



Ministry of Finance



Highlights of Budget Speech 2022

31st October 2021

On 31st October 2021 Minister of Finance Honorable Ibrahim Ameer delivered the 2022 Budget Speech to the People's Majlis, upon the submission of the proposed Government Budget for 2022-2024. Following are the major highlights of the Speech.

The full Dhivehi version of the speech can be accessed using the following link. [Budget Speech 2022 \(Dhivehi\)](#)

Budget objective

- The current administration came to office with promises to provide solutions to longstanding issues facing the country. We brought a vision to provide basis infrastructure and to bring revolutionary changes to the economic and social system. The 2020 Budget was a budgeted that provide a lot of hope to the people.
- 2020 began with alarm bells, of the emergence of a deadly virus. With the scenes that were unfolding in countries across the world, what was evident was that to protect the lives of our citizens and to contain the spread of the virus, we had to put our plans for 2020 on hold. We knew that we had to reprioritize the budget and mobilize resources to fight the deadly Covid-19 pandemic.
- The 2021 Budget was formulated in the midst of a deep economic crisis, the likes of which we have not experienced in modern times. In 2020 the economy contracted by 33.5% and over the two years since the onset of the crisis we have lost MVR 36 billion in revenue to the government.
- That day we were face with two choices on the path towards restoring and rebuilding our economy. One was to respond to the deep slide in revenue with a corresponding cut in government expenditure. Taking this choice would have condemned the economy to an even deeper recession, to further dislocation in the labor market and to loss of earnings and livelihoods for families. The other choice was to bridge the gap created by the fall in revenue by borrowing, thus ensuring that the government

was able to carry out its functions and was able to support the economy and provide the social safety nets for citizens at their time of need.

- The choice was always clear for us. We had to ensure that the government kept running, in spite of the additional debt burden we had to take, to alleviate the pains of the deep economic crisis for our citizens. We did so through discounts on utility bills for households, through income support allowance to protect the employment and earnings of our workers and through a moratorium on debt repayment. We provided hundreds of millions as working capital loans to businesses with the conditions of retaining Maldivian workers. We deferred the payment of lease rent for the resorts that laid empty. When we had to cut expenditure we did so without affecting the employment and salaries of civil servants. We cut capital expenditures, without halting ongoing projects, on which the health of the domestic construction depends so much on.
- We made a measured choice to reopen our borders on 15th July 2020, with the proper safety protocols, while most countries across the world had their borders closed. This was the key decision that spurred the revival and the recovery of the Maldivian economy.
- Today as I stand here to deliver this budget, we see the positive results of the choices that we made then. Two days ago we reached our target for 1 million tourist arrivals for the year 2021, two months in advance. On the same days Fitch Rating upgraded the credit rating for Maldives from CCC to B-, with a stable outlook. By the end of 2021, Maldives is projected to be among the top five fastest growing economies in the world.
- The resilience of our citizens in the face of the hardships of this pandemic, along with the proactive measures taken by the government to overcome the pandemic was the key towards the swift bounce back of the Maldivian economy.

- The 2022 budget that I submit today takes inspiration from the resilience shown by the Maldivian people and businesses in the face of Covid-19, to deliver on the promises of the government to ensure a “prosperous livelihood” for the people of Maldives.

Economic outlook

- Maldives economy is expected to grow by 31.6% in 2021 and by 12.0% in 2022.
- So far in 2021, 1 million tourists have arrived in Maldives and we expect this number to reach 1.2 million by the end of the year.
- 2022 is the year we mark 50 years since the establishment of the tourism industry in Maldives. The increased tourism promotion relating to the golden jubilee year, along with the recovery in the global travel industry and the readiness of tourism operators for the new normal, has renewed our hope to reach pre-Covid arrivals in 2022. Currently we forecast 1.5 to 1.8 million tourist arrivals in 2022.
- Covid-19 pandemic and the ensuing supply chain disruptions have affected the construction sector growth. The sector is expected to face consecutive years of contraction in 2020 and 2021. Over the medium term the construction sector is expected to recover, as the global supply chain bottlenecks ease and the major infrastructure investments of the government gathers pace.
- Although Covid-19 caused major disruptions to the labor market, the positive news is that during some months of the year employees registered at the Maldives Pension Office exceeded the 2019 numbers. With the economic growth projected for 2022, employment is expected to return to pre-Covid levels next year.
- The fiscal expansion we undertook in 2020, led to concerns for the risk of fueling inflation. We took a measured approach, weighing the risks and the benefits along the way. Maldives Monetary

Authority estimates that the average inflation rate in 2021 will be 0.7%. In 2022 inflation rate will rise to 1.1%, and will be largely contained. However, we should acknowledge that the fast pace of the global recovery has strained the global supply chain, elevating the risk of inflation in the short term.

- In 2020 as imports declined and through the proactive measures taken to reinforce foreign exchange reserves, the Gross International Reserves (GIR) hit an all-time high. However as the economy has reopened and imports have increased GIR is expected to be at USD 672 million by the end of 2021 and stabilize at around this level in 2022 as well.

2021 Budget

- In 2021 government budget (expenditure + debt amortization) will be at MVR 37.2 billion. The budget is expected to exceed the amount approved for the year, primarily due to the additional spending on debt amortization this year due to the settlement of a majority of the principal due on the USD 250 million “Sunnyside” sovereign bond, which was scheduled to come due in 2022. The principal was repaid through a sukuk issuance and liability management exercise conducted during the year. The exercise helped to bolster the secondary market price for the bond and reduce the yield on the bond.
- Due to the additional debt required to finance the budget in 2020 and 2021, the total value of public and publicly guaranteed debt is expected to increase to MVR 94 billion by the end of 2021. This is 122 percent of GDP.

Medium-term Fiscal Strategy

- To enhance fiscal sustainability in the medium term and reduce debt to GDP ratio, in the Medium term Fiscal Strategy submitted to the People’s Majlis we have set three fiscal and public debt targets:
- To bring down the direct public debt to GDP ratio to 105% by 2023

- To bring down the fiscal deficit to GDP ratio to 5% by 2023
- To maintain a reducing path for fiscal deficit and debt over the medium term.
- With the proposed Budget for 2022 we will reduce the direct public debt to GDP ratio to 104% by 2022 and to 101% by 2023.
- I believe it is imperative to manage debt and enhance fiscal sustainability to build resilience for a potential future economic or fiscal crisis.

2022 Budget

- The proposed budget (expenditure + debt amortization) for 2022 is MVR 36.9 billion. Of this MVR 34.0 billion is expenditure and MVR 2.9 billion is debt amortization.
- With the proposed budget for 2022, more than 90% of projects and programs pledged by the current administration will be budgeted. Of this 671 projects has already been completed while 497 are ongoing.

Health sector

- The health sector in total has been allocated MVR 4.6 billion in the 2022 budget.
- 2022 budget will include allocations to continue the efforts towards containing the Covid-19 pandemic. This includes budget for vaccinating children if it is to be authorized, the operation of Covid-19 facilities across the country and enhancing the quality of services at the facilities.
- In the health sector the primary goal of this administration is for equitable access to quality health services across the country. The main project under this initiative is to build 5 tertiary hospital across

five regions of the country: to expand the infrastructure, equipment and quality of services provided at these hospitals.

- The 2022 budget will include the upgrading of hospitals and health sector in 60 islands. The budget will also include allocations for the establishment of a cancer hospital at Laamu Gan. Allocations has also been made for expanding the primary health care system, establishment of regional mental health program in the Atolls and expansion of emergency medical services.
- The 2022 budget has incorporated plans to increase the human resources capacity of the health sector. The budget includes allocations to hire 160 new doctors and 200 nurses.

Social protection

- 2022 budget has allocated MVR 3.1 billion for social protection.
- Ensuring access to health services for all citizens under the Aasandha health insurance scheme is one of the bedrocks of the Maldives social protection system. The 2022 budget has allocated MVR 731 million to the scheme.
- It has to be acknowledge that the Aasandha scheme in its current form has bad incentives which leads to wastage of public resources. This is most pressing in the area of coverage for pharmaceuticals under Aasandha. The government plans to implement maximum retails prices for pharmaceuticals in 2022, which would close the avenue for pharmaceutical retailers to pass off exorbitant profits to the scheme.
- MVR 363 million has been budgeted for direct benefits provided by the state, including single parent allowance, allowance paid for people with special needs and other welfare payments. In addition to this the budget includes subsidies paid for food, fuel, electricity and transport.

Social sector

- When this administration came to office the social sector was highly neglected with many unresolved issues and lack of investment in resources and infrastructure. The budget allocated for the Ministry of Gender, Family and Social Services in 2022 will be double the amount allocated in 2018.
- The 2022 budget will give importance to combat drug trafficking and to rehabilitate drug addicts and help them become productive members of the society. The budget will include a new project to establish a Regional Drug Rehabilitation Center in Seenu Hithadhoo and work will progress on the establishment of the National Drug Agency Wellness Center in Hulhumale’.

Education Sector

- MVR 4.1 billion has been allocated for education and higher education sector in the 2022 budget.
- The budget will allocate funds to alleviate the resource constraints faced by the sector. The 2022 budget has plans to implement 177 projects in the education sector across 141 islands.
- To address the shortage of teachers the 2022 budget includes allocations to hire 400 additional teachers.
- In addition to this, next year the government plans to reform and reintroduce the free breakfast program for school children.
- The 2022 proposed budget will allocate 949 million for higher education, the highest ever single year allocation for the sector.
- So far 12,000 students has benefited from the Free First Degree program initiated by this administration.

- A total of MVR 600 million has been allocated for the Free First Degree program, higher education loan schemes and scholarships.

Housing

- Addressing the housing shortage and enhancing the affordability of housing is a prime objective of this administration.
- The 2022 budget includes allocations for the equity contributions on the 4,000 housing units being developed by Fahi Dhiriulhun Corporation in Greater Male' region. MVR 1.5 billion has been allocated over the next three years to develop housing in the Atolls.

Economy

- To diversify economic activities and built a resilient economy, the budget will support further investments in fisheries and agriculture. The government is investing in developing contract farming through the Agronat Corporation and developing fisheries infrastructure to enhance value addition.
- Additionally the investment in a new international commercial port in Gulhifalhu and the connection of Greater Male' region through a network of bridges will reduce the cost of importing, transporting and storing goods in the country.
- Work will also progress on the development of Velana International Airport. Furthermore the budget includes allocation for the upgrading of Gan International Airport and Hanimaadhoo International Airport, and develop further domestic airports across the country.

Transport sector

- Connectivity is essential for an archipelago like the Maldives to move people and goods across the country. In 2022 the first phase of the high speed public ferry system will come online in the northern atolls of Maldives.
- The 2022 budget also includes investments in transport infrastructure, including 132 harbor upgrading projects and 52 roads development projects.

Water and sanitation sector

- A key pledge of this administration is to establish water and sanitation facilities in all the island of Maldives. In 2022, work will commence on all remaining islands, without access to water and sanitation facilities.
- In the 2022 budget MVR 954 million has been allocated for water and sanitation projects.

Environment sector

- The government is investing in renewable energy across the country, through World Bank and Asian Development Bank funding. As a major source of leakage of foreign exchange is for importing fossil fuels required for the production of energy, the switch to renewable energy can also alleviate some of the foreign exchange pressures faced by the economy, in addition to the environmental benefits.
- The 2022 budget has made an allocation of MVR 359 million for waste management projects across the country. This includes the investments being made in Thilafushi to solve the long standing issues relating to waste management in the Greater Male' region.

Decentralization

- Under the 2019 amendment to the Decentralization Act, 5% of the approved revenue and 40% of revenue earned from land and lagoons lease, outside the jurisdiction of the councils should be allocated as block grants to the councils.
- As revenue is projected to increase in 2022, the block grants allocation to councils are expected to increase to MVR 1.5 billion. Furthermore revenue from services provided by councils and lease rent on land and lagoons under the jurisdiction of the councils is now be allocated directly to the councils.

Minimum wage and pay harmonization

- The minimum wage will come into effect in 2022. Allocations for the additional budget space required to implement minimum wage for the government employees has been incorporated into the budget.
- Furthermore to remove wage disparities among government employees at the same level or performing similar tasks, the government plans to commence implementation on a new pay framework, which will harmonize pay. Pay harmonization will be initiated in the education sector.
- MVR 500 million has been allocated in the 2022 budget for minimum wage and pay harmonization.

Other sectors

- The 2022 budget will include allocations for the building of 26 mosques across the country.
- Allocations has also been made to enhance capital and human resource capacity of the judicial system. MVR 658 million has been budget for the justice sector.

- To improve the condition of prisons, allocations has been made to expand health facilities, to improve psychological services and to increase staffing.
- For national security and public safety 2022 budget has allocated MVR 3.3 billion for the police and military.

2022 Revenue

- Government revenue is expected to recover in line with the projected economic recovery. Total revenue and grants forecasted for 2022 is MVR 24.3 billion. This is an increase of 23% compared to the revised estimates for 2021.
- In 2022 MVR 15.4 billion is expected to be received as tax revenue, MVR 6 billion is expected to be received as non-tax revenue and MVR 2.9 billion is expected to be received as grants.
- New Revenue Measures proposed in the 2022 budget include the introduction of a tax on plastic bags, acquisition fee on leasing of new islands for resort development, expansion of real estate tourism, and proceed from sale of portions of reclaimed land. Most of these policies are those that were included in the 2021 budget, whose implementation has been delayed for a variety of reasons.

2022 Deficit and financing

- The proposed budget for 2022 is expected to be a deficit budget of MVR 9.7 billion, which is 11.1% of GDP.
- The financing need for 2022 is MVR 13.4 billion. This includes 9.7 billion required for deficit financing, 2.9 billion required for debt repayment, 769.2 million as transfers to Sovereign Development Fund and MVR 35.7 million required as other financing.

- From the financing required, MVR 7.5 billion is proposed to be raised through external source and MVR 5.9 billion is proposed to be raised through domestic sources. The proposed external financing include USD 200 million to be issued through the sale of a treasury security issued in the international financial market, USD 50 million to be issued through an innovative (green, blue, social impact) instrument, and USD 50 million to be raised through a budget support loan.
- MVR 2.9 billion is projected to be disbursed as project loans in 2022. Disbursements are expected to increase as the implementation of the loan funded infrastructure projects are expected to gather pace in 2022. This includes disbursements on projects funded under the USD 800 million Line of Credit facility from EXIM India, disbursements on Velana International Airport upgrading project, as well as disbursements on USD 400 million EXIM India funded Greater Male' Connectivity project.

Program budget

- This year we have formulated a program budget. This is the first phase of this exercise. In the second phase key performance indicators will be set for the programs. This will help to show the outcomes of the budget, and enable to improve the quality of services delivery and government administration.