


Maldives Budget Analysis 2023





On 31st October 2022, the Ministry of Finance (MoFT) proposed a budget of MVR 42.68 billion for the year 2023 to the Parliament of the Maldives.

The Parliament passed the budget 2023 of MVR 42.84 billion with an additional MVR 160 million approved by the Budget Review Committee (BRC) on 28th November 2022.

The Maldives Budget 2023 prioritized recovery from the post Covid-19 pandemic and the rising cost of living amidst increased geopolitical tensions from the Russia-Ukraine war while maintaining the sustainability of the government's fiscal position.

Further, the budget accommodates completion of the National Resilience and Recovery Plan and incomplete projects and programs from the year 2022 which will provide immediate benefits to the economy.

Fiscal Strategy 2023 - 2025

To achieve the mid-term fiscal and debt sustainability, the government has proposed 4 fiscal anchors to the Fiscal Strategy 2023-2025.

4 Fiscal Anchors

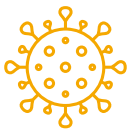
Reduce the public recurrent expenditure below government revenue (excluding the grants) and sustain the levels in the long term

Reduce the fiscal debt to GDP year by year

Reduce the primary budget deficit below 5% of GDP ensuring sustainability of the deficit in the midterm

Decrease the total fiscal debt (excluding guarantees) below 100% of GDP by 2025

Priority Areas



Improve fiscal debt position resulted from the covid-19 pandemic and other external shocks and ensure fiscal and debt sustainability



Increase state revenue and the level of dependency on domestic consumption to generate revenue



Efficient use of public expenditures and sustain the level of increment in public expenditures



Increase economic diversification and resilience



Decentralize public services and facilitate regional development



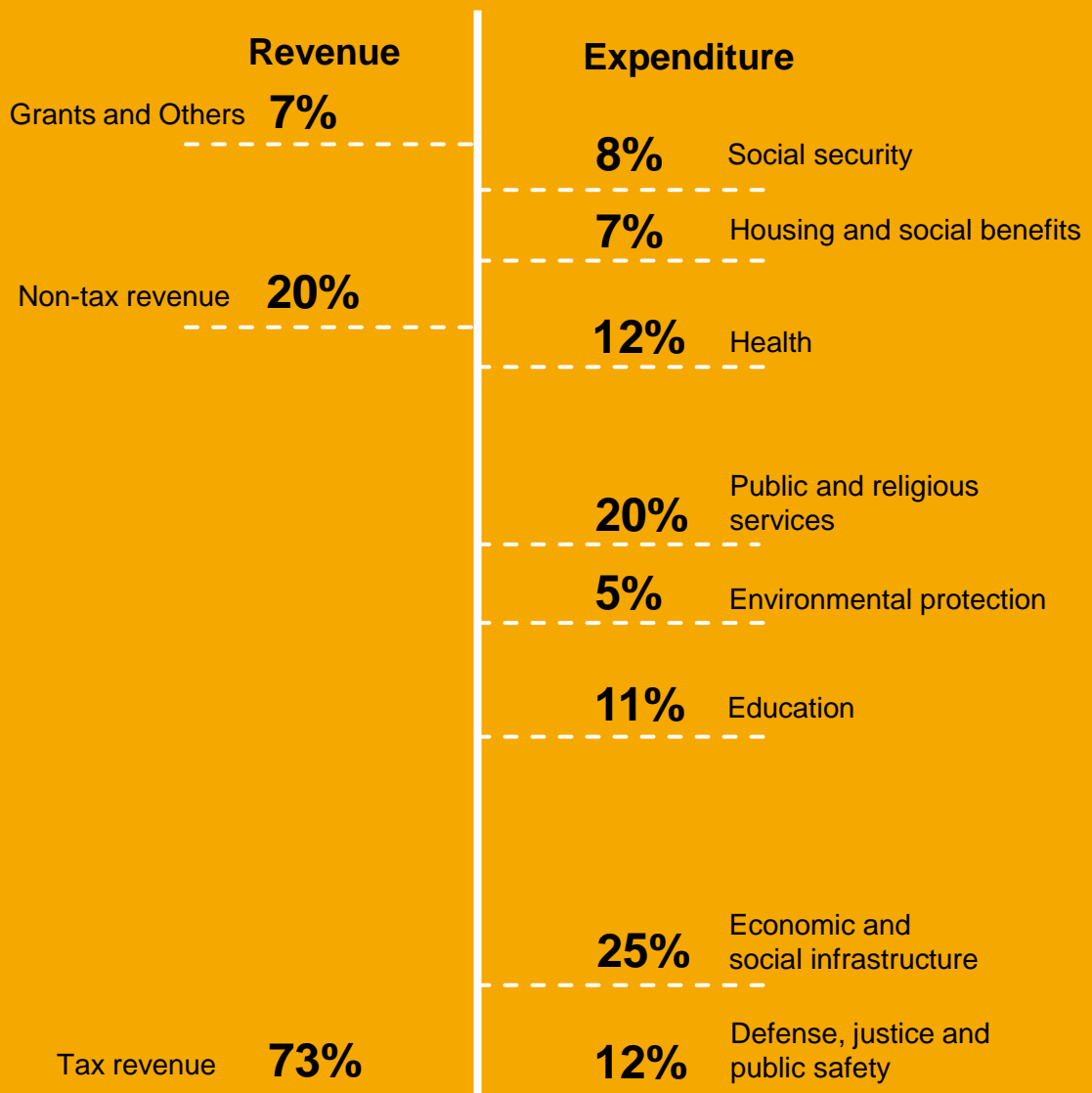
Improve the quality of the public and merit good and services



Improve the standard of living and revise the public grants and subsidy schemes prioritizing the most in need

Budget 2023 Overview

MVR 42.84 bn.



Economic Overview 2023

The economic condition of the Maldives is expected to return to the pre-covid-19 level during the year 2023 while the real GDP of the Maldives will increase by 12.3% during the year 2022 restoring to the pre-pandemic state.



Due to the speedy recovery of the tourism sector, the Maldives economic growth is above the estimated growth.

The tourist arrivals are expected to increase to 1.8 million during the year 2023 which will have a positive impact on the economy with the measures proposed to improve the government revenue.

Budget Comparison 2019-2023

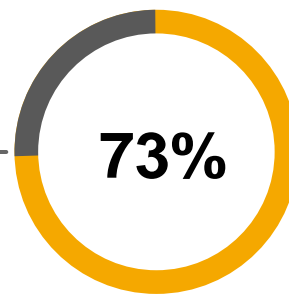
(in billions)	Actual			Budget	
	2019	2020	2021	2022	2023
Budget	30.25	37.50	34.92	36.99	42.84
Revenue	23.23	15.22	21.35	26.36	32.10
Expenditure	-30.13	-30.16	-37.15	-42.85	-40.72
Repayment & Investment	1.13	1.40	4.29	2.85	2.12
Deficit	-5.76	-13.53	-11.51	-13.63	-8.62

Revenue 2023

The Budget 2023 outlines an expected revenue of MVR 32.1 billion including the expected revenue of MVR 3.65 billion from increasing the rates of Goods and Services Tax (GST).

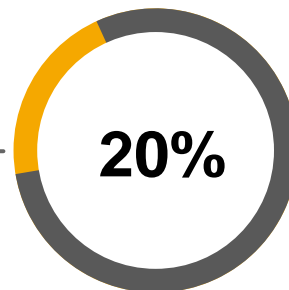
Tax revenue **MVR 23.54 bn.**

TGST	9,096 m
GGST	4,203 m
Business and Property Tax	4,416 m
Import Duty	3,790 m
Departure Tax	871 m
Green Tax	1,041 m
Others	123 m

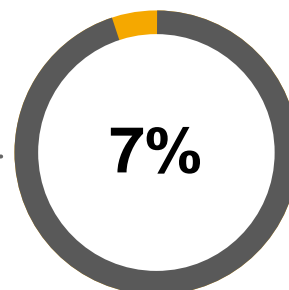


Non-tax revenue **MVR 6.35 bn.**

Tourism Land Rent	1,738 m
Interest and Profit	1,359 m
Airport Development Tax	871 m
Registration & License Fees	778 m
Revenue Fees	535 m
Work Permit Fees	458 m
Others	613 m



Grants & Other **MVR 2.21 bn.**



Revenue Comparison

Revenue (in millions)	Actual			Budgeted	
	2019	2020	2021	2022	2023
Tax Revenue	16,530.52	10,959.21	14,681.61	18,979.66	23,539.87
Non- Tax Revenue	5,609.95	3,478.20	5,636.59	7,073.31	6,352.42
Grants & Others	1,091.31	784.48	1,035.23	308.10	2,206.01
Total	23,231.78	15,221.89	21,353.43	26,361.07	32,098.30

The government expects the highest revenue to be received from TGST for the year 2023 with the rise in the number of tourist arrivals and TGST rate hike effective from 1st January 2023.

With the increase in the GST rate of the general sector, the expected income from GGST is expected to increase compared with the previous years.

Overall, 73% of the revenue stream of the government is expected to be received from various taxes.

Public Expenditure 2023

The total allocated budget of MVR 42.84 billion is allocated to public expenditures and debt repayments.

Public Expenditure

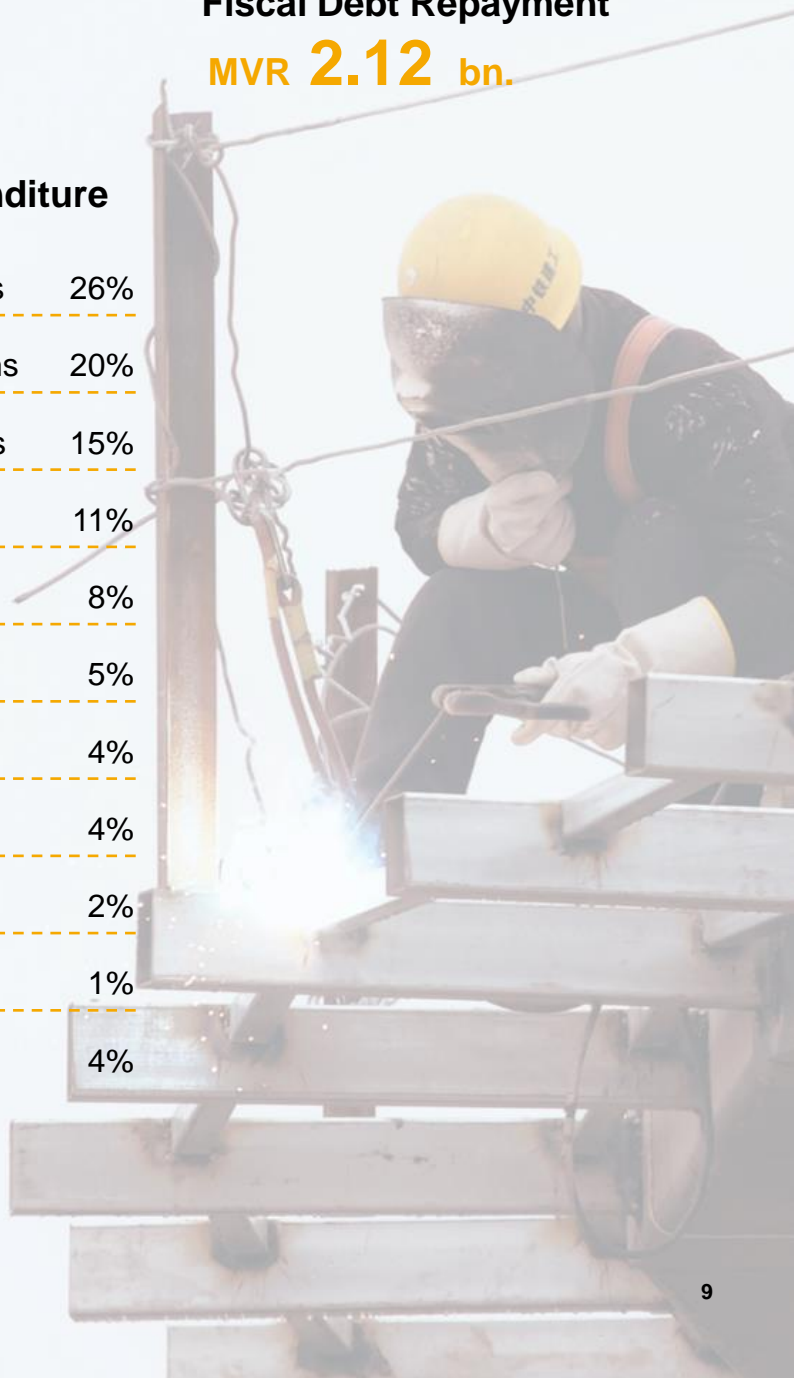
MVR **40.72** bn.

Fiscal Debt Repayment

MVR **2.12** bn.

Allocation of budget expenditure

Public sector employee expenses	26%
Public sector investment programs	20%
Government subsidies and grants	15%
SOE operations	11%
Loan related expenses	8%
Loan repayment	5%
Pension and retirement schemes	4%
Budget contingency	4%
Economic projects	2%
Training expenses	1%
Others	4%



Expenditure Comparison






Expenditure (in millions)	Actual			Budgeted	
	2019	2020	2021	2022	2023
Recurrent	21,372.0	20,307.4	24,036.5	27,894.5	28,605.5
Capital	8,756.3	9,849.1	13,108.6	14,952.6	14,074.8
Total	30,128.3	30,156.5	37,145.1	42,847.1	42,680.3

Over the past five years, the year-on-year recurrent expenditure of the government has increased except for the year 2020, when government reduced public spending to manage the covid-19 pandemic.

The recurrent expenditure of 2023 is expected to be 67% of the total public expenditure, salaries and wages of the public sector employee makes up to majority of recurrent expenditures. The budget allocated for capital expenditure is MVR 8.43 billion from which most of the expenditure is assigned for the Greater Male' Connectivity Project initiated in 2021.

Measures taken to reduce Public Expenditure

Budget 2023 includes action plans to reduce the public expenditure ensuring productive and efficient use of the resources of the economy. The government proposed measures to specific areas with expected savings in expenditures as follows:

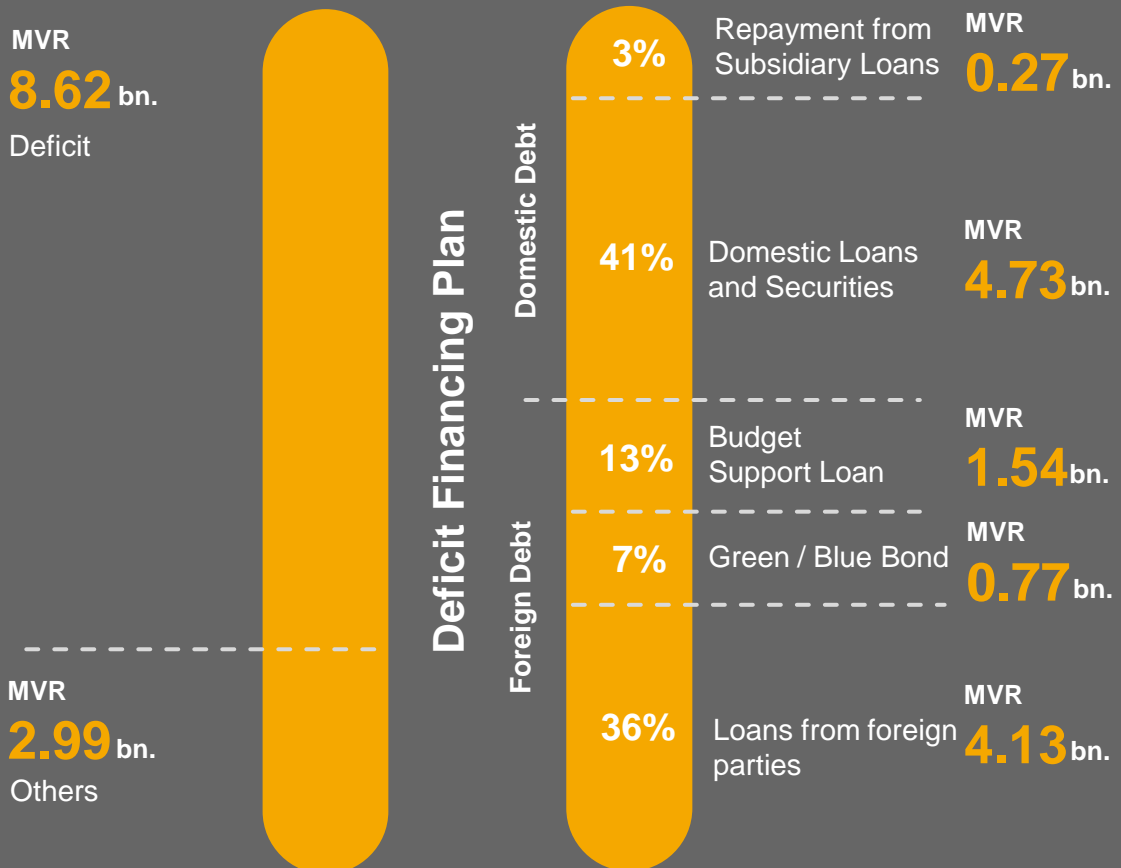
(in millions)			
	Before the measure	Saving	Budgeted Expenditure
 Fuel Subsidy	1,589.50	(1,003.33)	586.17
 Aasandha	1,505.70	(460.70)	1,045.00
 Pay- Harmonization	2,000.00	(1,506.82)	493.18
 Current Subsidy	744.10	(150.21)	593.89
 Medical Consumables	1,181.40	(166.41)	1,014.99

Budget Deficit and Debt

As per the proposed budget the expected budget deficit for the year 2023 is MVR 8.46 billion (8.1% of nominal GDP) and expected primary deficit is MVR 5.02 billion (4.8% of GDP). However, with the revised budget passed by BRC, the budget deficit for the year 2023 is expected to increase to MVR 8.62 billion (8.3% of nominal GDP).

To finance the budget deficit of the year 2023, government expects the total fiscal debt to increase by 9.2% compared to the year 2022.

Deficit Financing Plan



Key Highlights



Public Sector Investment Programs

- Greater Male Connectivity Project
- Addu City Development Project
- K. Gulhifalhu port
- Velaana International Airport Terminal Development
- Provision of water supply and sewerage project



Businesses

- Direct fuel subsidy
- Increased transport subsidy
- Increase in TGST and GGST rates



Individuals

- Increased salaries and wages of the public health sector employees
- Changes in aasanda policy
- Increase in TGST and GGST rates
- Higher education scholarships and loan schemes



Other Notable Programs / New Initiatives

- Hanimaadhoo International Airport
- Tertiary hospitals in 5 areas
- Hulhumale hospital development
- 6000 housing projects in Male and Atolls

BRC Recommendations

As the foreign aids and grants received during the previous years does not match the budgeted levels, the MoFT is advised to communicate beforehand with the countries and organizations to ensure that the expected cash grants and aids of MVR 1,562.1 million in the Budget 2023 are realistic and achievable.

Maldives Inland Revenue Authority to work on measures to reduce the tax non-compliance levels and rates.

Increase the efficiency of Aasanda scheme to control the wasteful expenditure and bring the costs of the Aasanda scheme to a sustainable level under the Action Plan 2023 outlined by the Ministry of Health.

Revise the baseline prices under Aasanda scheme and implement the plan to reduce the expenditure on medical consumables and medicines during the year 2023.

Harmonize the “double pension” benefits provided outside the Pension Act Maldives (Law Number: 8/2009) with the pension arrangements under the Act.

To strengthen the governance and operations of the State-Owned Enterprises (SOEs) and assess the performance and revise the business model based on the assessment.

Outline the measures and rules for SOEs to issue dividends to the government.

Identify the council authorities with pending utilities and other payments due including the reason for the pending dues before issuing block grants to the council authorities.

Act against council authorities violating the Public Finance Act (Law Number: 3/2006) and the Decentralization Act (Law Number: 7/2010) while conducting their financial operations and hold funds from Block grants from the councils in violation with the Acts.

Review the state subsidies specially the current subsidies provided for crude oil, electricity, food staples and transport and revise the subsidy schemes to a direct and targeted part of the population instead of the current indirect subsidy schemes implemented.

Propose the expected budget for the 2023 presidential elections. Plan and propose the supplementary budget in advance to the Parliament for the year 2023.

Securitize the public bank account overdraft and convert the overdraft to a long-term security issued by Maldives Monetary Authority (MMA) to the government of Maldives to commence the repayment of the overdraft at earliest.

****Information from budget books and BRC reports**



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