, only 504,000 arrivals. In the current year, as of now, we have achieved just over 515,000 arrivals. By way of earnings, we have earned a Billion Dollars.

So, in comparison with current, global statistics, we have not fared that badly. This is in spite of operating under trying economic conditions and having travel warnings and advisory in almost all our generating markets. Luckily, over the last few weeks the travel advisories have been removed/relaxed in most countries. The task I have and the targets that as a team we have set goes very much beyond. As the 1st step, we want to ensure that the industry is in a position to break-even.

In our quest, we are adamant to resolve the debt crisis that the industry is trapped in. We also see a shortage of air seat capacity to ferry the tourist across to Sri Lanka from our Key generating markets. – Currently it is not an easy task to convince the airlines to consider Sri Lanka or to increase the inbound seat capacity. Gradually we shall clear such bottlenecks. The desire to visit paradise and the demand for Sri Lanka will be created. We will drive towards achieving the arrival figure which the President is after and

announced. – 2.5 million tourists in 2023. If we aim at the moon and positive, we will at least land on the roof.

I believe in team work and it is going to be a joint effort with all industry stakeholders in our forward march towards recovery from where we are as of now.

Is there a partnership model that both Maldives and Sri Lanka can benefit from? If so, how would you look to foster and develop those ties?

Yes, together with Maldives, we can do a lot. If we go back about 30 years, we have worked closely with the Maldives. At a time that Maldives was building their tourist industry, multi destination promotions helped Maldives a lot. The preferred Sea, Sun and Sand and Honeymoon destination became the Maldives and Sri Lanka offered the rest such as Nature, Wild Life, Heritage, Archeological, Religious and many other theme products. Those were times when Sri Lanka had its own problems and Maldives were trying to build their industry. We are working on reverting to the same model. There are many airlines operating to Sri Lanka via Male. We have initiated discussions with some of the airlines to jointly promote multi-destination traffic. – Offering value for money. For a few additional dollars the tourists will be privy to experiencing 2 destinations.

I am yet to have discussions in this regard with my counterpart in the Maldives and will be doing so in the near future.

3. You are developing a new "National Policy on Tourism for Sri Lanka with a "vision of making Sri Lanka "the world's finest island for memorable, authentic, and diverse experiences

(a) What is the time bound for the new policy?

The new tourism policy is all completed. It is a matter of it been presented to the cabinet, parliament and then been gazetted.

(b) how do you see this policy maintained beyond the current election cycle should the government of which you are the Minister for Tourism is not the electorate's preferred administration?

Unfortunately, our downfall in the past has been due to governments not carrying on and continuing with national policy. Irrespective of what government, what minister or what ministry, once national policy is agreed upon, it needs to be implemented. We will do the required and hope even at this late stage of almost 75 years after gaining independence, sanity will prevail among our politicians.

4. The draft policy document available on your ministry's website sees that "tourism can play a key role in the strength, diversity and resilience of the Sri Lankan economy", adding that "in 2010,

the first full year after the end of the Sri Lankan Civil War, tourism visits began a rise that would last through 2018, and tourism as a percentage of the GDP rose to nearly 5%." The draft further says that "during recent strong years, up to 45% of GDP growth could be attributed to tourism, suggesting that tourism flows are directly responsible for much of the economic successes of recent years." Annex 2 of the document (Indicators for Monitoring and Evaluation by Pillars) identifies the "Share of tourism in GDP and GDP growth" as an indicator "related to the competitiveness of the destination" and "Tourism as a backbone to GDP growth" as the "Expected achievement for each indicator".

(a) Quantitatively, what level of contribution directly and indirectly to GDP on average by tourism is estimated for the life of this policy?

“

Yes, together with Maldives, we can do a lot...The preferred Sea, Sun and Sand and Honeymoon destination became the Maldives and Sri Lanka offered the rest such as Nature, Wild Life, Heritage, Archeological, Religious and many other theme products..I am yet to have discussions with my counterpart in the Maldives and will be doing so in the near future.



To respond to your question in specific terms, I need to do an in-depth study from an overall economic perspective. I am not an economist by any means. However, let me respond from a direct tourism dimension.

By the year 2027, we plan to position tourism as the number 1 foreign exchange earner for the country. We intend contributing with US\$8.75 Billion as the contribution of tourism to the economy with 3.5 million tourist arrivals.

As indicated at the outset, the environment in which we operate right now, including the global environment is unpredictable and remains fragile. Therefore, even policy will have to be re-visited and adjusted as deemed required to capitalize within prevailing conditions. – Let me be specific. What I mean is not doing away with the overall, agreed policy but effecting any required adjustments to maximize intended returns.

(b) Within the strategies of the new policy, how are you going to ensure that tourism shocks of whatever nature from adverse external events can be absorbed, mitigated and growth restored with minimal duration?

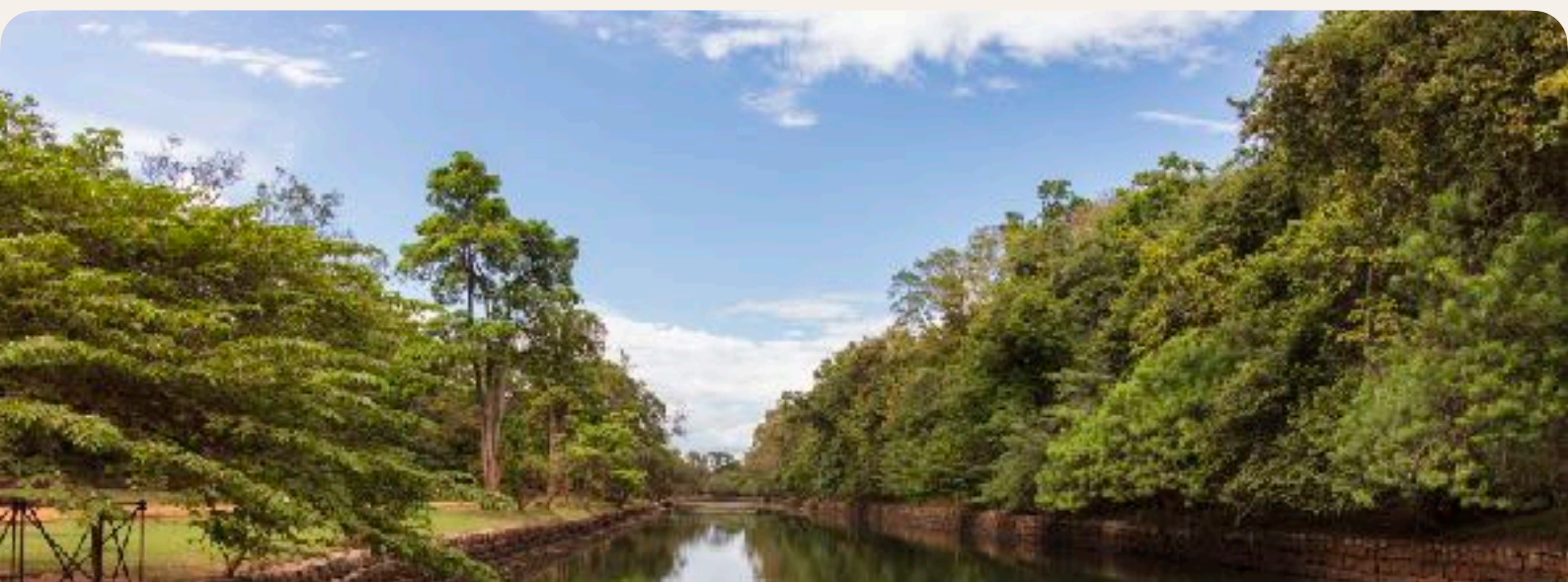
We have been in planned tourism for over 5 decades. The industry has gone through many shocks. Most of it has hit the industry like thunder. Unfortunately, they have been all unexpected, sudden happenings leaving long-term negative consequences on industry. What initially broke out

in 1983, made the industry suffer for 26 years. In 1983 it came at a time when the industry was maintaining above average year on growth. The hospitality sector development which commenced prior to 1983 continued and was completed in the years, 1984, 1985 & 1986 leaving an over supply situation. The economic impact was considerable and it was a battle for survival.

From 2009 up to Easter Sunday attack in 2019, there was rapid growth again until the unexpected happened. After suffering for 6 to 7 months, industry was slowly recovering when Covid paralyzed businesses. Once again, creeping out and recovering almost after 2 years, the economic crisis related activities crippled the industry again.

In a bid to mitigate the negative impacts of such unforeseen incidents, we have planned for contingencies and is working on a social security net to protect stakeholders and businesses from adversity. There will be greater focus on developing domestic tourism in a planned manner. As we all know, in any business, there are risks. We could only plan to alleviate but will not be able to come up with a formula providing a complete solution.

5. According to the IMF at the conclusion of 2021 Article IV Consultation with Sri Lanka, the country's real GDP contracted by 3.6 percent in 2020, due to a loss of tourism receipts and



necessary lockdown measures, and the country lost access to the international sovereign bond market at the onset of the pandemic. The Fund also said that due to the persistent external debt service burden, even if fresh, still-unidentified, BoP financing of US\$2-3 billion (2-3 percent of GDP) became available each year, gross reserves would stay critically low at around 1 month of imports over 2022-26. Now that the IMF staff and your government have reached agreement on 1 September for a 48-month arrangement under the Extended Fund Facility (EFF) of about US\$2.9 billion to restore macroeconomic stability and debt sustainability, while safeguarding financial stability, protecting the vulnerable, and stepping up structural reforms to address corruption vulnerabilities and unlock Sri Lanka's growth potential,

(a) how does this support aid the tourism sector?

I am confident that IMF as well as other deliberations will be factoring in the contribution of the tourism industry into the overall economic revival process. Based on initial IMF initiatives, there will be many other donor and funding agencies prepared to step in to assist the tourism industry within the overall framework that is been proposed.

(b) would the tourism sector be affected, if at all, when this support package expires at the end of the 48 month maturity period, and how?

The tourism sector will only need assistance to kick-start the overall revival process. Once the industry is helped to get out of the debt clutches,

with re-structuring and perhaps re-financing, with recovery of global tourism, Sri Lanka and the tourism industry is bound to do well with proper overall management, promotion and positioning of the destination.

(c) how would you address such an adverse situation?

As mentioned earlier, we will be having contingency plans. We will not be putting all our eggs in one basket. Whilst we will be working in our traditional generating markets, we will also be venturing into new markets gradually. Some markets are resilient to certain ground conditions. We are also going all out to attract different market segments. Among such segments will be the elderly or the Silver Haired market to spend 3 to 4 months in Sri Lanka during winter as well as to target those who are looking at having their second home in countries such as Sri Lanka.

Let me wish the tourism industry in Maldives every success in the years ahead. I extend the hand of friendship and invite Maldives to join hands with Sri Lanka Tourism to jointly promote and position two countries as unique destinations within South Asia to be visited.

6. This being the 50th year of Tourism in the Maldives, what would your message be to the tourism industry in the Maldives?

Let me wish the tourism industry in Maldives every success in the years ahead. Over the last 50 years Tourism Maldives have done extremely well, going from strength to strength. The commitment of the Maldivian government, their commitment to the industry, dedication and application are great hallmarks of a successful, planned journey. I extend the hand of friendship and invite Maldives to join hands with Sri Lanka Tourism to jointly promote and position the two countries as unique destinations within South Asia to be visited.