



**MALDIVES FINANCE FORUM,  
BANDOS ISLAND RESORT  
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**Sourcing Finance for the  
Private Sector**

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# Financing the Private Sector

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- Maldives Economy

2

- Drivers of Growth

3

- Why Invest in Maldives

4

- Attracting Debt and Equity

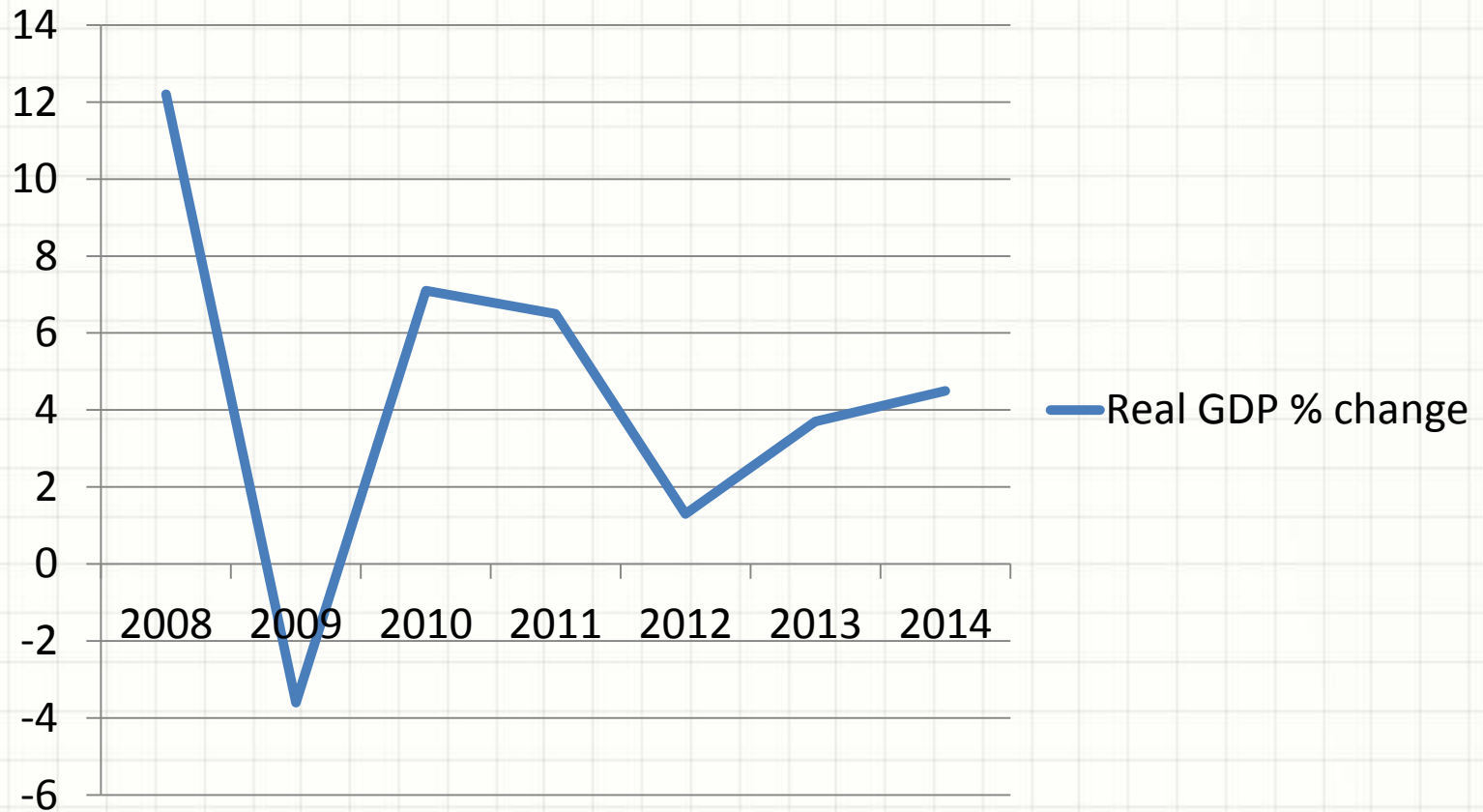
5

- Overcoming Challenges

1

## • Maldives Economy

Real GDP % change



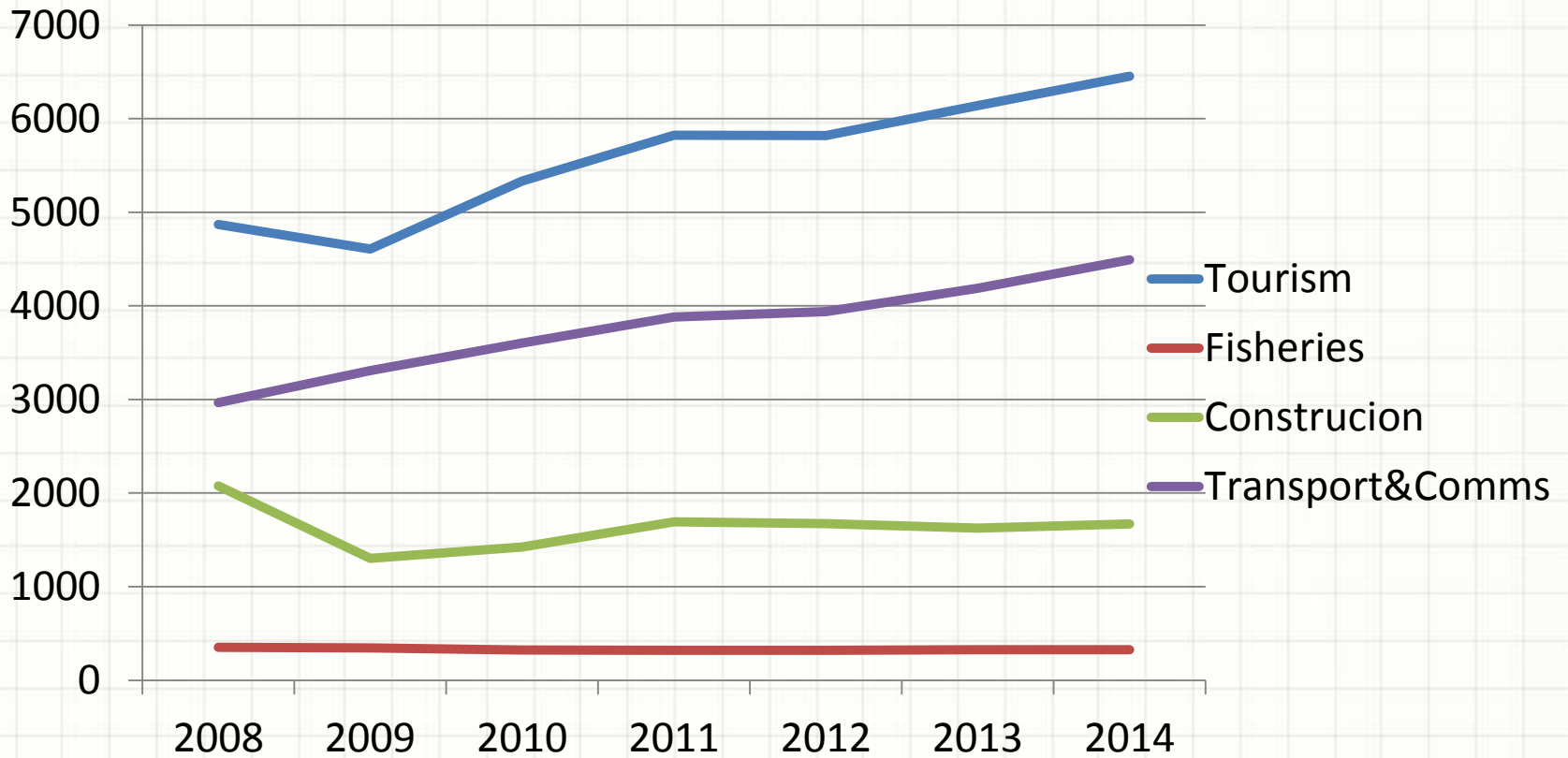
# Impact of External and Internal factors on Development

- 2008/2009 Global financial crisis
- Resulting in market decline of tourist arrivals from European markets, particularly UK, Italy, France and Spain.
- Political instability leading to decline in market confidence, even travel advisories from some countries.
- Lack of public funds spent on development.

# 2

## • Key Drivers of Growth

In millions MVR, 2003 constant prices

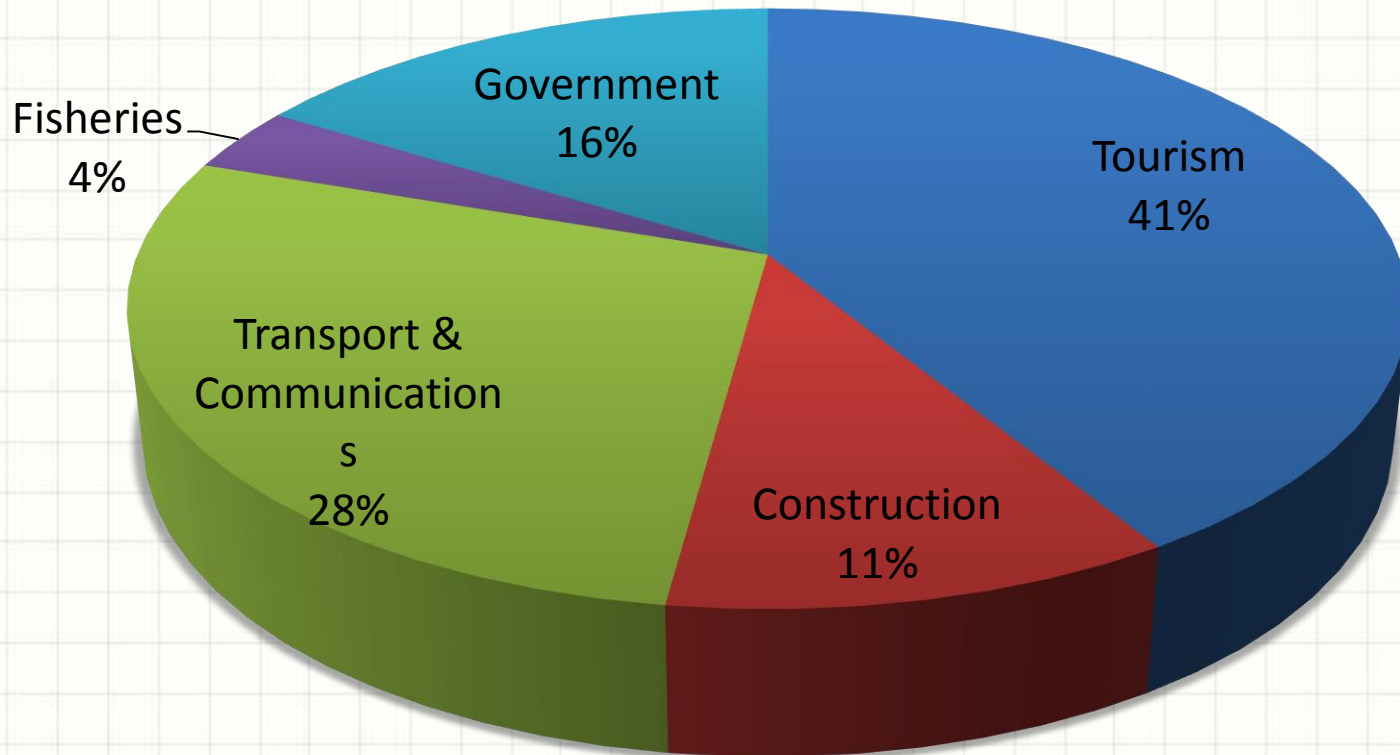


Source: Maldives Monetary Authority

2a

- Place of Transport & Communications

### Relative Contribution to GDP 2013



Source: Maldives Monetary Authority

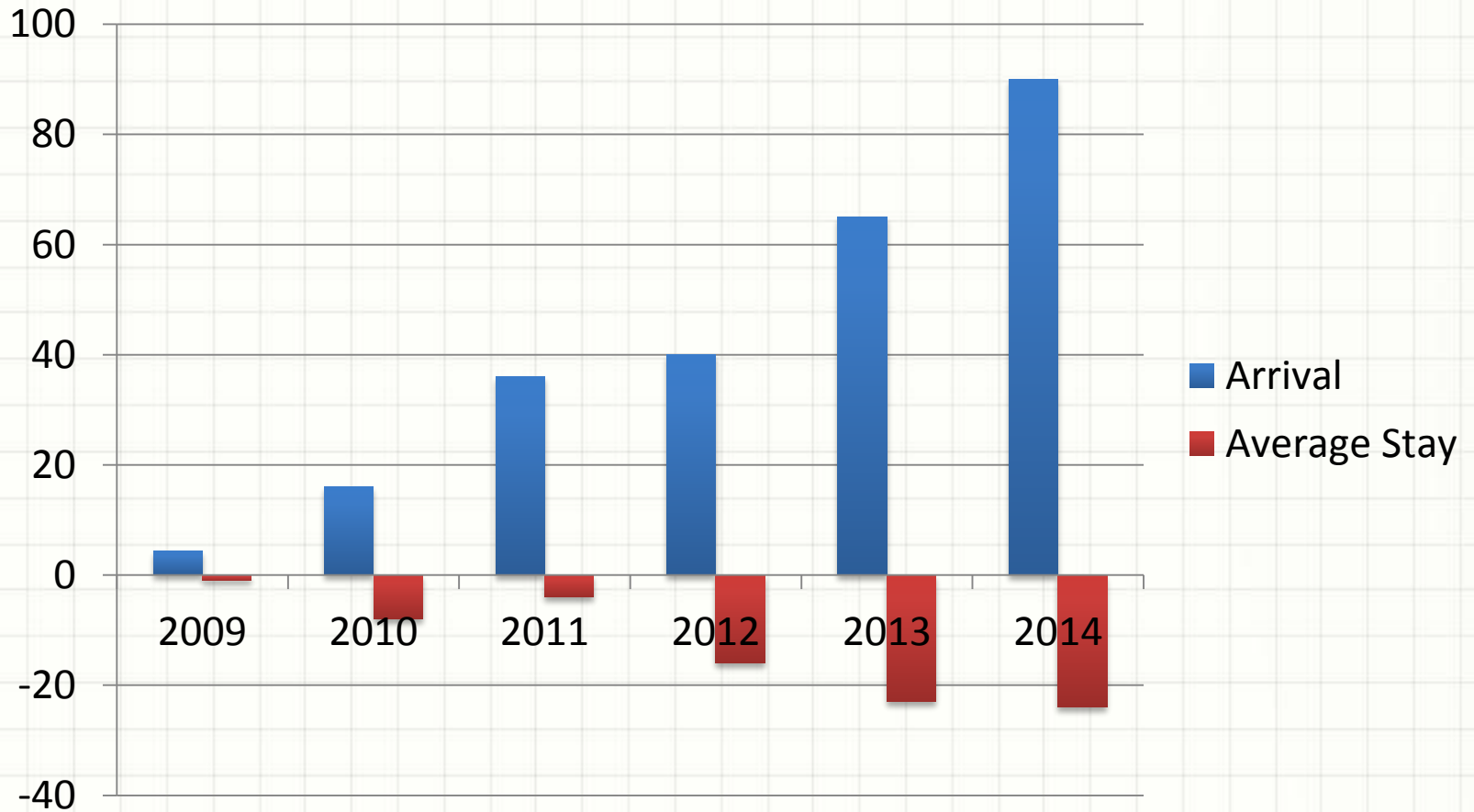
# The Relevance of Good Transport and Communications for Growth

- The correlation between growth in tourism and that of Transport & Communication is high
- Reliable, efficient and quality transport is still inadequate for the tourism sector
- Available aircraft seats domestically increased by about 65% over the past four years
- Number of airports doubled over the same period
- Domestic passenger travel grew by 50% from 2012 to 2013.

2c

## • Tourist Arrival Pattern

In Percent change from 2008



Source: Maldives Monetary Authority



# 3

## • Why Invest in Maldives ?

- Growth in Tourism especially from Asia
- 2014 estimate double that of 2008
- Market shift to Asia and the Pacific
- Average stay around 6 nights as against 8 in 2008
- Hope of European Recovery
- High Returns in Hospitality Industry
- East and Far East Economies Strong
- The Maldives tourism product is quite unique and difficult to replicate

# 4

## • Attracting Debt & Equity

- There is foreign Investor appetite
- Going Concerns are easier to sell
- Reluctance to take Project risk
- large transactions have taken place in recent past , in tens of millions even hundreds of millions of US\$.
- Investments need to target a broader market mix
- Middle Income tourists still make up large proportion of visitors

## 4a

### • Some Financing Hurdles

- ❑ Resident Banks are unable to take additional exposure for large investment financing
- ❑ Foreign Debt & Equity demand strict risk mitigation, especially when sourced from Europe or USA
- ❑ New EU regulations on cross border financing
- ❑ Financiers unwilling to take Project risk
- ❑ Absence of a published Country Credit Rating
- ❑ Lack of clarity of property owners, especially in the Maldives tourist resort development scenario.
- ❑ High cost of goods and services

## 4b

## • Maldives' Ease of Doing Business

	2013	2014	Change
<b>Starting a Business</b>	63	71	-8
<b>Registering a Business</b>	156	161	-5
<b>Obtaining Credit</b>	105	109	-4
<b>Paying Tax</b>	51	115	-64
<b>Enforcing Contracts</b>	88	90	-2

Source: The World Bank "Ease of Doing Business Index"

# 5

## • Overcoming Challenges

- ❖ Continued Political Stability
- ❖ Stronger legal systems with enforceable commercial laws
- ❖ Predictability and Clarity of taxes with reasonable lead time
- ❖ Accountability of State Institutions
- ❖ Persistence in fighting corruption
- ❖ Capitalizing Resident Banks
- ❖ Understanding and promoting cross border financing
- ❖ Engaging with International Community



**THANK YOU**