THE MALDIVES
FINANCE FORUM 2012

Fostering Long-term
Economic & Social Development

Sunday, May 13th 2012

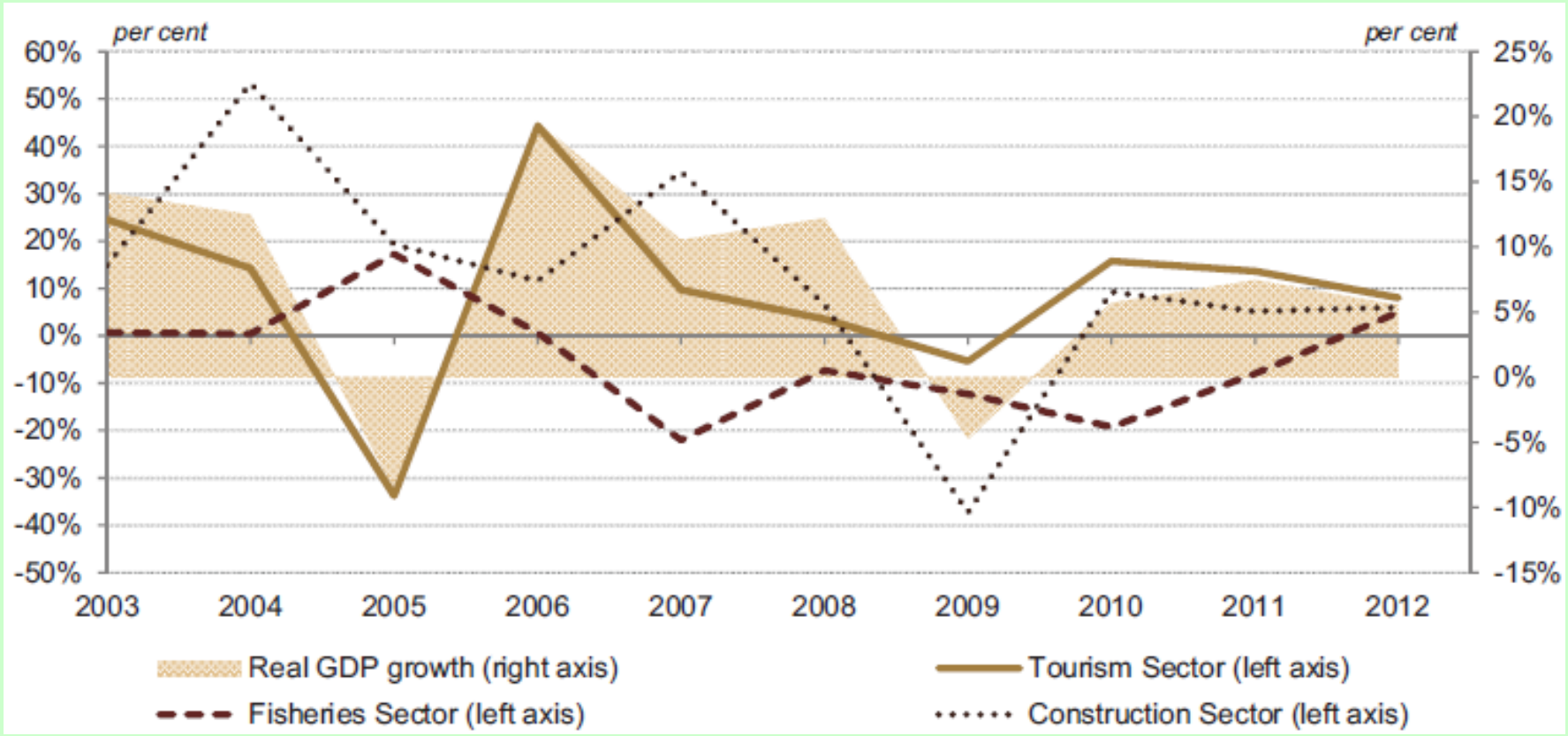
LONG-TERM FINANCING FOR ECONOMIC AND SOCIAL DEVELOPMENT

ROLE OF PENSION FUND

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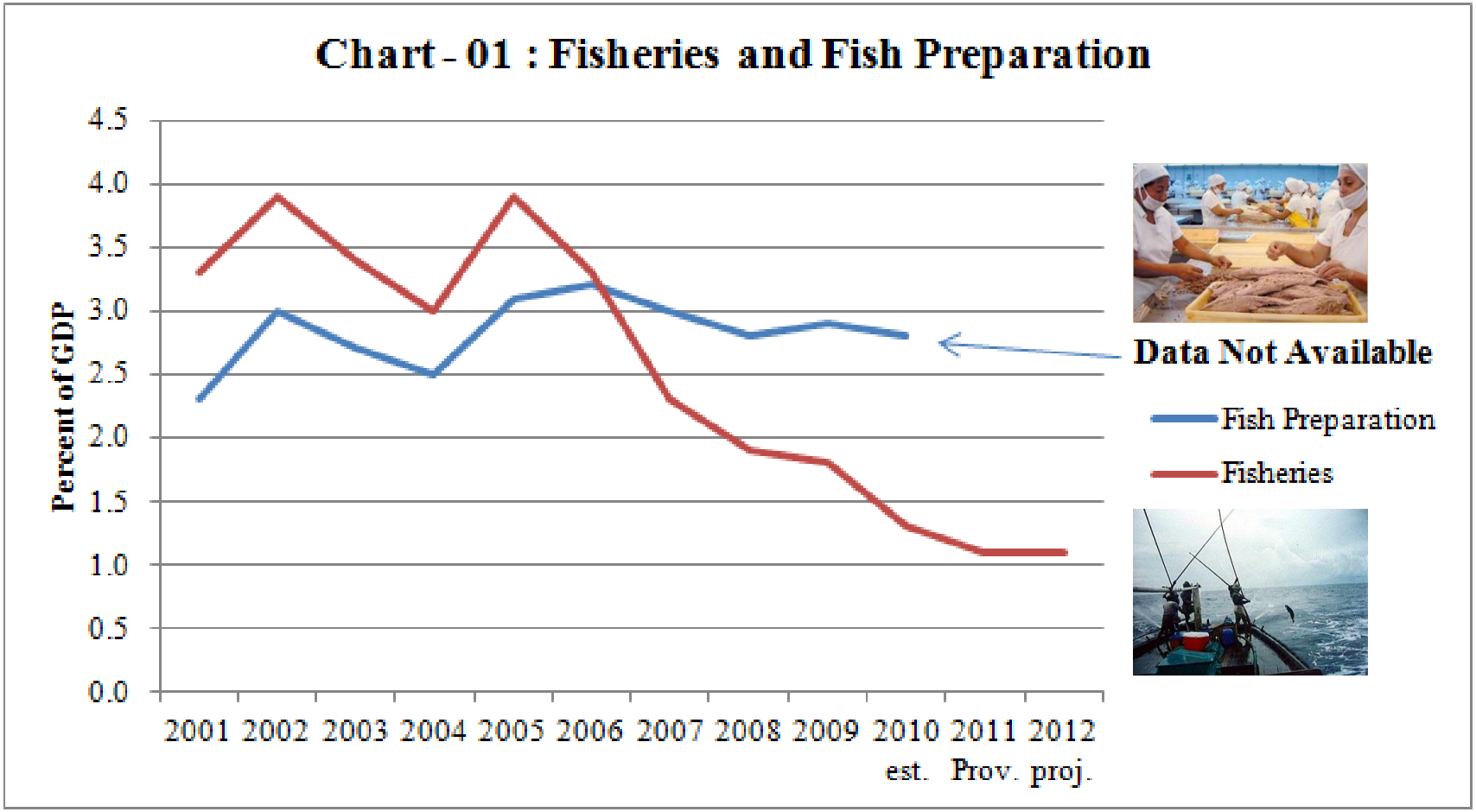
Real GDP Sectors by major economic sectors



Source: Maldives Monetary Authority, Monthly Statistics - April 2012, Volume VI Number 4



Fisheries Sector



Source: Maldives Monetary Authority, Monthly Statistics - April 2012, Volume VI Number 4

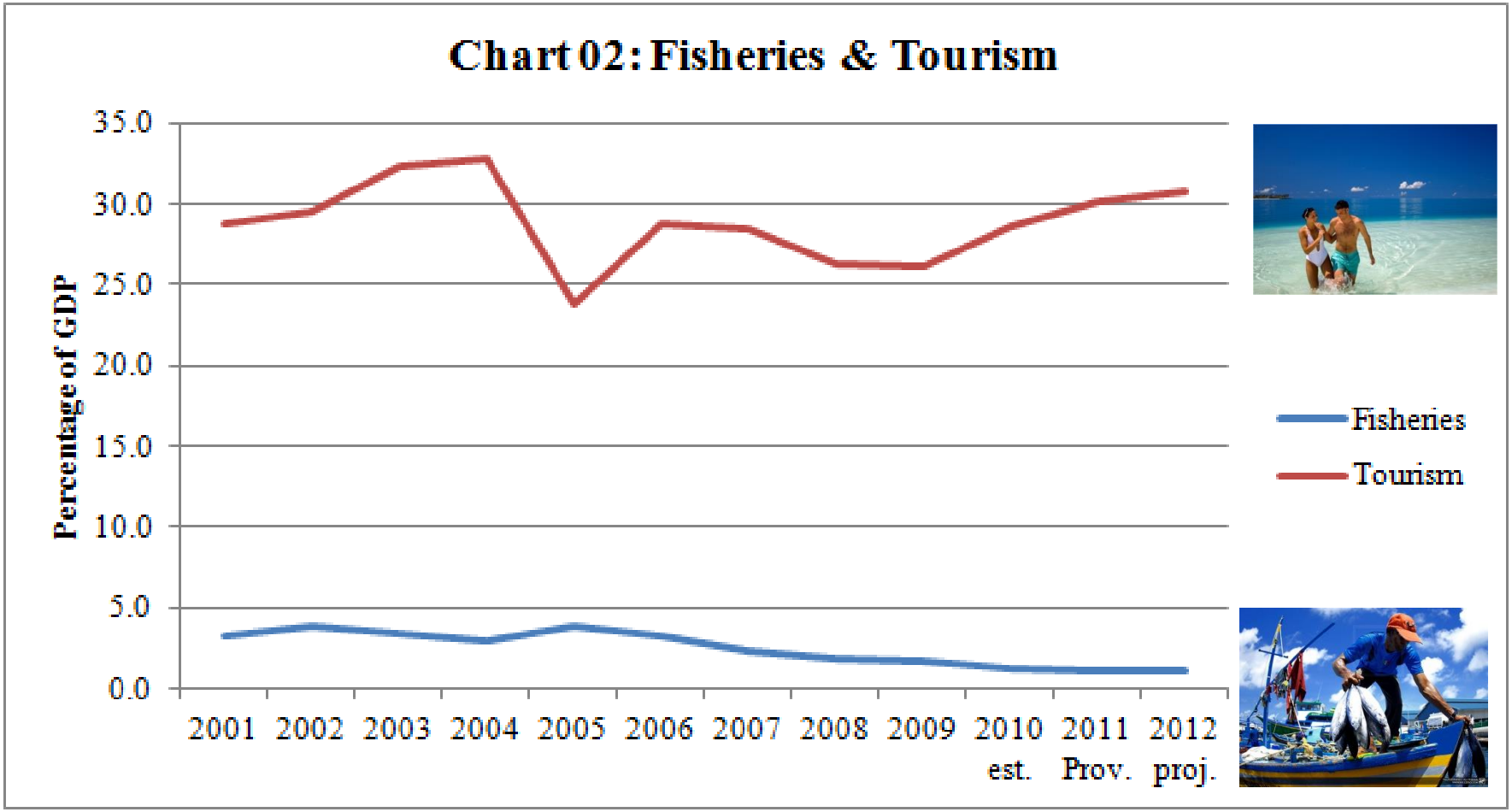
Fisheries Sector (cont…)

- For the period 2001-2012 the sector performance have been on a downward trend. This applied to both fish production and Landing. This decline as per percent of GDP needs to be examined by the authorities. In 2001 fisheries was about 3 percent of GDP and started to decline from 2005 while fish processing have remained rather constant till 2009, this data is not available since 2010.

- It appears that Maldives is moving towards a single foreign exchange economy since 2006.

- The policy makers may wish to look in the risks including dependency on Tourism.

Fisheries Sector (cont...)



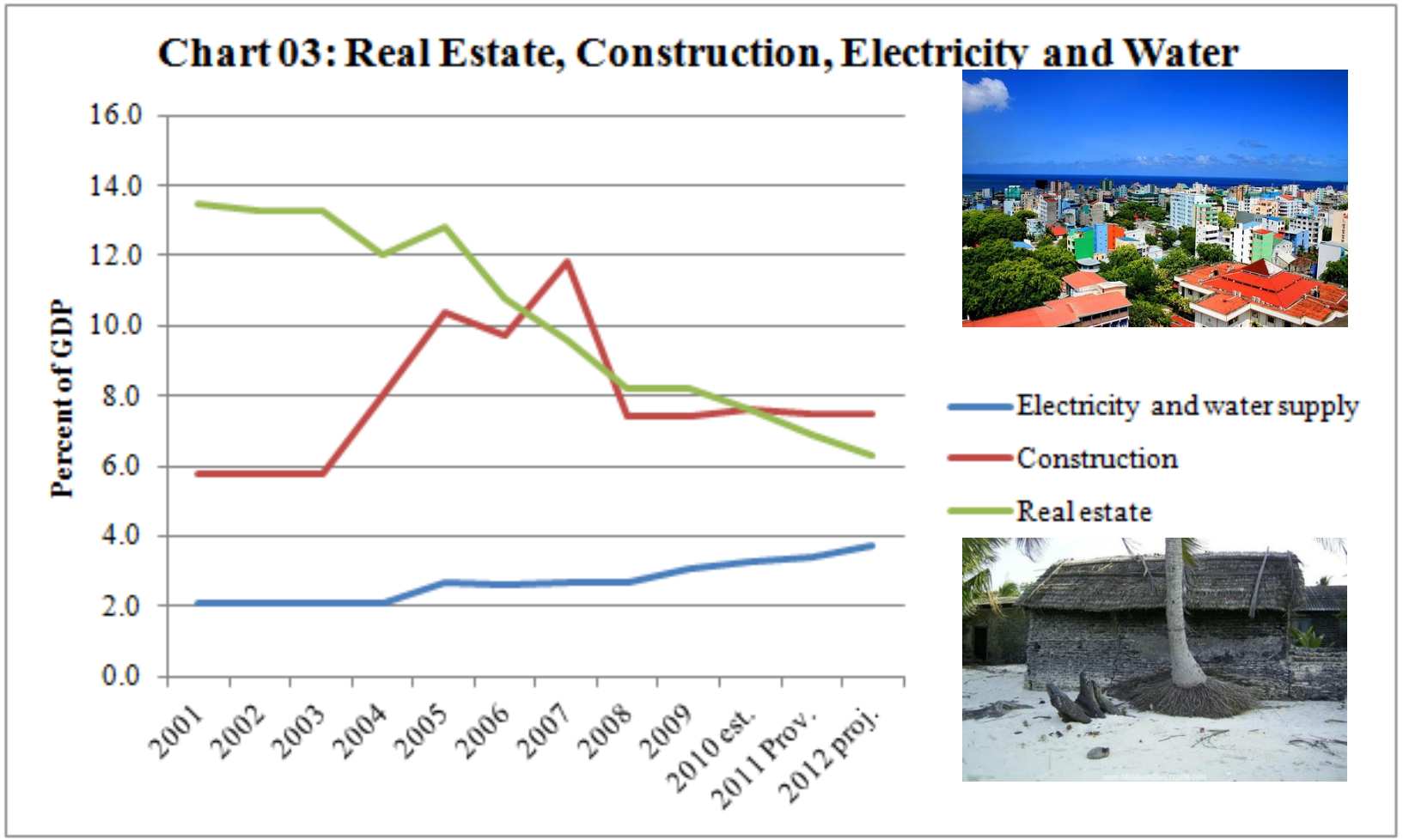
Source: Maldives Monetary Authority, Monthly Statistics - April 2012, Volume VI Number 4

Fisheries Sector (cont…)

- The following chart compares fisheries and tourism as a percent of GDP for period under review.

- Here again you may note the declining trend of fisheries to increasing dependency on tourism.

Real Estate, Electricity and Water



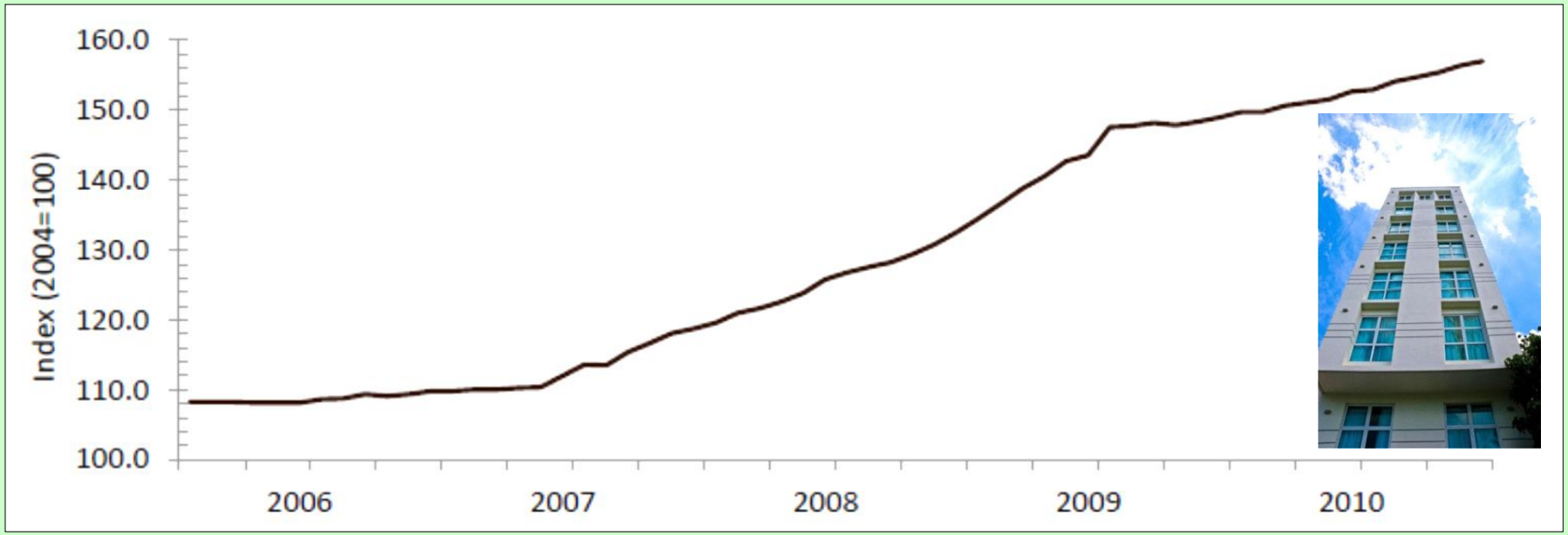
Source: Maldives Monetary Authority, Monthly Statistics - April 2012, Volume VI Number 4

Real Estate, Electricity and Water (cont…)

- The real estate sector appears to be on downward trail, as a percent of GDP (from 14% in 2001to about 6.5% in 2012).
- The construction sector has remained on a steady position without much of a change for the period 2008 to 2012 (about 8% of GDP).
- Power and water during the period under review is on an upward trend. This can be interpreted as an increase of housing.
- The rental index for the period remains encouraging on an upward trend.
- This demand for housing appears to be high. Further after adjusting for inflation (about 6%) this business remain profitable.

Real Estate, Electricity and Water (cont…)

Chart 04: Rentals of Housing Index

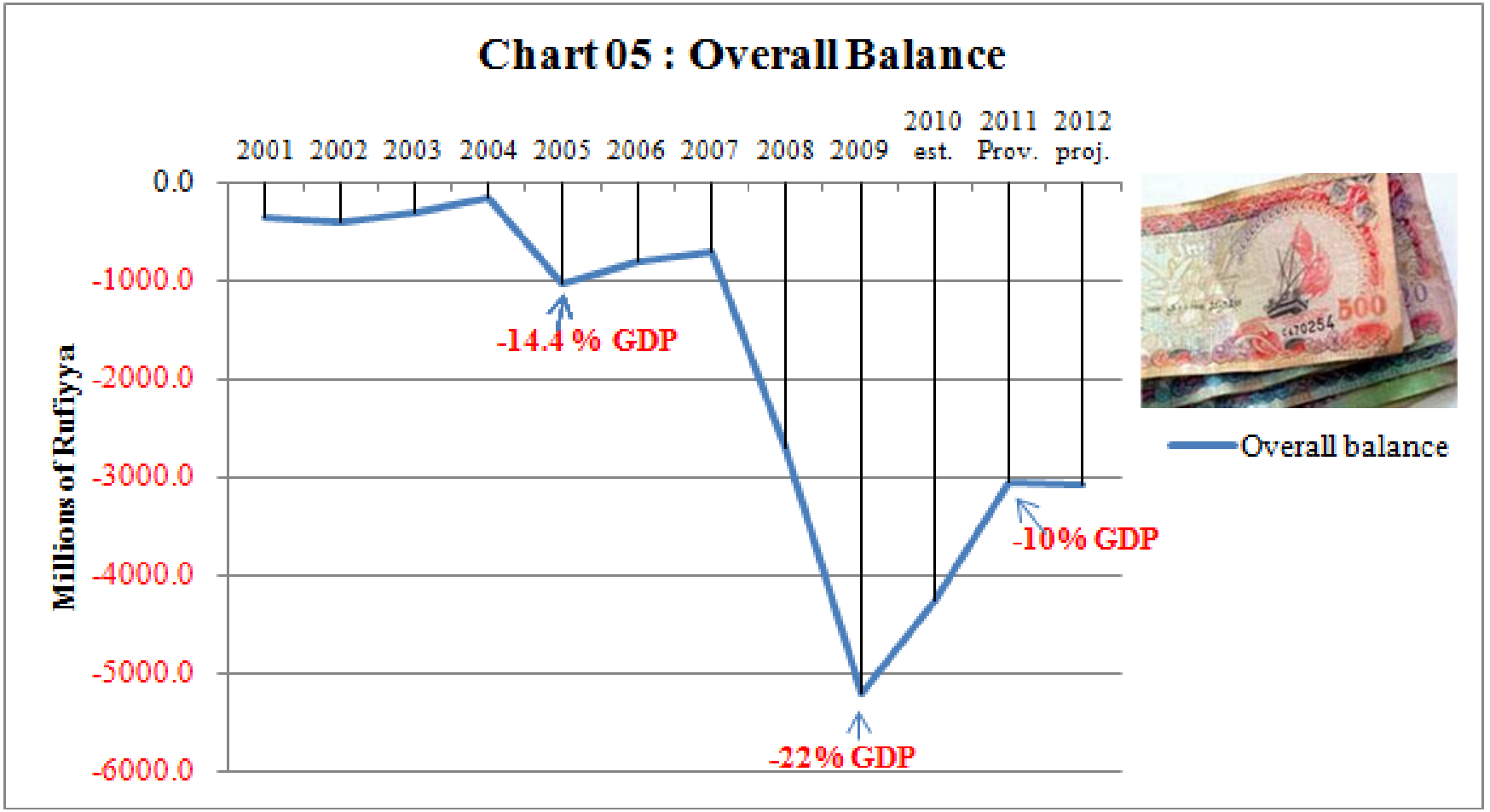


Source: Maldives Monetary Authority, Monthly Statistics - April 2012, Volume VI Number 4

Real Estate, Electricity and Water (cont…)

- This graph certainly shows an upward index of rental. Male' region which shows there is a demand for housing.
- This index may change in 2013 when 1000 units of social housing in Hullhu Male' is released to market.
- It is projected the rents of apartments in Male, 277 apartments in Vehi Fahi program in 2013 – 2014.

Public Finance: Discipline and Sacrifice



Source: Maldives Monetary Authority, Monthly Statistics - April 2012, Volume VI Number 4

Public Finance (cont...)

- The public finance situations have not been impressive except for the years 2001 – 2004.
- The government budget overall balance swing to negative in 2005 (-14% of GDP excluding grants) and improved to -10% and -8.9% of GDP for the years 2006 and 2007 respectively. The situation was uncontrollable and swing to -13% of GDP in 2007 and further deteriorated to -2.2% of GDP.
- This warrants consolidation of government expenditure to bring it back to -1.7% of GDP which was at year 2004.
- Obviously sacrifices and fiscal discipline has to be introduced. Commitment is required both for political leaders and private sector in implementation of such a program over a agreed period of years in the future.

Gross National Saving of Selected Regions (2010)

	GDP (PPP) US$ Billions	% of GDP
World Average	$341.78	18.64
Major Advanced Economies (G7)	$31,891.46	17.53
European Union	$16,282.23	18.48
Middle East	$2,355.52	32.89
Developing Asia	$9,426.13	45.35
Emerging and Developing Countries	$21,378.25	32.92
Newly Industrialized Asian Economies	$1,885.37	33.27

Economy Watch. (2011). *Econ Stats: Economic Statistics and Indicators by Country and Region* . Available: http://www.economywatch.com/economic-statistics/country/. Last accessed 1st May 2012.

Gross National Saving of Selected Countries (2010)

	Population (Persons)	GDP Per Capita	GROSS National Savings % of GDP
 ***Mauritius***	1,281,214	$7,593.26	16.21
 ***St.Lucia***	174,000	$5,667.96	11.53
 ***Guam***	179,896	$14,326.46	10.58
 ***Comoros***	730,754	$802.475	9.66
 ***Seychelles***	86,525	$10,681.88	3.26
 ***Solomon Islands***	583,148	$1,340.38	-5.57
 ***Maldives***	**315,885**	**$5,841.33**	**-11.59**

Economy Watch. (2011). *GDP Per Capita (Current Prices, US Dollars) Data for All Countries* . Available: http://www.economywatch.com/economic-statistics/economic-indicators/GDP_Per_Capita_Current_Prices_US_Dollars/. Last accessed ist May 2012.

Issues/Opportunities for future investments

- The real estate market is buoyant and strong demand exists although both commercial banks and HDFC lending rate is identical to commercial bank rates; demand for housing loan too exits.
- The Pension Act of 2009 needs improvement and revision.
- The high lending rates are due to the risks lenders face due to the following:
  - Slow and unclear laws of lending, if there is default it is a very long judicial process and takes too long time for a verdict.
  - Absence of a tenancy law, currently the contract between land lord and tenant is under the contract act.
  - Adjudication is not very much practiced.
  - Inflation is an area of concern and needs to be addressed too.

Can the Pension Fund invest other than the Government Securities ?

- **Since the pension fund has shown strong growth in funds, it can lend very cautiously.**
- **Currently the pension fund invests its resources in treasury bills and the open market operations of MMA yield about 7%.**
- **The pension fund may create a new investment vehicle through which the new entity will invest in projects like housing, land acquisition and part of public sector investment program like schools, harbors in direct relation with the Government so that we reduce minimum risk.**
- **Public and Private Corporations: The Company's Act need to be strengthened. The role and responsibilities of the Directors of the company needs to be written in detail.**
- **For example: the new entity can invest about 8 to 10 percent of the total fund in this new entity for on lending.**



Official Chairman of
the Joint Chief of Staff

Colin Luther Powell

13 Rules of Leadership

Rule #1:

It ain't as bad as you think.

It will look better in the morning.

Rule #4:

It can be done.