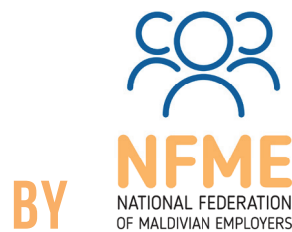


TAILORING A NEW REALITY

Employer's Dialogue



BY

SERIES ONE | 2020

OVER 1100 MINUTES OF DIALOGUE-ENGAGEMENT
WITH 53 KEY CONSULTANTS AND INDUSTRY LEADERS
IN THE MALDIVES

10 EPISODES COVERING 10 SEGMENTS
OF THE MALDIVIAN ECONOMY



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Foreword

What started as just a virus early this year, has now engulfed the world as a global pandemic with new developments surfacing daily. The infected numbers are rising still and in Maldives, the numbers are at record high right now, with community spread at its peak.

With so many unprecedented changes and disruptions to our livelihoods and economy, it is normal to panic and seek every avenue to manage the situation. The crisis is no different anywhere else, and the impact to the Maldives' economy, its people, and the whole nation has been threatening.

People are eager to find ways to move ahead, come up with ways to mitigate the risks and be prepared for the uncertain future. National Federation of Maldivian Employers, NFME, decided to organize the webinar series with the intent of sharing wisdom and ideas of industry leaders and experts, which will no doubt be profound for the future of our country. The situation is far worse for only one person, or one set of people to conquer, and it requires unity, which will be the biggest strength we can depend on right now. One industry cannot thrive alone, and all industries need to help one another, with the goal of surviving together. The Government and the private sector must work hand in hand to achieve this.

The dialogue started by the webinars were created with this vision and we have recorded around 1100 minutes of key discussions, shared by 53 leading experts, that will surely be beneficial in some way, and can be applied in various fronts and methods. This book will be literature for years to come, for when people want to study how we sailed our ship during this devastating storm. It discusses various topics ranging from questions that are at the top of our heads to the ones people not so often speak about. From conversations covering the main challenges faced because of the pandemic, lessons learnt, what was done, what can be done, what should be done differently and so on.

This compilation of expertise would not have been possible without the distinguished panelists, to whom we are all grateful to, for taking time off their busy schedules, making time, doing their research and sharing their knowledge with the rest of us in such an openly manner. I appreciate their humbleness for accepting my invitation to speak at the webinars, and also for helping the team ensure accuracy of their respective chapters in this report. I thank each and every panelist who have been part of this journey. My decision to facilitate the episodes reflect my respect to the panelists and the importance I gave to the cause behind organizing this series and publishing this report.

It has not been an easy task, to organize the episodes and subsequently incorporate the outcome into a report, both in administrative terms and time management. We apologise for any typing mistake or error there may be, considering our time limitations. Our aim has been to publish the report before the discussions lose its time and importance, due to the volatility of the situation. However, the benefits of bringing this book to being outweighs any difficulty and I am extremely proud of this publication. I have put my heart and mind into it, as did my team.

Even though the report has a separate section to acknowledge the support the Federation and I received for the webinar and the report, I would like to once again thank the author of the report, Ms. Aminath Suzan, our team members, Ms. Aminath Shimna and Mr. Ahmed Mauzoon, NFME executive board members, especially Ms. Mariyam Shahida Mohamed, Mr. Ismail Hameed, Mr. Adnan Haleem, VTV, Avas Online, PSM and other media. Moreover, I also thank the attendees and you, our readers, who prove to us that there are people who wish to learn from these discussions and that we are not doing this in vain.

I also want to convey my deepest condolences to every single person who has been affected by this pandemic and share my heartfelt gratitude to our brothers and sisters bravely combating this pandemic on the frontlines, behind the scenes and at home.

NFME, my team and I, we all hope this report proves beneficial and our purpose will be considered fulfilled even if it helps anyone, even if slightly. Thank you once again.



Mohamed Ali Janah
President
National Federation of Maldivian Employers, NFME

About the Author



Ms. Aminath Suzan

Aminath Suzan is the Chief Operating Officer (COO) of Hotels and Resort Construction Pvt. Ltd.; the first female Executive Board member of Maldives National Association of Construction Industry (MNACI) and also an Executive Board member of National Federation of Maldives Employers (NFME). She has not only played a leading role in organizing and managing the first series of webinars organized by NFME which consisted of ten webinars, but also have authored this report with the overview of the discussions made in the webinars held with the key recommendations that would facilitate to carry on the discussions to the next level.

Suzan began her career as a banker where she was the face of Premier Banking in HSBC Maldives for 7 years. Since she started working in construction industry, she has achieved several milestones such as becoming the COO of one of the major resort development companies in Maldives; representing Maldives as the Chief Delegate in the 43rd International Federation of Asian and Western Pacific Contractors' Associations (IFAWPCA) Convention in South Korea; and is the Chief Executive for the Organisation of the 45th IFAWPCA Convention to be held in Maldives. Though the construction industry of Maldives is considered as a male dominated industry, Suzan has proved over years that even females could succeed in working in the industry and in 2019, Women in Management Maldives, an NGO who recognizes and celebrates women professionals, acknowledged her outstanding service in the construction industry by conferring their prestigious recognition award to her.

Suzan is an eloquent orator and since childhood has been acknowledged for her remarkable talent of hosting television programs. She has co-authored the report "Impact of Covid19 in the Maldives Construction Industry" which was published on 26 April 2020 by MNACI. Currently she is pursuing her MBA from University of Cumbria, United Kingdom.

Executive Summary

TRAVEL AND TOURISM INDUSTRY

When Maldives is opening borders, we are focused on safely reopening and reviving Maldives travel and tourism. We must realise the good things in the new normal and prevent from going back to the not so good things that were happening in the old reality. The main strategy must be to find ways to make the most of the current inventory and ensure we do enough to fill this in, as records show that even last year only 56% of the inventory was utilised.

We must also focus on engaging the local and the youth of Maldives and ensure the benefits we reap from the industry are justly trickled down the nation.

There is mixed views on compulsory PCR testing. Some believe PCR testing is impossible and impractical at a time where test kits are scarce and we do not have the resources to effectively do this without compromising the local testing. Even though this can be practiced by luxury resorts, not all resort can do this. Contradicting views are that the ability to test will pick up in the coming days and it is important that we assure the tourists that Maldives is safe. However, everyone agrees that PCR testing is critical provided we have the resources and practicality to do this. Moreover, the most important thing is to establish a solid healthcare system on the mainland and in the resorts.

The Government is on the right track by increasing the testing capacity and we must ensure the safety of our citizens, of our staff and the tourists too.

Many researches show that Maldives is the top destination for tourists and thus we have a big appetite, which is good news for the tourism industry. However, we need to ensure we are able to cater to this. We must work on routing airlines and ensuring flights are coming to Maldives. Accessibility by tourists to reach Maldives is essential. This can be promoted by incentivizing airlines to land in Maldives. Opening other entry points such as Maafaru Airport and other regional airports can mitigate clogging of Male' airport. But opening only Maafaru Airport and leaving the rest closed will not be effective. Opening Velana International Airport and Gan International Airport together and allowing jets and smaller planes to land in other regional airports seem to be the most practical right now.

Moreover, there must be relaxation on travel conditions from our market countries. Especially the top six markets which are China, India, Russia, UK, Germany and Italy. For this, the importance of the Government's bilateral discussions are paramount.

We cannot ensure a second or third wave will not come. However, we must be prepared with the proper mechanisms and effective mitigative and preventive measures to be able to handle it if it happens. We must

be prepared for this before we open the borders.

Maldives will see numbers in 2020 but actual recovery is anticipated in 2021. We must use the competitive advantages we have of having the natural blessing of being a tropical country where the pandemic spread is slow, having secluded islands and opting for "One Island, One Resort" concept to assure guests that they are safe in Maldives where they have the required healthcare and also the required seclusion. We must strategise on the marketing and the Government must team up with the private sector to work together in marketing Maldives as a destination in unity and harmony.

We need additional funding to promote Maldives, especially in raising our voice in the international markets. As stated, Government can partner with the private sector to ensure more is done together.

Maldives is ready to open the borders. People fear what if we cannot handle it. But the thing is, we are opening up gradually. With the opening of the borders, thousands of guests will not be arriving at once and we will have plenty of opportunity to test the guideline, improve where required and adjust accordingly. It can be determined if we have the capacity to handle the increase in guests. So there is no need to worry in terms of that.

Though the pandemic has been overall negative, we must acknowledge the positive changes it has brought to many organizations where they are instilling best practices and opting for global standards in safety and health.

Tourism has definitely been hit hard and even though resort operators did not wish to furlough staff, with no income it was unavoidable. There is a big misconception that resorts become cash rich the moment they open whereas new resorts take years to cover the initial investment and older ones are also going through difficult times now, especially with the boom in industry inventory. Hence, with no income, it is not manageable to keep continuing as it was doing before. We are pleased to be informed by HE President Ibrahim Mohamed Solih that lease rental for resort islands will be waived for two periods. This will be a much-needed help right now for the companies to hold on a bit longer without resorting to further austerity measures.

Another suggestion is staggering the opening of resorts when the borders re-open as opening all the resorts at once will dump the prices and neither the private sector nor the Government will benefit in such cases. Government can encourage some resorts to open towards the end of the year by allowing incentives so that they do not lose by opening later.

They can also implement proper constructive dialog between private sector and introduce a proper realistic stimulus packages in order to keep the employment level high. We need urgently to raise the capital. Government can borrow funds and lend it to the private sector whereby making a profit on the interest and the companies also staying afloat. The

only way to move forward is to reopen the industry, start generating income again and everyone can slowly can back to normal, or the new normal.

CONSTRUCTION INDUSTRY

Various challenges faced by the construction industry, best practices and opportunities were mainly discussed in the dialogue to discuss how the industry can be tailored now.

The biggest challenge the industry faced and face even now is the illegal migrants matter. Especially the industry being targeted as the biggest contributor to this. All industries employ expats. Even now, the construction industry has been taking care of their over 40,000 workers during the pandemic, and the Government's aid for undocumented workers being utilised mainly by the adhoc expatriates mainly involved in trading.

The biggest boost is that these workers and the aiding parties are not reprimanded for these acts but rather they are easily repatriated, no matter how long they have been working in the open labour industry, collected funds, remitted it abroad and subjected the actual employer to be at a loss in terms of their deposit and quota being held. Hence, this can only be resolved if the system is changed with escapees and aiders being penalized and not allowing them to freely work in the open market. The Government's current process of repatriation of undocumented workers is a good beginning. With continuation of this and ease of regularization of the workers in the country can help to clear up this critical issue.

In addition to this, the other challenge was the disruption to the supply chain and works being stopped. Construction companies are facing issues with disrupted supply chains and stoppage of works, resulting in delays in projects but with additional costs as the recurring expenses will spread amongst the delayed period. A lot of contractors are expected to go bankrupt during this pandemic. It is critical for the Government to promptly release payments of contractors as many of them do not have cash flow reserves.

Even if this is the case, there are always opportunities to bounce back post pandemic and do better, similar to the 2009 recession. In future, clients and banks will check the contractors' track records to see on time completions. This is the time to adopt innovative ideas. Ideas like using drones for inspections and

doing as much of the works electronically can be the new normal for construction projects.

MNACI's report on the pandemic's impact and the safety and health guidelines in 7 languages intend to mitigate and minimize the risk of the situation as much as possible. In the middle of all this, everyone must ensure safety and health guidelines are followed. HPA's guidelines are essential. Thereafter comes managing the cashflow.

As a lot development depends on construction, such as building of schools, hospitals, resorts, etc, there will be a need for this industry and the Government will not allow contractors to perish. However, there is no choice for contractors but to wait until the Government recommences the projects as there is no way for private housing to continue right now. Meanwhile, the most important thing is to disallow international contractors to be awarded local construction projects. The current misunderstanding of the area calculation of the 7000 housing units was clarified. The floor area in Maldives is considered as the carpet area, the walls and half of the thickness of shared walls, which was the basis used for these units also. The floor area is how much that will be registered for the tenant. Not the constructed area by the contractor that can include corridors and other common areas.

With the completion of these housing units, there are additional requirements, including additional schools. These are additional projects that will be announced shortly. Furthermore, there is a Saudi funded project to dredge a channel between the tourism area in Hulhumale' and the development of a separate harbour for this area, which is also an upcoming project. There is also plan to sell land for housing in Hulhumale Phase II once some of the currently faced matters with electricity can be sorted. This means there can be more opportunities for private housing projects there.

It was requested from HDC to consider local contractors for these upcoming projects. However, it was noted that local contractors lack the required experience for which NFME's President reassured there are several local contractors with the experience and to consider joint ventures with local parties and

prioritise them for knowledge transfer and experience of local companies. This will not only help them survive the pandemic's effects, but also help the economy by retaining the funds within the country.

Good governance, transparency and accountability are the keys to success of any company, be it public or private. Having different owners and management and competent staff, and ensuring honest information is shared transparently. Cost cutting is not something that needs to be done only during a pandemic and should be constantly checked. Employees and clients must be well taken care of.

MTCC confirms they have 42 projects ongoing in 36 islands. The ferry system Mahaajarraaf is expected to convert to a 99% locally operated boat within the coming 4 months. Locals must be trained and there must be a gradual transfer to increase the local manpower as instantaneous transfer can disrupt projects. It is in fact cheaper in the wider aspect to

employ locals than foreigners with their additional expenses such as deposit, visa fee, accommodation, food, medical, etc. There should also be more focus on maximizing the assets, repairing the many equipment that are available and operating them.

It is also important to train people from a young age. The mindset that this industry is a dirty, difficult and dangerous industry must be changed by creating more awareness. The mindset that only doctors and engineers are elite must be erased and elevate this industry as an attractive sector for youngsters. At least the skilled professionals can be locals.

The biggest take away is that we must focus on training our people without fear that they will leave and move to another company. Because training Maldivians is beneficial to the country in the long run.

FISHERIES INDUSTRY

Fishing has been the only industry that has continued during the pandemic and the effort of the fishermen and industry workers are commendable. Even during the lockdown, fishing was allowed in the islands. Major fisheries companies were prepared with proper pandemic procedures and also due to the fact that fishermen have been abiding by the social distancing and other rules, none of the factories had yet to be closed or services interrupted.

With the borders closing restricting export, and lockdown restricting local supplies, the Yellow Fin Tuna has been severely affected. The price of the fish has gone down by almost half due to the pandemic. Fortunately, the cargo flights were operational as Maldives depended entirely on imports, which allowed some level of export for the fishermen. The demand for products like canned tuna increased whereas raw fish demand declined mainly due to the lockdown requiring products that have high shelf life. The demand for raw fish reduced as people were unable to store the fish. People were unable to store the fish.

Experiences from past tragedies such as the Tsunami proved useful and has shown that the fisheries industry is the most resilient amongst all the industries in Maldives. Policy makers must recognize this and their contribution regardless of the minimum annual budget allocated for fishing. Maldivian fishermen earn about MVR1.8Billion annually if we consider only the tuna sales and thus will be significantly higher when other products incomes are combined. However, this

has declined drastically to MVR200Million as of now.

In Maldives about 110,000 tonnes of fish are caught annually of which 80,000 tonnes is comprised of Skip Jack Tuna. Factories must process and export at least 66,720 tonnes from this annually to be profitable. With everything combined about 94,000 tonnes are used. 70% of the fish collected are exported as raw fish and the balance 30% are value added and exported. Right now, the processing is done at factories in Thailand and exported to the European market. Due to the production costs being very high, Maldives is unable to reach the Middle Eastern and Indian markets. Europe has implemented 24% duty on the fish products from Maldives which in turn affects the price and the demand. Government must work with their governments to reach bilateral agreements to exempt us from this duty, like they have done for Sri Lanka, Indonesia and Seychelles. The other countries have the competitive advantage of having their own raw materials for processing whereas ours is the healthy sea and its healthy products. We must learn from other countries like Thailand and adopt their best practices. We can also learn other ideas from several countries such as maricultural models.

This year, Northern region fishermen have been contributing more than previous years. In Felivaru there is no facility to collect fish and storage facilities are inadequate. Last year 48,300 tonnes of fish were collected by MIFCO which is 53% of Skip Jack Tuna.

This is the first time in 14 years that MIFCO has made such a positive difference. However, in the last 7 years, MIFCO has been able to barely manage sales in the international market at the local cost price and has been managing with the Government's assistance. To change this, we must start processing fish locally and processing facilities must be established in both Southern and Northern region of Maldives. MIFCO announced that they have plans to increase capacities at their factories, including collection, freezing and storing capacities.

Even though the traditional fishing has been passed down generations, there are changes to bait fishing. Bait fishing has not been regulated and lot of fishermen dive for bait fish. This has led to some tragedies also as there are no proper medical facilities and equipment to treat them. It is crucial to establish decompression chambers for the health of the fishermen. It was proposed that separating bait fishing as a separate fishery can have many advantages such as sharing of responsibility amongst fishermen and availability of bait for purchase. There is also the option of using alternative bait fish such as Milkfish. Training fishermen for bait diving is urgently required. Some private companies have already started and trained fishermen and this must be continued at national level.

Government has established a financial package of MVR100Million for Handline Yellow Fin fisheries, which cannot be considered a fair value. Even if the Government is unable to provide all necessities, the fishermen must be assured enough under this scheme that their losses such as fuel costs, bait costs, and etc, will be covered even if they do not have a productive day in the sea. We also need proper incentives from the Government to promote the sector. There is a critical need to inspire the youth to join the industry. It is also important for other industries, such as financial sector, to recognise fishermen. Fishermen do not qualify for loans, insurance and pension schemes even if they earn MVR50,000. We must work on changing this and the mindsets of the prospective youth. There are many expatriates working in the industry and we must change that by attracting more locals and youth to the industry. At the current rate, it is possible for an income of MVR30,000 monthly where you go in the morning and return in the evening, and there is no reason why this is any less than other jobs. Right now, about 15,000 locals work in the fishing industry.

From the outset it may seem like a male dominant industry, but the involvement of women in the industry directly and indirectly is very high. There are several fishing boats that are owned by women. Women take care of household responsibilities which enable men to go fishing. 17,000 families are sustained from this economic activity. We must ensure that women are involved in decisions relating the fishing industry because it directly affects them. Women are also involved in fish processing such as

making Smoked Fish, Rihaakuru, Mas Mirus etc. The opportunities for women are decreasing because of the industrialization of these processes and take-over by expatriate workers. We must work harder to provide opportunities for women so that they can continue their contribution to the industry. A Fair-Trade model would work well in the Maldives, which would support livelihoods and ensure the quality of products.

Fortunately, all of our fishing fleets are considered small scale. Where we face challenges is in areas beyond our national jurisdiction on the high seas where we are in competition for tuna stocks with other countries that fish industrially. We need to challenge unsustainable practices by other nations where we share resources because we will suffer the most. Yellow Fin Tuna stock is currently in red (stock status bad and exploitation level high), Big Eye Tuna in orange (stock status good but exploitation level high) and Skip Jack Tuna on the borderline. If sustainability issues are not addressed, we would face market difficulties. MSC certification of Maldives Yellow Fin Tuna is not possible in the near future due to the stock status. Maldives needs to play a leading role in the Indian Ocean Tuna Commission (IOTC) to reduce catch levels and destructive fishing practices in the Indian Ocean. In 2017 Scientific advice was to reduce Yellow Fin Tuna catch by 20% to have a chance of recovery by 2024. IOTC countries were unable to do this and catch actually increased by 8% in 2018.

Even though Maldivian fleet is considered small scale, there is still risk of overfishing. We have a very good management and traceability of tuna fishery, which is driven by market demand, but a lot of work still needs to be done on reef fisheries. We are currently focusing too much on maximum exploitation. The focus must be shifted to stock management in order to sustain the industry.

Back in the day we did not have a need to manage fisheries because exploitation levels were low. But as the fisheries developed and expanded from the 1980s, we failed to introduce sufficient adaptive management measures to manage the exploitation. There are a few management plans in place, but these are poorly implemented. Reef fisheries have been poorly studied. What we know are their average sizes and that the catch are declining. There is evidence to show that timely action has not been taken to prevent a stock collapse. Within just six months of commercial exploitation of giant clams in the early 1990s, they were completely wiped out from the central atolls. Sea cucumber stocks have depleted in shallow waters and fishermen now have to dive to depths of 60m+ to find them. Since live grouper exports peaked in the mid-1990s, their catch and average sizes have decreased drastically. Grouper spawning aggregations have completely disappeared, and this has affected fishermen livelihoods. These lessons indicate that we need to adopt a precautionary

approach to fisheries management. Where we have managed to successfully intervene, we are seeing the benefits today. We are seeing healthy numbers of napoleon wrasse today after their protection in the 1990s.

The main take away from the full discussion is the importance of a masterplan, to be established by locals, with the future in mind. An action plan has to be implemented that is solid regardless of changes in the Government. The manifestos must be in accordance with the masterplan and the Government must assist in bilateral discussions and also with the airlines on the reduction of fees.

There is also an urgent need to protect reef fish spawning grounds and nursery habitats. Protected areas can be beneficial for fishermen because they facilitate stock replenishment. Fishermen fishing on the borders of protected areas can reap more benefits from the spill-over.

This is the time for fishing industry to take the helm and engage as even with borders opening, the other industries will take time to kickstart. And the industry must be ready for the demands that will soar with the reopening of borders.

FINANCE SECTOR

The lockdown has taught us the importance of technology and digitalization. Currently we have a strong ICT infrastructure and use of technology is dominant in our lives, with most of our transactions happening online. With the start of technological transformation by BML, others have not followed suit and thus there is not such a widespread application of technology across the financial sector. With the development of our youth in the past decade, more education and the level of young talent, some of whom are working abroad, shows that we have the opportunity and competency to enhance this more than what it is now. Had we not had this infrastructure and technology by now, the struggle during this pandemic would have been far worse.

There is additional scope in the financial sector to adopt more technology and modernization that will lead to increased growth in this sector, which is currently contributing 6% to GDP. Bank of Maldives announced that they are working to enhance MPOS and tokenization and other ways to make online payments more efficient and easier.

This is how most of the financial institutions were able to keep up. When we consider auditors, they have been able to work from home and continue their services uninterrupted though there were limitations considering there is no proper privacy at our homes, especially in the congested Male' city. The challenges in storing physical documents and the restrictions on inspecting inventories did not stop them from doing their work, by doing the works online and finding alternative ways to conduct inspections such as video calls.

Banks opted to enhance online services and reduce visits to the banks as much as possible. Regardless, there is always a segment of clients who feel comfortable to stick to the olden ways and thus the banks opened to serve them with extra measures.

Digitalization also means we have to be more vigilant on cyber security. The banks and other institutes have to be eternally vigilant, ensure people are always available to react fast in the event of a breach. They also have certain tools like ethical hacking to check the weak points in their security.

In addition to the realization of the importance of technology during this pandemic, Islamic finance has garnered a lot of attention as well. Contrary to popular belief, Islamic finance and conventional banking cannot have an apple to apple comparison. The pandemic has proven to be a good opportunity for Islamic finance locally and globally as well. It has proven that the concept of Ribah (Interest) is more harmful than perceived.

When the authorities called the financial institutions for moratoriums, Islamic finance was the practical solution for people as it does not believe in further indebtedness of a person in debt, or adding interest or additional charges on already executed transaction. There are options of using Islamic finance tools such as zakat, Waqf and Sadaqaat to relieve people from such predicaments. There is possibility to use Islamic finance wisely in this crisis and it is observed that a circular economy is the way forward instead of a triangular economy. However, what we are currently lacking is a fully-fledged Islamic economic system, and implementing conventional banking tools in an Islamic financial system, or vice versa, is incompatible. It can be seen as the right time to integrate Islamic finance with Islamic social finance and with fintech. This is the time to research and understand how to integrate Islamic social finance and institutionalize the Islamic finance tools and merge them with financial institutions. With the political will, there is no reason why Maldives cannot be Ribah free and be a fully-fledged Shariah compliant economy.

When we consider which is the better method from both methods of banking, it all bottles down the

customer and their needs eventually and thus the customer can determine the best method for them, be it Islamic or conventional method of banking.

At the moment, our economic growth is expected to decline by 11.3%, compared to a growth of 7.5% that was anticipated initially, which is a huge contraction. The road to recovery is not expected to be immediate and a “U-shaped” recovery path is expected. The first step taken by the government was to contain the virus and mitigate the casualties. The second step was to bring in financial sectors for aid. Growing businesses earlier this year are now reflecting nil sales and with the stoppage of arrival of tourists, the economy is on a downward spiral. It was important to sustain the businesses for them to be able to restart when things start returning to normalcy and have employment for people. For this debt moratorium and cash flow support loans were established. To help the households, as it was not practical to arrange cash support, the government rendered support through subsidizing utilities (40% on electricity and 30% on water).

One other major challenge the government faced was the management of expatriate labour. Furthermore, it is recommended for civil servants to shift to the private sector to contribute to the GDP, similar to the strategy used by Singapore during the Asian crisis in 1997.

Along with this, the goals of the government budget also changed. It changed to saving lives through development of healthcare and saving livelihoods through businesses and household supports. It is now prioritized to stimulate and restart the economy.. The crisis has to be tackled through counter-cyclical fiscal policies. At the same time, large corporates will also face solvency issues where the government and banks has to help them. At the same time, even the banks are in a tough situation where their liquidity is affected. Both the fiscal and monetary policy should work together to achieve the goals to overcome the effects of the pandemic.

This is a global crisis and the global economy is estimated to be between 10-20% decline. The financial industry is witnessing debts across the country. The government is closely working with the banks and with MATI, have announced a debt injection scheme or lending scheme of about USD20Million to assist the resorts and guest house sector. Additionally, MMA organized currency swaps with India. Government has been trying to mobilize much needed liquidity to the economy and is working with foreign counterparts to raise finance. It has been announced that EIB will be lending USD20Million to the Ministry of Finance, which will be disbursed to businesses via the Bank of Maldives. There is also a possibility of another such announcement in a week's time on a substantial package from overseas and good rates.

We have also received assistance from foreign institute

such as Mastercard which was very convenient for the swift movement of money across countries. There are opportunities to partner with other organisations and build promotion in time for the reopening of the borders as we need to bring in guests, such as recommencing the currently interrupted marketing campaign “Experience Maldives” by American Express.

It is important that tourists travel to Maldives as we cannot have the borders open and have no travelers. Strategies similar to the ones adopted during the Tsunami tragedy in 2004 can be effective in rebuilding the tourist arrivals as we have to urge the people to help Maldives by coming to Maldives.

It is also a vital time to learn from other countries. It is inevitable that we will need to most probably increase our taxes or implement new ones to balance out the budget deficit and start generating revenue, though the time may not be ideal now and this is the time to help the businesses and households survive. When we implement new taxes, the kinds of taxes that can be taken must be considered and there should be trust and transparency for the tax agency to be accepted by the taxpayer. It is important to ensure the tax money is used genuinely for the benefit of the taxpayers and there is accountability. Furthermore, there must be easy processes so that the payers can easily comply with the processes. If we keep the approach of treating the taxpayers as customers and work on serving them satisfactorily. If the taxpayers are confident that they get a justified and good return, they are happy to pay even high taxes.

Right now, it gives us comfort in knowing that we have always managed through with the reserves we always had, though it was not the best reserves. For import of goods, we needed USD116.2Million for the year and by April 2020 we already had USD201.4Million, which is enough for 1.4 months, excluding foreign exchange required for service imports. In 2008, our net reserve was USD32Million and still it was managed. It must also be noted that from 2000-2018, Maldivian Rufiyaa depreciated around 31% which is comparatively lower than our neighbours. The swap arrangement with the Reserve Bank of India of USD450Million also gives encouragement to the public.

It is also the time to shift our dependency from foreign workers and engage locals and especially our youth in our economy. Dhiraagu and Bank of Maldives are success stories with Bank of Maldives operating with over 99% locals. One other important lesson learnt is that we must invest and explore other industries as right now we are heavily dependent on tourism. The government earns MVR5Billion in TGST, MVR2.8Billion from general GST and MVR2Billion from BPT. Such an industry is fisheries, which can be said as the only industry that continued without interruption during the pandemic.

MICRO, SMALL AND MEDIUM ENTERPRISES

UN's Micro, Small and Medium Enterprises, MSME Day was established as 27 June of every year at the UN's General Assembly in 2017 (UN, 2017). Statistically, 90% of companies around the world are MSMEs contributing to 70% of employment (UN, 2020), and half of creative products of a nation. In Maldives, out of the 7000 registered companies, about 6500 are MSMEs.

In Maldives, any company with less than 100 employees and a turnover less than MVR20Million per annum is considered in a category of MSME and is referred as SMEs (Ministry of Economic Development, n.d.).

The fundamental problem is that there is a misconception about the SMEs and people are not aware of the significance of SMEs. The reality is that the main income for our economy is generated by SMEs and not the popularly believed tourism. The money earned is also retained in the country unlike tourism where the income generated is exported out of the country simultaneously. Whilst tourism has shown to contribute 15.9% to our BPT, according to MIRA's 2018 annual report, construction has contributed 17% and the trade sector reached 26%.

This is the same when we consider employment also. SMEs are mostly, not always, operated with 100% locals. There is also another misconception that when SMEs are lent funds, they will misuse it whereas the track record of SMEs are better in repayment of loans.

Registering a business is a lot easier now than it was before as, unlike before, you can get assistance from service providers now to prepare business proposals or any other requirement. SMEs or even bigger businesses are gender neutral. Women are also successfully advancing in business now. There are special loan categories now, that are dedicated to women entrepreneurs. Furthermore, working women are now normalized. All these have paved an easier path for women entrepreneurs. With women leaders empowering others, we have seen a significant increase in women leaders.

We have been proven that there are no profession women cannot venture. However, it is paramount to acquire enough knowledge. Education is important. At the same time, you have to incorporate practical knowledge along with the education to succeed.

Even before the pandemic, there are some problems the businesses have been facing. The serious issue in our businesses being overcharged for their shipments by the shipping agents is a grave matter that has been raised with the relevant authorities on several occasions without any response. There are many cases where Delivery Orders are released to the clients after charging them additional charge by the

ship. This is an unethical and illegal practice that is somehow happening through different loopholes. If you consider a ship that carries 400 containers, an additional charge of USD600-900 per container means it is a business of over MVR4-5Million per ship, as added income. This is money that will otherwise circulate in our economy for our people. There is no reason our sea port cannot regulate this while our airport is seamlessly doing this and releasing air cargo without extra charges. Thus, the problem is that the businesses who are registered to do these, are not following proper codes of business and this is not being monitored.

Another crucial matter we are facing right now, as always, is the migrant labour issue which needs to be addressed to benefit the local businesses. However, we are not in a position to manage without foreign workers. From the population of 400,000 in Maldives, we have about 70,000 people who are available to work in the private sector. The management of expatriate labour is definitely mismanaged, due to various habits by some locals, preventing the government also from regulating them properly. Regardless, we cannot manage without foreign workers. However, we can have a system in place to ensure locals are not losing out on employment due to this. There can be systems and guidelines imposed where it compels industries to have a minimum local component in their manpower, especially in the senior management. Thereafter, this must be monitored. There are some such regulations even now, but not being followed as they are not correctly monitored.

With various challenges in existence already, the pandemic created havoc with a sudden stop in businesses causing them to stop their operations quite abruptly, resulting in financial losses, difficulty in operations due to the pandemic restrictions and loss of employment for many.

To help the people during this unprecedented crisis, Covid relief packages have been approved. According to the Ministry of Finance's website, as of 27 June 2020, MVR253Million has been approved for about 1000 applicants across different sectors. It is observed that regardless of the relief packages and incentives established, some businesses are unable to avail these benefits due to not operating the business systematically and meeting the criteria required. It is also estimated that MVR700Million is being distributed as financial aid and loans. There are doubts as to how the government can sustain this, except take additional foreign loans.

Matters such as improper codes of business can be regulated if the relevant ministries properly monitor how businesses are operated after they are registered. Once the company is registered, their compliance

with the government's regulations must be regulated by the relevant industry's ministry and authorities. At the same time, we need organization also as simply regulating regulations will not be efficient. There is a need to organize our SMEs and guide them.

There are also several steps taken by the Ministry of Economic Development to ease business operations. There are several strict measures that need relaxation and some that need to be restricted a bit more and this must be considered when deregulating. The SME categorization also needs to be updated to fit into the Maldivian context.

Such a regulation that needs immediate attention is the land valuation policies in the islands. Currently there are no proper standards to value land in the atolls resulting in undervaluing of lands.

There is also a need for decentralization and stop depending on Greater Male' region to operate businesses. The pandemic has taught us that this dependency in one location can bring the country to a halt without other alternative options. While working on decentralization, we also need to introduce an electronic transactions bill and establish an efficient digital service system.

Additionally, we need to work on import substitution. The lack of production of quality products, except in few industries such as Fisheries and Hospitality, is causing our dollar-based income to shrink. To aid this, there is a co-kitchen concept being introduced in the Maldives. This can help new start-ups to establish

their businesses in these shared spaces and expand in due time with proper plans, instead of the current practice where new startups are short lived, 3 years on average, due to the high rents and overheads they are burdened with from the beginning.

The financial sector also has to be developed with additional products that can help SMEs, and in turn give confidence for people in general to invest in Maldives. Even a non-businessman should be able to invest if they have access to funds or savings. There are some other countries that are conducting corporate investment programmes from which we can learn and implement in Maldives too.

For new businesses and even the existing ones, the secret ingredient to a successful venture now are technology and e-commerce. Even if you do not have technical knowledge, you can hire those who have it and venture in to the e-commerce platform. Digitization has been a unanimously agreed solution for many challenges faced right now.

There has been research done on the pandemic and its effects on the SMEs and this research paper has been submitted to Ministry of Economic Development. This paper provided the challenges faced and the recommendations suggested by the businesses. Businesses need additional stimulus packages to kickstart their businesses.

To conclude, we must accept that SMEs are the backbone of our economy and if we develop them parallelly with other sectors such as tourism, we will see positive change.

AIRLINES AND AVIATION SECTOR

MACL had about 680,000 pax and 19,000 movements in January 2020 and just like any other company, MACL has been adversely impacted by the pandemic with various losses. Firstly, they expect to fall short of their income in 2019, which was a bit over MVR1.2Billion, and this shortfall is going to be their first area of loss. Then they will incur the losses due to various exemption and reduction of charges, such as the waiver of ground handling charges for the 1st 3 months after reopening borders with discounts offered for the months thereafter by 75%, 50% and so on. In addition to these losses, they are also anticipating losses resulting from expiration of various licenses and permits that are needed for airport operations. To give an overall idea, the current revenue compared to 2019 has declined to 2%. To counter these losses, several cost cutting measures have been taken such as cutting on utilities and travel expenses.

During the pandemic, the importance of having a national carrier was realized more than ever. Maldivian assisted the Government by aiding transport of

necessities during the pandemic as well as with the repatriation of stranded people. With the China market, which is Maldivian's biggest international market, being stopped, Maldivian also had to take measures to manage the situation and thus reduced flight courses and temporarily halting certain planned expenses. There will also be changes to the domestic and international flight schedules.

With no commercial income, Maldivian was also severely affected and was managed with the generous assistance of MACL, banks, authorities and the financial assistance by the Government.

Manta Air also shared their strategic plans on expansion by looking for opportunity in this adversity. Such as exploring international travel within a regional bubble amongst Sri Lanka and India. Possibilities of using other airports instead of Male' airport will not only reduce the congestion in the Male' airport, but it will also make the journeys more affordable. There are works going on to upgrade Dhaalu airport to an

international airport which seems easily possible as the airport was initially developed with the required infrastructure for an international airport. Additionally, there are works in progress for a training school in Dhaalu Airport. If and once approved, this can train the local youth for the aviation industry to promote the local employment.

To try a more economically feasible method, Manta Air transformed some of their Twin Otters with wheels to enable routes with less traffic. However, it can only be viable if MACL allows charges on Twin Otters based on the seat quantity as they have about 15 seats compared to normal ATRs that have 40 or 72. They also believe it is more feasible for the Government to create more seaplane hubs than to invest in more domestic airports.

In Flyme, post Covid Standard Operating Procedures are being updated, in line with HPA, other local authorities and international authorities, to maximise the seat haulage while providing the highest level of health and safety measures. They assured practical and efficient operations in their airline and the Maamigili airport. Paperwork to upgrade Maamigili airport to an international and a regional airport has been submitted as well. This will give tremendous benefit to the tourism industry as well.

Sri Lankan Airlines is waiting to see how the other borders open up and the current tentative schedule is to travel to London, Tokyo and Sydney. Their Colombo base station has not yet announced when they will reopen but is expected to be in August. Meanwhile twice daily operations to Maldives have been confirmed and that will increase to triple daily flights. There are new policies being drawn up for operations including how to disinfect flights between services and more. Regardless of additional costs incurred, they are committed to avoiding price hikes and maintain their pricing policy once the operations resume.

During the past few months, Sri Lankan operated 68 flights to Maldives. They exported 125 tonnes of fish for the exporters and moved 2100 passengers. They also helped the Government by bringing the 200 students who were stranded in Belarus and also few hundreds who were stuck in Colombo.

Like many others have voiced out, the biggest take away from the pandemic is digitization. Sri Lankan is discussing ways to enhance their online services and how to improve the current limitations on online check-in where the electronic boarding passes are not accepted at the Male' airport counters.

There are also discussions and negotiations for possible alliances between the airlines, such as combining certain sectors such as Gaafu Alifu and Gaaafu Dhaalu.

Everyone is anticipating for borders to open and see how it progresses as simply opening the borders is

not sufficient. There must be a demand for tourists to travel and airlines must also be accessible with easy routes for guests. The destinations also must open their air space and also, travel must be marketed abroad. It will take some time to pick up the markets in certain sectors such as Japan where it is illegal to promote a country while it is on red alert and thus it will take some time for tour operators to be able to promote Maldives, which is expected by August or September. We must take advantage of the geographical scattering of Maldives that enables guests to arrive in Maldives and go direct to their destination resort which is similar to isolation and thus coming to Maldives is deemed safe.

Whilst waiting to check the situation, some major airlines have committed to recommence operations such as Sri Lankan, Qatar, Emirates and Turkish Airlines. Many airlines have opted to wait a bit longer, but are still holding on to their allocated slots from the airport.

Right now, different scenarios must be considered when planning the actions and possibilities of further waves of the virus must be considered. On 30th June, Sri Lankan had to halt their Melbourne sector due to the risk of a second wave and lockdown.

With all these risks in travelling commercially, there is a demand for private jets though operations were stopped in February and March 2020. Avia Maldives anticipates that this year there would have been about 350 private movements in Maldives. The Chinese movement that happens normally during February declined drastically as expected. During the pandemic, there were some operations for the purpose of repatriation of guests at certain high-end hotels. Right now, communication is continuing and there is hope for the numbers to pick up and to expect a good number for new year with some extra work. One advantage is the containment of travel when you choose private flying. It is expected that you will come in contact with about 30-35 points of contact whereas there is a risk of being exposed to over 300 when you fly commercial. There are seat buying options on private jets now and this is enabling more people to be able to choose private flying.

To enable private flying, the dependency from Male' airport must be shifted and Maafaru Airport and Dhaalu Airport seem as viable options for this, provided they can be fully-fledged with the customs, immigration and other services to be provided at the airports, avoiding an additional pit stop at VIA.

Together with tourism industry, aviation industry must work together as a team to overcome this economic downturn. During this difficult time, alliance is the key.

SHIPPING AND LOGISTICS SECTOR

The new Commissioner General of Customs was appointed in June 2020 and since then, there has been historical changes in the institute with plans to eradicate corruption in the administration and establish a transparent and efficient system. To do that, there are plans to ensure the employees are held accountable and are responsible through professional training and work experience. There are also changes planned to develop leadership and commitment of staff under the authorities assigned to them legally. In addition to the reform of the employees, the work culture is also being transformed to automation of services. This is part of the Maldives Customs modernization plans.

Though a growth of 12% was anticipated for the Maldives Ports Ltd, the pandemic has affected the operations severely. There were imports continuing due to the Ramadan stock replenishment by the Government and other imports of necessities. This allowed the cargo volumes to stay on a high level, which declined when the lockdown was implemented and right now the inbound cargo value has reduced by half. MPL's revenue depends on the cargo volumes because the income is generated from handling, wharfage, stevedoring and cargo storage.

There were several scenarios and respective action protocols prepared. Even in a normal standard operation, the main challenge for MPL was to maintain the expenses at a certain level especially for salaries and wages. To manage during the pandemic, it was and is necessary to reduce costs. Hence, repair and maintenance works are on hold unless critical and other costs such as travel and trainings are naturally reduced. Furthermore, certain segments of staff salaries have been revised for MPL under guidance from Ministry of Finance and the Government.

Considering the archipelagic nature of Maldives, a quarter of all projects are related to logistics. The biggest difficulty was implementing social distancing measures on the vessels. Creating awareness amongst the crew was also a challenge plus an added cost. Moreover, there were many operations that were stopped. The Government did implement online permit systems, which were not very smooth and businesses had some issues in getting the permits. However, now with the lockdown over, and less restrictions, operations have resumed. Most of the services in the relevant institutions and the private businesses have transitioned to a digital platform and people are getting more used to this.

Maldives Customs converted to online services and have plans to increase the services. Even Maldives Ports Ltd opted to communicate and transact electronically for their operations. Guidelines were established in both these authorities in line with international guidelines. Both have continued to provide services without any interruption which is commendable.

After being discontinued for about a decade, Maldives State Shipping started operations during this situation which is an achievement itself. Currently it is operated using a charter boat. It may take some time to get the line established enough to be lucrative enough as a career path for our youth. However, the target is to become a regional and global player and the direction is towards this goal though the speed is a bit slower than anticipated due to the sudden crisis.

The logistics industry contributes to about 16-19% of the country's GDP, which is more than double when compared to USA. However, in the World Bank's "Ease of Doing Business Index" Maldives is at 157th position. Sri Lanka is at 97th. There should not be any reason why this gap cannot be bridged.

One main reason the industry has not been able to reach its fullest potential is due to the role of intermediary players who are taking undue advantage of the businesses. When the ports are already congested, when we have so many freight companies, there is no room for additional players in the industry, let alone foreign players. These are unresolved due to lack of regulatory bodies monitoring them and the industry not having a proper Federation or an entity to represent the industry. There are no dedicated group or people, who work for the logistics industry and work towards lobbying and advocating for the industry's betterment. There is one in the making, which has been delayed due to the current hold up.

During this time of transformation, where companies are converting to electronic methods, it is also beneficial for private companies to venture into floating the company and going public. It has proven to increase the company's transparency and help strengthen the company internationally.

Overall, there is a lot of room for improvement, which the private sector alone cannot do. There needs to be a collaborative effort by the Government and the private sector to take the logistics industry to another level.

Note: Subsequent to the episode 5 and 7, there has been tremendous progress in regularizing the freight and shipping agents. On 20 July 2020, Transport Authority of Maldives gazetted a regulation, under iulaan number (IUL)202-M/1/2020/53 that all shipping agents must be registered. This is a new regulation (2020/R-52, dated 16 July 2020) which will prevent the additional and extra charges that are being charged from consignees. There is a grace period until 17 August 2020 for the registrations to be done and any breach will result in a fine up to MVR10,000. This is a very good step taken by the authorities and NFME, along with the whole logistics industry, acknowledge and appreciate the support given by the authorities.

FOOD AND BEVERAGE SECTOR

The F&B industry has been affected with an overall drop of about 70- 80% with some businesses suffering irrecoverable damage. It is expected for some businesses to go out of businesses and for large scale chains to downsize their operations to survive. Globally it is expected for 1/3 of the F&B industry to go out of business especially in the USA (Sharpe, & Querolo, 2020),, and many operators in Maldives also feel that this is possible.

Currently the F&B industry has more supply than demand with lot of outlets opened that seems too much compared to the Maldivian population. However, the catering segment has always been a small number with about 7-8 parties. Though they did well pre-Covid, the restrictions on gatherings and parties have hindered the catering business too. But this is due to circumstances and not a mismatch in supply and demand.

The biggest challenge for the restaurants and outlets was the high overheads, which was impossible to reduce significantly. Unless you are closing for good, there is no way to release the rented spaces, and incurring monthly rents, that are so high that big outlets have rents of over MVR100,000.00 even for their smallest spaces. It was not possible to reduce staff as the repatriation was on hold and even without work, their costs were also being incurred daily.

On this note, the general thinking amongst the industry is that smaller kiosks that can be operated with minimal overheads and staff are the solutions for their businesses. The trending business now is takeaway service and this is manageable with smaller outlets. We also see a lot of unregulated home-made food service providers, who are selling their products in small corner shops. There is a major concern amongst the restaurant owners and RAM, as this poses a risk to safety, health and hygiene.

The Restaurant Association of Maldives, RAM, is currently awaiting an election. However, with the existing executives, they have been actively working with HPA and other authorities to find solutions to assist the industry stakeholders during the crisis.

The Government has announced relief packages within their means and qualified companies are entitled for up to MVR1Million. This amount is not enough, but is still some relief for many companies. The Government has also given moratoriums for rents on their lands, allowing the businessmen some breathing space in terms of rent, but will be a challenge later on when they are obliged to pay it later at the current rates and with the recurrent expenses then.

With all these challenges there are general worries whether food prices will spike and the industry is trying its best to maintain the prices. Unless the US Dollar rates keep on increasing, it is possible to

maintain the prices even with additional costs for the extra precautionary measures advised by HPA and the reduced sales.

With tourism industry crashing, even the F&B industry has been severely affected, especially for supply importers and distributors. With minimal sales from resorts, that is currently taking place only for those that need supplies for their staff, the sales have been disrupted by half for one of the major distributors. Their domestic sales have also declined due to the reduction in spending power of the community as well as due to challenges in reaching to all the regions of the country due to logistical constraints. Even when transports of goods are managed, the lack of storage facilities in certain areas prevented optimum reach to the customers. There have been cases where customers also have had accessibility limitations when goods are made available.

Though many companies adapted the work from home model, this was not possible for the distribution companies as certain departments needed physical work to be carried out and thus, work at home could not be practiced.

At the same time, additional expenses had to be borne, that is in addition the generally discussed high rents and staff overheads, in mitigating operations risks. Additional accommodation facilities had to be arranged for staff, who were previously paid allowances and managing their own accommodations. To avoid the threat of community spread amongst them, staff had to be separately kept, which add up to the existing expenses. Furthermore, the requirements to hire vehicles and vessels for transport, when there are equipment that are owned but needing repairs, which are on hold.

The timing of the pandemic's full force coincided with Ramazan which was a blessing in disguise as this ensured the country did run out of stock. In general, suppliers place their orders few months ahead, and this meant that by the time lockdown was enforced, the goods meant for Ramazan were en route. Except for few disruptions to supplies that were due to issues with some state borders abroad, such as supply of eggs from India, there were not any major disruption to the supply chain. This would have been very different had the pandemic happened during another time, and these orders were not arranged ahead by the suppliers. There were also some other challenges such as the unavailability of US Dollars and the numerous banking holidays locally and abroad. There is optimism that the availability of US Dollars may get better with the tourism restarting, but at the same time there are doubts as to when tourism can pick up considering the large-scale global recession and drop in spending power.

The pandemic also taught us the importance

of decentralization, especially considering the geographical nature of the country. It is important to have port access and storage capacity in both ends of the country and various regions to avoid interruptions to the chain supply even if Male' is affected. It has also taught us the importance of economizing and adapting to cheaper lifestyles and options. It is very important for small businesses especially as they will have less staff and limited space, to have a plan and action procedure on how to manage if a staff gets infected, as most of the time there will not be access to substitutes. It is practical to have more than

one operating site to ensure operations do not stop completely even if one site is compromised.

Overall, F&B industry is very much affected, but probably not as much as certain other industries. With changes in strategy, it is possible to survive this period and rebuild the industry. The industry needs the help of HPA and the authorities to regulate the small businesses and refine the existing guidelines to make it more elaborate and to ensure the F&B industry is a safe and secure one.

INSURANCE SECTOR

Maldives insurance also suffered due to the pandemic but compared to the global insurance industries, the impact is less severe. The Maldivian insurance industry is worth about US Dollars 60 Million, as per 2019 published statistics and last year's year on year growth rate was 6%, comparatively lower than the three years average of 11%.

The products offered in the insurance industry can be classified in to 6 classes in general which are fire, health, miscellaneous, hull, motor and marine. On average 64% of Gross Written Premium, GWP, is paid out as reinsurance and the insurance penetration is as low as 1.1%.

This is the first time it has been encountered in the Maldives and the crisis has raised a major issue to the whole insurance industry, whether pandemics can be covered or not, in the current policies. There have been few claims, however, as these were indirect coverage of pandemic related losses through extension of the main policy, the full scale of the losses cannot be covered. The proposed solution is to have a natural disaster pool or a regional pool, to be ready for such incidents. A similar concept to the Terrorism pool which was followed by Sri Lanka during their Civil war can be applied.

Even though the impact is less comparatively, business has still gone down with only top line effects visible right now. The real magnitude of losses can be seen towards the end of the year at the earliest. MMA is closely monitoring the situation but enforcing any strict additional regulations to assist with smooth operations during this time and working on different solvency mechanisms. The main tool to regulate insurance companies is the moral switch where there is more dialogue between the companies and the regulators and lesser restrictions imposed by MMA, with trust on the companies to be responsible stakeholders and do the right thing and carry out best practices.

Even if MMA has opted for a lenient approach, the introduction of 3% Withholding Tax on insurance

premiums has been a challenge to the insurer and something that cannot be managed.

It is very crucial for companies to proper risk management, strong regulations with great leadership especially at top management, to ensure smooth operations during hardships. There is a Corporate Governance Regulations being rolled out shortly that will also apply to insurance companies and thus help them operate better.

Ceylinco confirmed that they have received few claims which are in the early stages of assessment, but this will also not have full coverage as a specific cover for pandemics. However, they have partnered with Munich Re to tailor make an insurance product for the Maldives resort and hospitality industry, to cater to pandemics and epidemics, as may be required by clients.

All companies have transformed to remote working, paving way to a more digitized and automated system. The companies were already transforming to an online platform as much as possible, with possibilities of purchasing insurances and making payments online. There were also mobile applications for several insurance companies that enabled people to have access through their mobile phones which was very convenient during the pandemic.

Solarelle Insurance company also resorted to working from home with over 90% of staff working from home, with several measures taken to mitigate cyber security risks such as hacking and fraudulent claims, through usage of secure platforms, devices and secure VPNs. However, travel restrictions and practice of social distancing hindered certain services such as investigations that needed physical assessments. For these things, virtual alternatives are sought such as video calls and virtual assessments.

There is no roadmap on how to go about in such a situation but there have been communication amongst the industry companies, but not the regulator yet, to exchange ideas and best practices on how to go forward in this situation.

The pandemic has awakened the clients and people are now seeking a more holistic healthcare insurance policy and better financial protection with reduced administrative burdens.

Amana Takaful discussed about the potential for inbound travel insurance packages for the tourists which can be very useful now with the tourism restarting under careful measures. There are also additional opportunities to work on business interruption loss covers.

The industry is a lucrative industry for a lot of opportunities for the youth and especially the locals. Insurance companies require professionals under various categories such as qualified accountants, forensic experts, marine engineers, surveyors, fund managers and investment consultants. These are areas our youth can consider venturing.

We can be hopeful that some international insurance companies can set their offices in Maldives and operate as Maldives as a regional hub, similar to Dubai's DIFC zone.

Dhivehi Insurance was licensed to operate in 2016 and currently there are plenty of insurance companies to cater to the Maldives. Even with their establishment, demand forced prices of premiums to drop and from a business perspective, there is no additional room for more players in the market. However, specialized and new innovative products can be beneficial. Considering the existing companies, there is no differentiation between local and foreign companies. As long as the companies operate full-fledged in Maldives, retaining funds here, developing expertise and staff in

Maldives and continuing to serve Maldives, then they are beneficial to the industry. However, operation of foreign companies as agencies with their offices based abroad, can be detrimental to the industry.

Currently only locals can be agents in the Maldives and we have around 40-50 insurance agents and about 10 insurance brokers in the Maldives. All of these are regulated under MMA. There is a lot of competition in the industry, but healthy competition and all the companies work together for the development of the industry. The companies are very flexible and have granted several leeway and discounts to policy holders including extension of premium payment grace periods. Companies are working together with the clients to help them also navigate out of the situation.

This is a good time for the industry to invest further on IT and technology. The pandemic has also taught the importance of transforming to a digital platform and the importance of raising awareness amongst the clients on the importance of insurance and understanding the product. Clients need to be aware of the importance of getting the right cover and adequate cover to avoid losses in the future. The responsibility lies within the insurance companies to educating the clients on these critical matters.

Businesses will definitely go down and keep on reducing. Number of new policies are expected to drop as well as the values in premiums. We do not know how long this will be and no one knows when the pandemic will be over. There can be no finality assumed even and thus the only way will be to be careful and move forward without looking back.

OVERALL ECONOMY OF MALDIVES

The country has a long history of fiscal imbalances with debt ratio over 80% of GDP and deficit over 10% leading to current account deficits of over 25% of GDP (IMF, 2019). IMF predicts Maldives GDP this year to be at -8.9%. Our savings is around 8-10% of GDP and when you compare these to other similar countries, they are much higher than us, even with smaller economies comparatively.

Maldives is suffering more than others amidst this pandemic as it is suffering two concomitant crises. One is the adverse macroeconomic trends, which is the most serious threat to sustainable development and two, as we all know, are the consequences of the Coronavirus, which is affecting the health and the livelihoods of our people.

When you look at the economy of Maldives in the last 40 years, we had two distinct periods. 1980 to

1999 and 2000 to 2019, with economic growth of 11% and about 5-6% respectively. During these 40 years, Maldives experienced 15 shock waves, with the pandemic being the 16th one. Though we had tremendous development and improvements, especially in terms of human development where we are now at USD15,000 per capita, from being one of the poorest countries in the 1980s. However, we have always had deficits and tolerated it, except some rare years we had surplus revenues. Our habit has always been to impulsively do a bit of housekeeping, survive on aids and loans thereby increasing the existing debts and continuing to cruise the ship as before.

Disparity and deficit are closely related here. In 1982, Maldives embarked on a journey to eradicate regional disparity. Yet, it is only widening still. And in any tragedy, the poor gets hurt first and the most.

When we started, the economy was open with no restriction on foreign exchange which was a great advantage. There was flow of capital from development agencies for different areas of productivity. Unfortunately, these did not meet with our manpower requirement due to lack of governance and though funds were invested in other atolls, the desired progress still is not there to be seen.

Up until now, there has been no bankruptcy law in the Maldives. This must be clearly addressed, especially for private sector as they do not play on level field with state owned companies. Additionally, the Maldives Employment laws do not cover furloughing of staff, but you can have no pay leave for civil servants. These have to be addressed too.

We have been depending heavily on FDIs (Foreign Direct Investments) and in the past 5-7 years, our national foreign direct private independent investments have been at 10% of GDP. All this allowed inflow of foreign currency and country flourished but the labour was severely mismanaged. Labour employment data is weakest in Maldives. Yet we have in record that over 45,000 workers, of which more than half are locals, have been negatively impacted by the pandemic (Ministry of Economic Development and UNDP, 2020). We have to find ways to avoid this in the future, through Corporate Social Responsibility or relevant insurances, but the workers must be protected from these implications where they have nothing to defer like the rich people and just live day by day.

Our Gini coefficient is reported to be around 0.4 which is towards the better end of the spectrum, where 0 is equal distribution of wealth and 1 is monopolization of wealth by one person. However, the disparity and the income inequality will possibly widen during this crisis, due to unemployed workers seeking jobs desperately even at reduced wages, and employers considering their bottom-line and resorting to employing less staff with reduced wages too.

To assess whether Maldives is an attractive option for foreign investors, there are tools such as international rating agencies, that ascertain the stability of the economy and the profitability on the returns on your capital. Considering our pre-existing poor health condition of our economy, Fitch and Moody's have downgraded our ratings. Fitch has dropped our stability from stable to negative and rating from B+ to a B. Our macroeconomic issues include political instabilities, weak institutions, financial corruption, high deficit to GDP, current account deficits, disparity in Male' and atolls, low reserves of the country and the list goes on.

We need to address our macroeconomic issues to attract FDIs. We have direct investment where the investors come for long term and the portfolio

investments where investors invest in locals and exist the moment they sense any adverse effects on their business or investments.

Currently our foreign exchange revenue is nil due to resorts and guesthouses being closed. On top of that, the Government is facing additional expenses in terms of healthcare and societal expenses. Except for the aids received, as heard from news, from World Bank, IMF and ADB, there has not been financing of this nature and significance yet. Right now, there is a need for financing up to 15-20% of GDP which is about USD800Million and we have no choice but to borrow and raise this. With the credit ratings downgraded, it may be tougher than before. There is possibility of untapped financing in Islamic financing where sovereign Sukook can be issued. There is an appetite in the global economy for investors with interest to invest in Shariah compliant Islamic financing tools.

Whilst we already have all this debt accumulated, let us not forget the high compensation payouts in recent years, which can be considered through anecdotal figures that is can be over 50% of 2019's total tax revenues.

The construction industry also must bring changes to solve the challenges faced now, considering they are continuing projects worth of MVR2.72Billion and the main challenge is non-payment of bills on time. The bigger portion of this can be resolved by implementing ways to ensure there are no delays in resolving disputes that in turn delay payments and to have an adjudication committee for these matters. Currently there are positive additions implemented worldwide where contractors are being given compensation for their lost time with additional time on their projects.

Additionally, we need to lobby harder to stop awarding contracts to foreign contractors. Especially now, when the locals are suffering without work. There can be no excuse that locals are not competent when most of the large buildings and resorts in Maldives are developed by Maldivian contractors. Except for construction financed and GtoG projects, there is no reason why it can be awarded to foreigners and we should not allow them to come to Maldives and compete with the locals.

This is also the time to utilize the pension system to its best. To focus the existing social programmes and target to the most vulnerable segment of the country. There were debates as to the pension funds must be accessed during the pandemic, which seemed unsustainable considering these funds are our retirement savings and withdrawing the limited savings for temporary use now will have bigger repercussions in the future.

There is a need for better legal framework and better management of macroeconomics when considering investment of pension funds as these belong to the people and the risks must be mitigated. Risks of liquidity and risks of default or reduced yields are highly considered when discussing these options and there are works ongoing to implement certain safe plans for the people.

The current population is very young with about 5% of the population being over 65 years, thus contributing to a generous basic pension. We are currently spending 2% of our GDP on this 5%. However, this 5% is expected to increase to 16% by 2050. And the value of the basic pension value MVR5,000 may be valued less then.

To work for recovery, which is anticipated to be a slow, U shaped recovery, that can take few years at minimum, the Government and the private sector must jointly prepare an all comprehensive economic policy response and a roadmap where the roles of everyone, the Government, private sector, the citizens, are all identified clearly. We have to develop

other industries parallelly such as fisheries. We can explore additional avenues of implementing ways to do more processing of products in Maldives and help the fishermen through long term loans.

We are yet to feel the true effects of the crisis. Right now, we have been living off moratoriums and savings, and towards the end of the year, reality will kick in and we must be ready to face it. Maldives is expected to be the worst hit in the region. Metaphorically, similar to the virus affecting people with existing other medical conditions more gravely than the others, the economic effects also affect countries with existing macroeconomic issues much worse too.

Therefore, we must work on reform immediately. We must not lose this opportunity for reform. We must learn from past tragedies and experiences and work on bringing change and look at low unit cost of development. Otherwise, it will be again be just business as usual, as before, and the ship will again cruise, without a sustainable future.

Introduction

The current situation we are all faced with is described as unprecedented by everyone. This has resulted in none of us being ready for such a crisis, and none knowing exactly where this is leading and how we can recover. Though all industries and sectors have been adversely affected, different sectors have been impacted in different ways, with different kinds of ideas being exchanged. The situation is ever evolving and WHO had recently announced in an interview that they get 500 publications at a minimum daily now, and this reflects how volatile the situation is. With this uncertainty, we are all looking for some common grounds and common dialogue so that a road can be paved for the new reality.

With this in mind, and to exchange expertise between expert leaders of different sectors in the Maldives, NFME launched a webinar series titled “Tailoring a New Reality – Employer’s Dialogue”

Since its launch on 3 June 2020, save for the MSME episode which was rescheduled to coincide with UN’s Micro, Small and Medium Enterprises Day 2020 on 23 June 2020, all the episodes were aired every Wednesday of every week. After 9 episodes, the 10th and the concluding episode was aired on 23 July 2020, Thursday. All the episodes were carried out as webinars on the Zoom platform. Questions were asked by the facilitator, our Federation President, from the panelists related to their respective episodes and topics. The style of the episodes was a dialogue between the panelists and the facilitator. Some episodes were conducted in Dhivehi, English or a combination of both. The episodes were aired live on NFME’s Facebook page and subsequently uploaded on YouTube on NFME’s YouTube channel. They were also aired on the TV channel, VTV.

The reports for respective episodes were prepared based on the discussions by the panelists, without further research by the Federation. The responses would not be a direct transcript and would have changed, without losing its context, to allow for translation from Dhivehi to English in some cases, and for the purpose of incorporating in to the report format for the others. Therefore, the reports were shared with the panelists and this is published with the consent and review of all panelists, where each panelist reviewed their responses in their respective reports to ensure accuracy of the written responses.

For reference on the values discussed in any of the reports, our exchange rate applied is the prevailing rate of 1 USD:15.42 MVR.

This report, which is a compilation of all the episodes and the lessons learnt from all the dialogues, is intended for all stakeholders and anyone who may be interested to understand Maldives’ situation and the wise ideas proposed by the experts. It has been a platform where lessons learnt and advices were shared, all with one goal in mind, to help recover the industries and the Maldives for the sake of the nation and its future. The report will be a legacy left by everyone involved for people to refer to later on, and see how we managed and came out of this crisis. This will hopefully be a playbook for many, lessons for all, and literature for years to come, God willing.

This report is about 1100 minutes of dialogue, collated in the form of a report, for easier reference by all. These are ideas of 53 experts and leaders.

The schedule of the episodes and their topics are appended below for your information:

Date	Segment	Topic	Panelists
3 June 2020	Travel and Tourism	Safe Re-opening and Reviving of Maldives Travel and Tourism	1. Mr. Abdulla Ghiyas Riyaz 2. Mr. Sonu Shivdasani 3. Mr. Murad Hassan 4. Mr. Mohamed Khaleel
10 June 2020	Construction and Development	Tailoring the Construction Industry Under the New Normal	1. Mr. Suhail Ahmed 2. Mr. Hassan Shameem 3. Mr. Saudhulla Hilmy 4. Mr. Adam Azim

Date	Segment	Topic	Panelists
17 June 2020	Fisheries	New Found Possibilities for the Fishing Industry	1. Mr. Saud Hussain 2. Mr. Waseem Ismaeel 3. Mr. Adnan Ali 4. Mr. Ismail Fauzee 5. Ms. Shaha Hashim
24 June 2020	Finance	How Financial Institutions Can Step Up and Facilitate Business Transformations	1. Mr. Timothy Sawyer CBE 2. Dr. Fazeel Najeeb 3. Mr. Tommy Carlsson 4. Dr. Aishath Muneeza 5. Mr. Saruvash Adam 6. Mr. Hussain Niyazy
27 June 2020	Micro, Small and Medium Enterprises	The Future of Micro, Small and Medium Enterprises	1. Mr. Abdul Latheef 2. Ms. Shaira Saleem 3. Ms. Maryam Visam 4. Mr. Mohamed Naseem 5. Mr. Ibrahim Ali Jaleel
1 July 2020	Airlines and Aviation	The Roles of Airlines and Aviation in the New Reality and in Re-starting Tourism	1. Mr. Moosa Solih 2. Ms. Aishath Jennifer 3. Mr. Abdulla Nashid 4. Mr. Mohamed Khaleel 5. Mr. Fawzan Faried 6. Mr. Ahmed Arshad
8 July 2020	Shipping and Logistics	Tackling New Challenges in Shipping and Logistics	1. Mr. Shahid Ali 2. Mr. Abdulla Shareef 3. Mr. Abdulla Saeed 4. Mr. Abdulla Sawad 5. Mr. Ahmed Ziyad Mohamed 6. Captain Ahmed Maumoon
15 July 2020	Food and Beverage	Readiness and Best Practices of the Maldives Food and Beverage Industry to Cater to the Evolving Demands in the New Normal	1. Mr. Ibrahim Amir 2. Mr. Ali Ihusaan 3. Mr. Nuzair Ali 4. Mr. Hussain Ismail 5. Mr. Mohamed Shujau
22 July 2020	Insurance	The Maldives Insurance Industry and Innovative Insurance Products for the New Business Environment	1. Mr. Hassan Fiyaz 2. Mr. Ahmed Ameen 3. Mr. Abdul Wahid Thowfeeq 4. Mr. Santhosh Subramaniam 5. Mr. Deeptha Dias 6. Mr. Hareez Sulaiman
23 July 2020	Overall Economy of Maldives	Road to Economic Recovery-Way Forward for a Post Covid19 Maldives	1. Mr. Mohamed Jaleel 2. Mr. Bandhu Ibrahim Saleem 3. Mr. Ibrahim Athif Shakoor 4. Ms. Sujatha Haleem 5. Mr. Ahmed Naseer 6. Mr. Mohamed Ali Janah

Our intent is to share the report with the highest authorities of Maldives, as our contribution towards the betterment of the economy and our nation. We hope the report is enriching for everyone who reads it and that this will enable a long term dialogue amongst all stakeholders.

About NFME

National Federation of Maldivian Employers, NFME was incorporated on 30 October 2018. Multiple NGOs representing key industries joined hands together to form a federation of several associations collectively, with the objective of protecting the employers as well as the employees. Due to the Maldivian law restricting associations to be founding members, the founding member associations selected their respective representative.

The founding members are:

1. Maldives National Association of Construction Industry, MNACI - represented by Mr. Mohamed Ali Janah.
2. Maldives Seafood Processors and Exporters Association, MSPEA – represented by Mr. Mohamed Waseem Ismaeel.
3. National Boating Association of Maldives, NBAM – represented by Mr. Ismail Hameed.
4. Maldives Association of Yacht Agents, MAYA – represented by Mr. Mohamed Ali.
5. Restaurant Association of Maldives, RAM – represented by Mr. Ibrahim Amir.

Subsequently, Association of Travel Agents (ATA) have become a member of NFME.

NFME's mission is to work for the rights of Maldivian employers with regards to social policies related to employees, employment and employment industries on a regional, national and international level, to establish guidelines in adherence to business ethics and maintaining a harmonious relationship between employers and employees. The federation aims to assist in implementing national policies, research and deliberate on these policies with the government authorities and other stakeholders including national and international associations. In doing so, protection of employers' rights will be the top priority.

International Organisation of Employers, IOE has recognised NFME as a member in November 2019. Furthermore, NFME represents the Employers in the tripartite discussions of International Labour Organisation, ILO, which includes a representative from each of the three parties; Government, Employers and Employees.

NFME is also a member of South Asian Forum of Employers and a proud supporter of UN's 2030 Agenda and Sustainable Development Goals.

You can check the website for further details on www.nfme.mv

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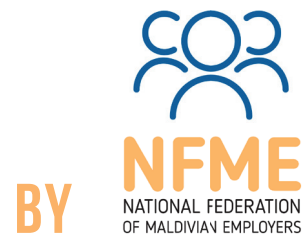
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TAILORING A NEW REALITY

Employer's Dialogue



Report on Episode 1

“SAFE RE-OPENING AND REVIVAL OF MALDIVES TRAVEL AND TOURISM”

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Executive Summary

When Maldives is opening borders, we are focused on safely reopening and reviving Maldives travel and tourism. We must realise the good things in the new normal and prevent from going back to the not so good things that were happening in the old reality. The main strategy must be to find ways to make the most of the current inventory and ensure we do enough to fill this in, as records show that even last year only 56% of the inventory was utilised.

We must also focus on engaging the local and the youth of Maldives and ensure the benefits we reap from the industry are justly trickled down the nation.

There is mixed views on compulsory PCR testing. Some believe PCR testing is impossible and impractical at a time where test kits are scarce and we do not have the resources to effectively do this without compromising the local testing. Even though this can be practiced by luxury resorts, not all resort can do this. Contradicting views are that the ability to test will pick up in the coming days and it is important that we assure the tourists that Maldives is safe. However, everyone agrees that PCR testing is critical provided we have the resources and practicality to do this. Moreover, the most important thing is to establish a solid healthcare system on the mainland and in the resorts.

The Government is on the right track by increasing the testing capacity and we must ensure the safety of our citizens, of our staff and the tourists too.

Many researches show that Maldives is the top destination for tourists and thus we have a big appetite, which is good news for the tourism industry. However, we need to ensure we are able to cater to this. We must work on routing airlines and ensuring flights are coming to Maldives. Accessibility by tourists to reach Maldives is essential. This can be promoted by incentivizing airlines to land in Maldives. Opening other entry points such as Maafaru Airport and other regional airports can mitigate clogging of Male' airport. But opening only Maafaru Airport and leaving the rest closed will not be effective. Opening Velana International Airport and Gan International Airport together and allowing jets and smaller planes to land in other regional airports seem to be the most practical right now.

Moreover, there must be relaxation on travel conditions from our market countries. Especially the top six markets which are China, India, Russia, UK, Germany and Italy. For this, the importance of the Government's bilateral discussions are paramount.

We cannot ensure a second or third wave will not come. However, we must be prepared with the proper mechanisms and effective mitigative and preventive measures to be able to handle it if it happens. We must be prepared for this before we open the borders.

Maldives will see numbers in 2020 but actual recovery is anticipated in 2021. We must use the competitive advantages we have of having the natural blessing of

being a tropical country where the pandemic spread is slow, having secluded islands and opting for "One Island, One Resort" concept to assure guests that they are safe in Maldives where they have the required healthcare and also the required seclusion. We must strategise on the marketing and the Government must team up with the private sector to work together in marketing Maldives as a destination in unity and harmony.

We need additional funding to promote Maldives, especially in raising our voice in the international markets. As stated, Government can partner with the private sector to ensure more is done together.

Maldives is ready to open the borders. People fear what if we cannot handle it. But the thing is, we are opening up gradually. With the opening of the borders, thousands of guests will not be arriving at once and we will have plenty of opportunity to test the guideline, improve where required and adjust accordingly. It can be determined if we have the capacity to handle the increase in guests. So there is no need to worry in terms of that.

Though the pandemic has been overall negative, we must acknowledge the positive changes it has brought to many organizations where they are instilling best practices and opting for global standards in safety and health.

Tourism has definitely been hit hard and even though resort operators did not wish to furlough staff, with no income it was unavoidable. There is a big misconception that resorts become cash rich the moment they open whereas new resorts take years to cover the initial investment and older ones are also going through difficult times now, especially with the boom in industry inventory. Hence, with no income, it is not manageable to keep continuing as it was doing before. We are pleased to be informed by HE President Ibrahim Mohamed Solih that lease rental for resort islands will be waived for two periods. This will be a much-needed help right now for the companies to hold on a bit longer without resorting to further austerity measures.

Another suggestion is staggering the opening of resorts when the borders re-open as opening all the resorts at once will dump the prices and neither the private sector nor the Government will benefit in such cases. Government can encourage some resorts to open towards the end of the year by allowing incentives so that they do not lose by opening later.

They can also implement proper constructive dialog between private sector and introduce a proper realistic stimulus packages in order to keep the employment level high. We need urgently to raise the capital. Government can borrow funds and lend it to the private sector whereby making a profit on the interest and the companies also staying afloat. The only way to move forward is to reopen the industry, start generating income again and everyone can slowly can back to normal, or the new normal.

Introduction

National Federation of Maldivian Employers, NFME, launched a Webinar Series “Tailoring a New Reality – Employer’s Dialogue” with the purpose of uniting our different industries together and establish a dialogue with the industry experts on how to navigate in the new realities that are unfolding.

The first episode was aired on 3 June 2020, Wednesday and episodes focused on a different sector weekly are planned to air every Wednesday at 16:30hrs Maldives time.

With the importance of tourism restarting and at a time the borders are preparing to re-open, the most critical discussion was believed to be on Maldives Travel and Tourism. With the topic “Safe Re-opening and Revival of Maldives Travel and Tourism” the industry experts discussed various matters and this report is a summary report prepared based on the episode.

Panelists for the Episode:

Mr. Abdulla Ghiyas Riyaz
Mr. Sonu Shivdasani
Mr. Mohamed Khaleel
Mr. Murad Hassan

Facilitated by:

Mr. Mohamed Ali Janah





Mr. Abdulla Ghiyas Riyaz

Abdulla Ghiyas is PATA Face of the Future 2018 and Chair of PATA Maldives Chapter. He is the former President of the Maldives Association of Travel Agents & Tour Operators (MATATO) and current Vice President.

He is an entrepreneur in leading travel and startup businesses. Director of Inner Maldives Holidays, Ace Travels Maldives, Spence Maldives, Universal Aviation Maldives, and Margaritum.



Mr. Sonu Shivdasani

M. Sonu Shivdasani is the co-founder of the world famous Soneva and operates resorts in Maldives and internationally. He promotes luxury tourism and has a career span of over 25 years. He has been observing the Maldives tourism situation and written articles that are very relevant to today's dialogue and his ideas will no doubt help us pave the way forward to re-start Maldives tourism.



Mr. Mohamed Khaleel

Mr. Mohamed Khaleel is the CEO of Manta Air and brings 20 yrs of the industry's experience with him. He is also still actively engaged in and oversees the sales and marketing function of Kandima Maldives. His experience of tourism and aviation is critical for our dialogue today.



Mr. Murad Hassan

Mr. Murad Hassan is currently the Director of Business Development of Villa Hotels and has had experience in the world famous booking platform, Agoda, for 9 years heading business development for Agoda in UAE, Singapore and Malaysia.

Discussions

We are going through a transformative period and every destination will need to recreate its tourism from the ground up. What should be the important steps of recovery and resolution?

Answered by: Mr. Abdulla Ghiyas Riyaz

It was discussed that we must keep in mind when we speak about going back to the old normal, that there were many things that were not right in the old normal.

One main thing Mr. Ghiyas highlighted was the fact that only 56% of tourism industry's inventory was used in 2019 based on the numbers that in 2019 1.7million tourists arrived in Maldives. Hence, it is essential that we think about how we can fill in the rest of the inventory. Maldives has the capacity to cater to about 3million tourists based on current statistics of the per stay duration.

It is also important the Government and Private sector works together. We need to establish clear and comprehensive SOPs, guidelines and processes that are feasible and practical.

Considering tourism contributes to the highest GDP, the recovery depends on tourism and Maldives need to be marketed as a destination beyond what is being done right now.

Additionally, we must also ensure the common citizens of Maldives benefit from the industry. When the industry is doing better yearly, we must question if the peoples' lives are improving, if the currency inflow is passed down equally and how we can bridge the inequality gaps.

Maldives is the dream destination for a lot of people. People are waiting for Maldives to re-open and this gives us a chance to re-start the industry and regenerate fresh by learning from past mistakes in a more beneficial way to everyone.

Hence, we must come out of this better and not keep doing what we were doing before. As Mr. Janah mentioned, all industries together must focus on engaging the locals and the youth and that we come out with practical steps on how to achieve these.

How can we implement measures WHO and MoT guidelines in ways that minimize unnecessary impact on international travel and trade?

Answered by: Mr. Mohamed Khaleel

This was responded to by Mr. Khaleel. The most important thing about guidelines and SOPs are that they must be practical.

The guidelines by Ministry of Tourism has been revised and is now quite practical. PCR testing for all arrivals are impossible due to the scarcity of PCR test kits. Most of the countries are opting to only test the ones who show symptoms. If we make this compulsory, the recovery rate may be extremely slow.

The justification for not doing compulsory PCR testing on all tourist arrivals is that, we ourselves do not have the resources, and the tourists would anyway have gone through screening at their exit countries. Hence, PCR testing can be done for symptomatic guests only instead of all arrivals.

Mr. Khaleel believes that due to this compulsory requirement, tourists will be hesitant to visit Maldives and the recovery will be slow. Maldives may seem unwelcoming with impractical procedures. However, we must be extra careful and take precautionary measures such as following the general Health and Safety guidelines, maintaining safe distancing, washing hands, sanitizing hands and screening through thermal cameras should be sufficient in this case. But do PCR testing as possible, without compromising our resources, local testing and capacity.

In an article authored by Dr. Fazeel Najeeb in the Maldives Economic Review Volume 1, Issue 3, in March 2020, he has stated that ADB expects the revenues of Maldives from tourism would decline, in the best case scenario, by 1.8% the gross domestic product (GDP); which would corresponds to USD98Million. Worst case scenario expects a decline by 5.5% of GDP which would correspond to about USD294Million.

Considering that income loss is exponential, is ADB's estimate in loss of revenue reasonable if we consider the borders will open in the upcoming 2 months? Based on this, how long would an average resort take to recover from the loss and get back to normal business?

Answered by: Mr. Sonu Shivdasani


Opening up the borders is just the first step to recovery. Secondly, the demand from the clients is very important and it can be seen from the sales records that the demand is increasing with guests wanting to come to Maldives as soon as possible. Thirdly is the ability. Will the guests be able to travel after so many days in lockdown and is the Government going to allow guests from all the countries? Will there be inbound flight accessibility? Mr. Sonu stated that he is optimistic about the coming days. There are possibilities to see more incoming flights sooner than expected. One way to increase this is if Government gives airlines subsidies to land in Maldives. As it is known, landing in Maldives is quite expensive and if this can be revised, more airlines would route to Maldives and thereby picking up the flight arrivals. Then again, with this, we must resolve the traffic related issues so that Maldives becomes an attractive destination for planes to land.

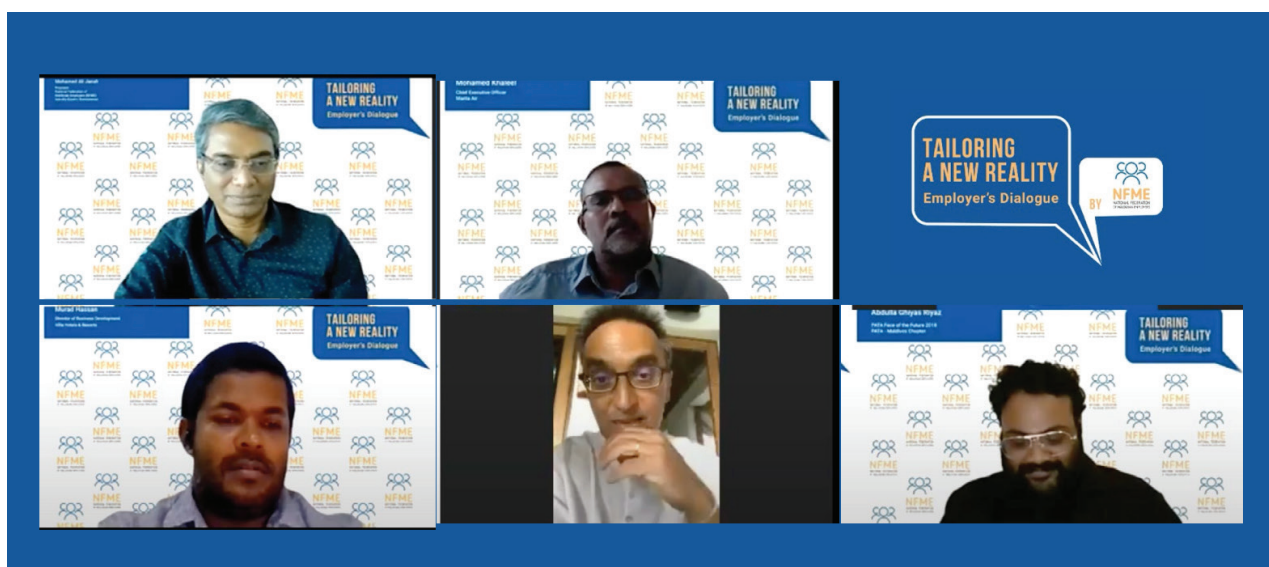
One challenge is the extensive conditions by relevant governments in market countries. UK requires compulsory 14 days quarantine for travelers and is

similar in China. If the government can seek ways to reduce this burden, especially in the China, India, Russia, Germany, the UK and Italy, we can expect the travelers to increase.

Mr. Janah highlighted how some countries are opening up inbound flights to their bubble such as New Zealand, and Maldives may try similarly within our bubble, for example with India, Sri Lanka, China and Singapore and progress so on.

Mr. Sonu believes that if we are proactive over the next 30 days tourism will rebound and in terms of the ADB estimate, the 1.8 percent may be a little optimistic. Though there is a lot of demand picking up but as we have lost a lot of ground, he expects it somewhere between the 90 and the 300 million but that really depends very much on us.

 Asian Development Bank, estimated that the revenues of Maldives from tourism would decline, in the best-case scenario, by 1.8 per cent of the gross domestic product which correspond to USD 98 million in the best case. Worst case USD 300 million.



What is the best strategy to market Maldives under the current circumstance and what are our target markets?

Answered by: Mr. Murad Hassan

Mr. Murad believes the most important aspect of our strategy must be ensuring there is a solid health care system established in our mainland and the resorts. Guests must have the confidence that we have the system in place to treat them in a situation it may be needed. Though we may not be able to test each and every person entering, we must ensure there is a system that is strong enough to do these tests and provide healthcare if needed.

Secondly, to mitigate the traffic in Velana International Airport, we must consider opening other entry points. Right now, private jets are landing, but is restricted to Male'. We must work on incentivizing other entry points to manage the clogging of Male' Airport.

Mr. Sonu agreed with Mr. Murad's sentiments, and is supportive of testing each arrival. He mentioned that resorts are donating and investing for this purpose. Mr. Sonu stated that he personally believes it is practical and achievable, and early feedback we had from Tourists is that PCR testing on arrival would be welcomed and would render the Maldives more attractive as a destination. He also agreed on Mr. Murad's comments on opening up the smaller airports for smaller planes as many airlines will initially restart with smaller airplanes.

Mr. Janah is agreeable and states that we must have a uniform standard guideline, on which resort owners must work on improving and bettering.

However, Mr. Khaleel is of different views when it comes to PCR testing. Mainly because this may be possible for luxury resorts, but speaking for other resorts, PCR testing for each arrival is not practical in

his view. The machines are not available easily and it can lead to slow recovery. PCR testing can be done for symptomatic guests and we must ensure safety precautions are taken carefully.

Mr. Ghiyas shared the same sentiments with Mr. Khaleel that we regardless of the importance, it is not practical for Maldives to test each arrival even if we base it on the forecasts released by the Government for the August arrivals even. Maldives does not have the infrastructure right now to do this in addition to what is being done now and it can affect the testing for locals. Even now IGMH and ADK's testing may not be enough for locals, and with the resources, doing PCR testing for the tourists on arrival is not possible.

To this, Mr. Sonu thinks that the capacity will pick up in the coming days. There are many machines that have been ordered and pending arrival. It is essential to do the tests specially to help guests be assured that they are not carrying the virus back to their old parents / grandparents, which is one of the biggest fears of the travellers.

Bottomline is all panelists agree PCR testing is critical provided we have the necessary means to do it without jeopardizing the testing for the locals.

Mr. Janah also commended the work the Government is doing and believes that they are on the right track, and by increasing the capacity we are working towards the same goal to ensure safety of our citizens, our staff and the tourists too.

What competitive advantage would Maldives have when everyone else is also planning to open up their borders for tourism with the rest of the world opening up simultaneously?

Answered by: Mr. Murad Hassan

The biggest advantage will be our natural blessing of having secluded islands where guests will feel secure. Assuring the guests of solid healthcare systems and assuring them of their safety is the most important message we have to send out to the world right now. We need to work together in marketing Maldives on the same lines, where it is now observed that a lot of marketing is out of focus and going in different paths. We must focus on the same goals and market Maldives similarly.

Opening up other entry points and declogging Velana International Airport will also be very effective.

The airlines will play a very vital role in picking up the tourist numbers. How will air traffic be and from what regions in the upcoming months? How will the airlines operate with the borders opening?

Answered by: Mr. Mohamed Khaleel

Market research shows people will prefer domestic and regional travel initially. The most positive responses came from India, Middle East and China with Europe expected to only pick up from December.

In addition to opening the borders, the Government must build dialogues between market countries and incentivize arrivals. Especially with the China government as the Chinese market is the biggest contributor to our arrivals.

Airlines and multi-party discussions have to be done

in productive ways. We have to market Maldives using our competitive advantages as Mr. Murad mentioned. Take advantage on the fact that Maldives is tropical and spread of disease is curbed. Marketing is important to build the demand. Globally, airlines are bleeding and they are not willing to operate flights to Maldives unless there is significant demand and they cannot operate with half the seats empty.

International tourism is down by 22% in 1st quarter and could decline by 60-80% (UNWTO, 2020). Uncertainty continues to dominate, are a second wave and third wave expected. What could we be expecting, is there hope for us that we could manage this situation as a country?

Answered by: Mr. Abdulla Ghiyas Riyaz

If we look at MIRA numbers that were last available, we see a decline of 58%. The collection recorded was USD23Million compared to previous year's USD55Million. It is only expected to go lower now. It is difficult to scientifically assume a number and say WTO is right. The situation is so volatile and dependent on so many factors.

Mr. Ghiyas expects any significant recover to happen only in 2021 though we will see some numbers in 2020.

We cannot determine if more waves will come. However, the world has been reacting at a fast pace with works on vaccine also fast tracked beyond any time in history. Nevertheless, we must have mechanisms in place to handle any other waves that may hit us. We must have these in place before we open the borders and be prepared.

The pandemic has brought about positive changes too. Many organisations are adopting Health and Safety global standards, following better procedures and implementing best practices.

Recent research is showing Maldives as the top search for holiday destination in US. Maldives was announced as one of the top three destinations by Booking.com and Expedia Singapore announced that Singaporeans have chosen Maldives as the preferred holiday destination when travel resumes. Hence it is good news for Maldives. There is light at the end of the tunnel.

Do you think we are spending enough to market and advertise the Maldives under the current situation? Do we need an additional budget for this ?

Answered by: Mr. Murad Hassan

It is difficult to say if we have enough budget for this, but definitely we can do more on this. The recent incident with the first draft from Ministry of Tourism getting released to the media and to the international markets has been detrimental to our marketing. We could have a supplementary budget to share our voice in the international market. We have a considerably low budget so one thing we can look at exploring is partnering with private sector. Resorts and private companies spend significantly more and collectively they spend more than the

Tourism Board. Hence, teaming up with the private sector to work in harmony with the national interest in mind.

The marketing methodologies we have are outdated. We need to be able to establish how much is spent and the output. Yes so we need additional budget.

What are the actions that are necessary for the socio-economic impact on this pandemic and to accelerate recovery ?

What partnerships could save the day for us, for our workers, for the local population and for everyone that has been working in that industry?

Answered by: Mr. Sonu Shivdasani

We need to restart the economy fast and open the resorts to be able to employ staff and work on undoing some of the socio-economic impact. With all the advantages and opportunities we must create the demand and ensure our ability to cater to that demand.

The repeated statements about Government's bilateral discussions cannot be reiterated enough. Europeans are hesitant to travel within the countries due to high rate of infections there and are prone to come to tropical countries. So with ease on travel restrictions, the European market could be penetrated earlier than Mr. Khaleel's anticipation.

China is the largest market to the Maldives, by far. This is, even more, the case in the summer months. So, establishing a bilateral agreement with China is paramount.

The Chinese Government, have already entered into "Fast Track" agreement with various countries, where Chinese citizens can travel to these countries and only need to isolate for two days on return provided they take a COVID-19 test.

If we would like to see tourism rebound given the size of this market, it is important that the Government try and secure the Maldives on that list of nations that are part of this fast track arrangement with China.

The Chinese Government should be supportive of Chinese Tourists visiting the Maldives. For, the Maldives has borrowed a lot from China and Mr. Sonu believes that China would like to help the Maldives' economy so that the country can repay the debt that is owed.

If the quarantine period can be reduced from compulsory 14 days to fewer days upon returning from vacation at those respective countries, similar to what China has done with specific destinations, travelers will be more eager to travel.

So we need to partner with the top markets and work in bringing the tourists which in turn will boom the economy and enable us to have jobs back for the affected people.

Questions and Answers Session

Do you think the Maldives is ready when we reopen on July or do you think it is too soon?

Maldives is ready to open. It is going to be a slow process and we are not going to have thousands of tourists at once. With gradual arrivals we will know what has to be done better and the system can be evolving for the better and be ready for the arrivals to pick up. We can gauge if we can handle the increase in numbers once we open. So for now, we are ready to open and allow arrivals.

We expect there will not be a significant recovery until October, what more should the government do to support the tourism industry workers? Is it reasonable to expect the resorts to support their workers for six months while they remain closed ?

One thing that can be done differently by the government is to stagger the opening of resorts so that all the resorts do not open at once leading to a crash in drop in prices due to not enough demand. Incentivize the resorts that delay the opening, maybe to around September or towards the end of the year. There is a misconception amongst the civil society that once a resort opens they are cash rich immediately. This is not the case. Many new resorts take years to cover the initial investment and the others also need to build their income. Even recently, with the boom in the country's inventory, the industry itself is going through a tougher time than before. Redundancy is happening globally, not only in Maldives. As hard as it may seem for the resorts to reduce their staff, they are compelled to without generating income for so many months. We are pleased to be informed by HE President Ibrahim Mohamed Solih that lease rental for resort islands will be waived for two periods. This will be a much needed help right now for the companies to hold on a bit longer without resorting to further austerity measures.

They can also implement proper constructive dialog between private sector and introduce a proper realistic stimulus packages in order to keep the employment level high. We need urgently to raise the capital. Government can borrow funds and lend it to the private sector whereby making a profit on the interest and the companies also staying afloat.

Conclusion

The guidelines established for restarting tourism in Maldives was discussed, with the challenges related to this and how we can strategise the marketing and to increase the guest traffic in the upcoming months. Internationally tourism has declined and with the borders being closed for close to 4 months, the borders are opening on 15 July 2020 and much needs to be done to ensure we practice safe tourism and also ensure we are bringing in tourists.

Some proposed recommendations included opening up regional airports to decongest the capital airport and to have bilateral discussions with other countries to devise ways to create ease of traveling for travelers.

The dialogue was a very constructive dialogue with the panelists laying a groundwork for further dialogue to be established. In general, all experts are of the same views and the question of practicality is the main challenge.

The episode was closed by our Federation President, Mr. Mohamed Ali Janah, by thanking everyone and also by stating that NFME is doing all this to facilitate and complement everything done by all other stakeholders in the industry for the betterment of the economy and the country. NFME's aim with this report is to collate the main points discussed in the full episode and present to you so that you are also part of our dialogue, and can open your mind to possible and different pathways on safe reopening and revival of the Maldives tourism industry.

We acknowledge and thank the panelists for sparing time from their busy schedules and sharing their valuable ideas.

The full episode is available on YouTube on National Federation of Maldivian Employers' channel: https://www.youtube.com/watch?v=08quM_6tIPs&t=29s.

For any assistance, you can reach out to our secretariat on secretariat@nfme.mv

TAILORING A NEW REALITY

Employer's Dialogue



Episode 1 : 3rd June 2020, Wednesday

Starting time :

1130 GMT
1630 Maldives
1700 India / Sri Lanka
1930 Singapore

Topic : Safe Re-opening and Reviving of
Maldives Travel and Tourism



Facilitated by :

Mohamed Ali Janah

President
National Federation of
Maldivian Employers (NFME)
Industry Expert / Entrepreneur



Link

www.facebook.com/MVEmployers

SPEAKERS



Abdulla Ghiyas Riyaz

PATA Face of the Future 2018
PATA - Maldives Chapter



Sonu Shivdasani

Chief Executive Officer
and Co-Founder
Soneva



Thoyyib Mohamed

Managing Director
Maldives Marketing &
PR Corporation (MMPRC)



Mohamed Khaleel

Chief Executive Officer
Manta Air



Murad Hassan

Director of Business Development
Villa Hotels & Resorts

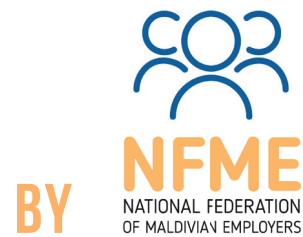
Registration Link:
<https://bit.ly/24fR390>



Mr. Thoyyib Mohamed could not attend the episode due to a schedule conflict.

TAILORING A NEW REALITY

Employer's Dialogue



Report on Episode 2

“TAILORING THE CONSTRUCTION INDUSTRY UNDER THE NEW NORMAL”

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Executive Summary

Various challenges faced by the construction industry, best practices and opportunities were mainly discussed in the dialogue to discuss how the industry can be tailored now.

The biggest challenge the industry faced and face even now is the illegal migrants matter. Especially the industry being targeted as the biggest contributor to this. All industries employ expats. Even now, the construction industry has been taking care of their over 40,000 workers during the pandemic, and the Government's aid for undocumented workers being utilised mainly by the adhoc expatriates mainly involved in trading.

The biggest boost is that these workers and the aiding parties are not reprimanded for these acts but rather they are easily repatriated, no matter how long they have been working in the open labour industry, collected funds, remitted it abroad and subjected the actual employer to be at a loss in terms of their deposit and quota being held. Hence, this can only be resolved if the system is changed with escapees and aiders being penalized and not allowing them to freely work in the open market. The Government's current process of repatriation of undocumented workers is a good beginning. With continuation of this and ease of regularization of the workers in the country can help to clear up this critical issue.

In addition to this, the other challenge was the disruption to the supply chain and works being stopped. Construction companies are facing issues with disrupted supply chains and stoppage of works, resulting in delays in projects but with additional costs as the recurring expenses will spread amongst the delayed period. A lot of contractors are expected to go bankrupt during this pandemic. It is critical for the Government to promptly release payments of contractors as many of them do not have cash flow reserves.

Even if this is the case, there are always opportunities to bounce back post pandemic and do better, similar to the 2009 recession. In future, clients and banks will check the contractors' track records to see on time completions. This is the time to adopt innovative ideas. Ideas like using drones for inspections and doing as much of the works electronically can be the new normal for construction projects.

MNACI's report on the pandemic's impact and the safety and health guidelines in 7 languages intend to mitigate and minimize the risk of the situation as much as possible. In the middle of all this, everyone must ensure safety and health guidelines are followed. HPA's guidelines are essential. Thereafter comes managing the cashflow.

As a lot development depends on construction, such as building of schools, hospitals, resorts, etc, there will be a need for this industry and the Government will not allow contractors to perish. However, there is no choice for contractors but to wait until the Government recommences the projects as there is no way for private housing to continue right now. Meanwhile, the most important thing is to disallow international contractors to be awarded local construction projects.

The current misunderstanding of the area calculation of the 7000 housing units was clarified. The floor area in Maldives is considered as the carpet area, the walls and half of the thickness of shared walls, which was the basis used for these units also. The floor area is how much that will be registered for the tenant. Not the constructed area by the contractor that can include corridors and other common areas.

With the completion of these housing units, there are additional requirements, including additional schools. These are additional projects that will be announced shortly. Furthermore, there is a Saudi funded project to dredge a channel between the tourism area in Hulhumale' and the development of a separate harbour for this area, which is also an upcoming project. There is also plan to sell land for housing in Hulhumale Phase II once some of the currently faced matters with electricity can be sorted. This means there can be more opportunities for private housing projects there.

It was requested from HDC to consider local contractors for these upcoming projects. However, it was noted that local contractors lack the required experience for which NFME's President reassured there are several local contractors with the experience and to consider joint ventures with local parties and prioritise them for knowledge transfer and experience of local companies. This will not only help them survive the pandemic's effects, but also help the economy by retaining the funds within the country.

Good governance, transparency and accountability are the keys to success of any company, be it public or private. Having different owners and management and competent staff, and ensuring honest information is shared transparently. Cost cutting is not something that needs to be done only during a pandemic and should be constantly checked. Employees and clients must be well taken care of.

MTCC confirms they have 42 projects ongoing in 36 islands. The ferry system Mahaajarraaf is expected to convert to a 99% locally operated boat within the coming 4 months. Locals must be trained and there must be a gradual transfer to increase the local manpower as instantaneous transfer can disrupt projects. It is in fact cheaper in the wider aspect to employ locals than foreigners with their additional expenses such as deposit, visa fee, accommodation, food, medical, etc. There should also be more focus on maximizing the assets, repairing the many equipment that are available and operating them.

It is also important to train people from a young age. The mindset that this industry is a dirty, difficult and dangerous industry must be changed by creating more awareness. The mindset that only doctors and engineers are elite must be erased and elevate this industry as an attractive sector for youngsters. At least the skilled professionals can be locals.

The biggest take away is that we must focus on training our people without fear that they will leave and move to another company. Because training Maldivians is beneficial to the country in the long run.

Introduction

National Federation of Maldivian Employers, NFME, launched a Webinar Series “Tailoring a New Reality – Employer’s Dialogue” with the purpose of uniting our different industries together and establish a dialogue with the industry experts on how to navigate in the new realities that are unfolding. The first episode was aired on 3 June 2020, Wednesday and episodes focused on a different sector weekly are planned to air every Wednesday at 16:30hrs Maldives time.

The second episode was aired on 10 June 2020. With the topic “Tailoring the Construction Industry Under the New Normal”, the industry experts discussed various matters and this report is a summary report prepared based on the episode.

Panelists for the Episode:

Mr. Saudhulla Hilmy
Mr. Adam Azim
Mr. Suhail Ahmed
Mr. Hassan Shameem

Facilitated by:

Mr. Mohamed Ali Janah





Mr. Saudhulla Hilmy

Mr. Saudhulla Hilmy is an active board member of MNACI who has experience in plenty of construction projects. Currently managing SWIFT Engineering as their MD, he was also a Member of Parliament who was active in the deliberations of the Building Act and has a lot of experience in construction and its legalities.



Mr. Adam Azim

Mr. Adam Azim is representing MTCC today as their CEO. He has served in various organisations even before he joined MTCC, notably as the MD of STO and MD of MWSC.



Mr. Suhail Ahmed

With 15 years in Housing Development Corporation, he currently the Managing Director of HDC, with years of experience in Project Management as well in various luxury resort development projects.



Mr. Hassan Shameem

Mr. Hassan Shameem studied from UK and Australia. He is a registered QS in Maldives and also NZ. He has over 20 years of experience in project management with 9 years working in NZ Fletcher company. He is currently managing his private company INOCA and also an active EBM of MNACI.

Discussions

How can we respond to the generic belief by public that the construction industry is responsible for Maldives' foreign expatriate undocumented workers' present situation?

Answered by: Mr Saudhulla Hilmy

Given the Maldives foreign expatriate undocumented workers, public has a perception that the construction industry is partly responsible for the present situation. How do you respond to it? And you being a board member of MNACI and also the former MP who proposed the Building Act, what do you believe are the real issues behind undocumented workers and what kind of preventive measure do you propose in terms of managing undocumented migrant workers in the country?

Mr. Saudhulla rejected this claim, as it is not just because of the construction industry there are so many illegal workers in Maldives. Workers are imported for all industries. It has gone to this extent mainly because of the negligence of all governments we had. MNACI has been always lodging complaints and advising the labor ministries of previous governments too. Even in his personal capacity as an ex MP, he took this matter to the parliament too. The biggest reason illegal migration became this critical is that the workers who flee are rewarded in this country. They work with us first, they learn their skills from us and then they flee claiming proper salary, food or accommodation are not provided and they self-sustain with random jobs for 8-10 years all the while accumulating wealth over the years. Meanwhile, the deposit we paid for them is held by the government and we are not allowed to bring anyone to replace him in our quota.

Once they have collected enough, they just go to the immigration and declare himself as an illegal immigrant and he is easily repatriated with no consequence.

This practice is enabling the workers to work as open workers without any repercussion. the worker who fled and the employers who assisted in the workers absconding should have a penalty or fine for this. Mr Saudhulla proposed a punishment of at least 6 months in jail.

Instead, they are rewarded by being deported back to their country where they can apply for employment

in the middle east through the set of skills they gained from us.

If we are paying them a monthly MVR5,000, they are able to get MVR8,000-9,000 monthly as people hire so many open workers. They are able to export this money so easily through western union or money order. We must change this and establish strict guidelines on these things.

Hence, there must be better procedures, guidelines, stricter penalties imposed on workers who abscond, without allowing escapees to leave with so much ease, penalizing the employers who hire these open workers that create this open demand and regulating the money they take out of the country.

This matter requires a collective effort by the Government and the private sector. The current government has started a very good program where they are identifying illegal workers and repatriating them.

Mr. Janah added to this response that the illegal migrants are related not only to the construction industry. During this pandemic even, there are so many undocumented workers working in trade and in the shops. Most of the accommodation assistances by the Government were given to them. Construction companies are taking good care of their workers, about 40,000-50,000 workers are being taken very well take care of even now. Yet, due to the actions of some people, this is unduly targeted at the construction industry.

He also highlighted the issues of these workers who not only have a high demand for their open labour, but they are also able to remit this income out of Maldives either by Moneygram, Western Union or some way.

He welcomed the Government's action of repatriation of undocumented workers. And if this process can be continued and if the internal process of documenting workers can be eased, it is not impossible to clean the whole system.

How can we explain to the public the current debate on the area of the 7000 housing units in Hulhumale'?

Answered by: Mr Suhail Ahmed

Mr. Janah stated that as a contractor his understanding is that, contracts are based on the area or volume of work. Then, the actual volume of the whole apartment that you get may be different, it may contain staircases, corridors, open spaces, so what the contractor does, and what you get as a tenant may be different.

Mr. Suhail clarified that the area depends on how you calculate it. For a contractor, as Mr Janah mentioned, it is the total floor area, irrelevant of common area, sellable area, for the contractor it is the total amount of volume of the block. However, the seller or the real estate agent considers the sellable area only. Each apartment's floor area is calculated based on the sellable area and thus, corridors, lift and other common areas are not considered in this area.

There are different ways of calculating the floor area. Whilst some consider the floor area as the carpet area, that means excluding the wall thickness, only the floor area where the carpet is laid, in Maldives and Housing Ministry regards those walls also as part of the floor area and all the internal partition walls is counted as the floor area. For adjoining apartments, half of the thickness of the boundary walls is considered within the apartment floor area.

Based on this, what is so far published or highlighted in this case of the 7000 housing units in Hulhumale' is the area which is going to be mentioned in the registry of that apartment. This is the standard in Maldives.



Is HDC going to allocate more land for housing and development projects?

And if so when and what message would you like to give to the Maldivian contractors in terms of an upcoming opportunity for them in the building industry?

Answered by Mr. Suhail Ahmed

Male' already is overcrowded and thus Hulhumale' has the most potential in Male' region, including phase 2 there are lot of opportunities. Though there has been delays in rolling out the major construction activities, which was initially planned to be done by the first half of this year, it is still in plan to announce major projects within June 2020.

There are on-going civil works as well as building works. One of the major civil works projects will be probably announced shortly, is what is called Channel 2 project. The project involves separation of tourism zone within the Phase 2. Within the Phase 2 there is a separate island for tourism development. A bridge is already built, but the channel works and a separate harbor for those who are accessing to the tourism island are in progress. Local contractors and foreign contractors are welcome to participate in this project. This is a project financed by Saudi fund so the funding is secured for this. All the designs are done by a Turkish consultant. So this is one project that will be announced in the coming week/s.

Furthermore, we have several projects for development of schools in Phase I and II. Especially in Phase II, with the completion of the 7000 housing units, there is a requirement of about 4-5 schools in the area.

These are just some of the projects that are coming up and an announcement of future projects is anticipated, hopefully within the month of June 2020.

As President of MNACI and NFME, Mr. Janah requested from HDC to award upcoming projects to local contractors as much as possible.

It was noted by Mr Suhail that there is a lack of

experienced Maldivian contractors in civil projects. In largescale resort projects you do witness innovative buildings, even construction under the sea, but still it was noted that Maldivian contractors are not yet experienced enough for such challenging and diverse construction and development.

However, to this Mr. Janah expressed that as the assessment of the capacity of the Maldivian contractors as well as the capacity building for the construction industry is a subject that has been discussed, the opportunity must be created for the local contractors to prosper and to develop. Collectively we should try to give that opportunity to the locals, so that local employment is also encouraged.

Even if not 100%, a part of the exercise can be done by Maldivians. Mr Janah stated that there are a lot capable people who are doing it already and some companies who are doing overseas projects as well. Therefore, with a little bit of knowledge transfer, a joint venture, this opportunity can be created.

One suggestion proposed by Mr. Janah was to give priority to parties who are joint with a local contractor, so that the local contractor benefits and also gains the knowledge to be able to do similar projects in its own capacity thereon. Especially in these circumstances, it is essential so that the money stays within the country and circulate within our economy.

(To Mr Adam Azim) You have been one of the most successful CEOs in the State-Owned Enterprises and you have been instrumental in turning around MTCC to a profit making entity within a very short period of time.

What message would you want to convey to other CEOs, both in the public and private sector companies?

Answered by Mr. Adam Azim

- **Good governance system**

Management and ownership should be different. You should hire quality people for quality results even though they are expensive. They will contribute exponentially to the company's profit.

- **Transparency**

Share information with public as much as possible

- **Accountability**

Mr. Adam shared his personal experience in ensuring accountability is established in the entities.

"First thing I do after I take over is check the balance sheet, see how the funds are spent, investigate and cut down unnecessary costs, each penny spent should give a return to the company, accounts should be daily updated, I've saved MVR3.5 million in one day by just changing the procedure of how one single transaction was being made."

"In STO, before they used to make the balance sheet once every 3 months, after I took over, I made sure they prepared it for the 5th of every month. Now I am working on getting MTCC to follow the same."

All the expenditures made in a company should be at the fingertips of the management.

We must always keep in mind that we are in a pandemic, and it is not only when we go through a pandemic we have to think about cutting down costs, firing employees, etc. We have to always keep these things in mind when we are operating an efficient company.

We are responsible for public property, we have to think and investigate if we are utilizing them in their best capabilities, we have to always keep in mind to be honest about public property.

Most expensive and most important asset for a company is their employees. It is important to take care of our employees, consider their suggestions and create a healthy environment where employees and management are united in harmony. The energy created by building such a team is enormous and I am sure will help the company fast track their works efficiently at the maximum speed.

Additionally, the company should build a strong relationship with their customers and suppliers. When Mr. Adam was in MWSC, he studied MWSC's customers and concluded that most of their customers are from MNACI and therefore, they worked to build a good relationship with MNACI and helped build a strong governance system within MNACI.

To help our local contractors we need financing. International contractors already have strong financing to back them up when they come to work in Maldives. Similarly, if we give our local contractors the opportunity with financing, instead of the international contractors, our locals would be the ones building these 28 floor buildings in the Maldives.

Contractors that rely on Chinese-made goods and materials are likely to be faced with higher costs, and faced by shortages of construction material and slower project completion. This, in turn, implies higher prices and more projects cancelled. How do you see this easing? Furthermore, the pandemic will bring a lot of additional expenses to the ongoing projects.

What can construction companies do to address additional expenses incurred due to the pandemic, such as additional safety and health requirements and costs, delays incurred due to strict working measures, etc ?

Answered by: Mr Hassan Shameem

It is essential for clients and others to be aware of the owner's side of the regularly faced problems. No one was prepared for the pandemic and its effects, especially the steep decline from January to April this year.

When it comes to material, most of the contractors in Male' including the bigger companies too, procure their material from China's factories. Hence, with China closing, the contractors faced difficulty in getting material. Thereafter, even when China opened up and factories started working again, Maldives went into lockdown. This supply chain disruption caused contractors to lose more than 2-3 months. This eventually delays the projects.

Even though none of this is the fault of client / owner / contractor, in the contractor's perspective, they are faced with additional costs as their project pricing is based on the timeline that is now delayed causing extra costs such as work force expenses, that anyway has to be extended. Due to this, the contractors are facing additional costs on the existing projects. This is very different to many owners who believe the costs will be lesser now with slower pace of works, which is on the contrary.

Even with labour force, there are stricter guidelines and regulations. Even with accommodation and also getting subcontractors. For example, if a lift service provider is working at a site, the contractors have to reduce their manpower to add the subcontractor's workers, to comply with the social distancing rules. All this will lead to an overall value increase of the project.

Currently, the government bids are awarded to the

lowest bidders. This must be reconsidered in the future.

Also, contractors are surviving on a very tight reserve cash flow and most of them do not have enough cash flow to manage even 3 days. In such a scenario, contractors heavily rely on prompt payment of invoices on completed works. Delays in these are adversely affecting the contractors in unmanageable ways.

Mr Shameem feels there will be plenty of companies that will go bankrupt due to this pandemic. At the same time, he also stated that there are lots of opportunities rising post pandemic. There will be many professionals who do not survive this situation now, and new companies can be formed with these professionals. Similar to what we saw in 2009, Mr Shameem is optimistic that there will be lot of new companies born that will do better than before. In the future, clients will want professional who can ensure projects are done on time even with risks and even banks will be checking the track record of companies on their project completion.

Mr. Janah mentioned that MNACI released a report on the Impact of Covid19 in the construction industry in Maldives and that MNACI also released Safety and Health Guidelines, including additional guidelines for Covid19 in 7 languages, to help the industry to mitigate and minimize the risks of the pandemic. NFME's trying to understand the situation of each industry separately through these weekly dialogues and assist the stakeholders to also take informed decisions.

According to the report published by MNACI on the Impact of Covid19 in the Maldives, Construction Industry, Public Sector Investment Programmes projects are reported to be temporarily on hold, which is MVR7.2 billion and this is a direct loss to the Maldivian construction industry. Given this how would you respond to the recovery phase with these numbers?

Answered by: Mr Saudhulla Hilmy.

Mr Saudhulla Hilmy is very optimistic about the Government's direction on this and believes that the Government will not allow the local contractors to perish, and thus will gradually start announcing projects, which in turn will start the movement of the cash flow within the companies. His justification for this is that construction industry is directly related to all sectors in the Maldives, whether it be construction of hospitals, schools, houses, resorts, etc. Any change to this industry will have an effect over all other industries and in the big picture the whole country. Hence, the construction industry must survive for the country to survive.

Most of the projects that are undertaken by contractors are Government projects or private housing projects. There is no hope for banks to be releasing personal housing loans to individuals and thus the only choice will be to wait until Government recommences the projects.

We must put a stop to international contractors doing small projects in the Maldives which local contractors are qualified for. Even though it is easy for international contractors to get projects from abroad, that is not the case for our local contractors. Such types of small projects especially should be contracted to locals only.

What's the total number of projects that MTCC is executing now and what are the major projects that are in the pipeline to recommence and when do we expect to start them. Which islands faced the most disruption to ongoing projects?

Answered by: Mr. Adam Azim

There are 42 projects total ongoing in over 36 islands, there are plans to mobilise in the near future and works are being carried out in various stages of these projects.

Mr. Adam stated that he is working on bringing more local contractors and staff as he believes in empowering locals. Enough opportunities must be given to them to realise their full potential.

"Mahaajarraaf" currently employs expat staff. Work is ongoing to search for locals to replace the expatriates and make it 99% local employees operated dredging boat. There are some great candidates with the required technical knowledge and hopefully within 4 months "Mahaajarraaf" will be 99% local operated boat.

If Indians, Bangladeshis, Pakistanis and others can do it there is no reason why Maldivians cannot.

Starting to get locals more involved in projects cannot be done in a day. It has to be a gradual process. Otherwise, if it is done instantaneously, many projects will suffer setbacks and projects will get delayed. It is essential to first train our local pool and employ them in a roll out plan devised into the future.

The purpose of generating profit for our companies is to give Maldivians a better life, not to let them suffer unemployment or eviction. The money has to be rolled in the local pot. There is no point in having surplus amounts of money in the Government if it

cannot be given back to its citizens.

On the contrary to popular belief that hiring expatriates are cheaper in this industry, so much more money is spent on their necessities, like accommodation, food, , medicals, tickets, insurance, visa fees, and so on. Instead, if we are able to get a local to work in this industry for MVR12000, why should we not opt for this?

To change these things, it will take time, but we are working on this, the reason why government is able to generate profit is because of public and we should definitely give back to them.

In these SOEs, there are 200 people doing the work which can be done by 100 people in the private sector, we have excess of employees, why cannot we utilize all of them?

We need to maximize all assets. Even the equipment, we have so many worth over millions, we need to get these equipment up and running and it will in turn generate so much more profit.

We must not sacrifice our companies to become popular amongst our employees. If an employee does something bad, we must give them advice and give them the opportunity to change, this is not only for the company's sake, but for their sake too. I believe we must evaluate our staff everyday instead of the current 6 month to 1 year evaluation system, which is just wrong.

As the leaders of two of the biggest SOE's in the Maldives, what advice would you give to NFME and MNACI and how do you feel about a joint training initiative for our locals, like in New Zealand, they have called out retired professionals to train youngsters, to go to local schools and teach the kids their skills as in musicians, carpenters, administration and so on.

How do you feel about joint initiatives with MNACI and NFME to train our locals and inject trained and skilled locals to the community?

Answered by: Mr Adam Azim as the CEO of MTCC and Mr Suhail Ahmed as the MD of HDC.

Mr. Suhail highlighted that after retirement, there are very few opportunities available in the Maldives. He spoke about one of his staff, who retired at the age of 65, and who had spent all his life cleaning. He was requesting to be allowed to work part time as a cleaner after retirement. Such kind of initiatives could be allowed for retirees, and also schoolers. Students can gain experience at an early age. Practical work and interest must be instilled in addition to the text book lessons which does not give them required knowledge.

Mr. Adam agreed with Mr. Suhail. Even now there is a faculty in the University to train students in such fields. However, it is observed that there is a difficulty to get students out into this fields. We must work on exposing students to all kinds of jobs and erase

certain stigma on certain jobs and instill the mindset that they are not bad jobs. The current mentality is that the best students must be an engineer, doctor or a similar profession, and this industry is for failures, which is a wrong impression and the reason why we have such a low local turnover for such jobs. All professions are good professions as long as it is done properly and this awareness must be raised.

Mr. Janah also agreed that we need to put in joint effort to raise awareness amongst the youngsters and community. A lot of people are unaware of the truth about the majority of the actual good contractors and due to few incidents, there is a major painting painted all over the industry. We must work to create awareness and spread the actual realities.

Do you think the contractors can survive the next few months? What must we do to survive and when we are restarting, what will be the things we have to continue doing as our new way of doing things in the industry?

Answered by Mr. Hassan Shameem

The construction industry impact report on covid-19 prepared by MNACI and also the Covid-19 report issued by MED and UNDP jointly states that the construction faces losses up to MVR617 million within the 384 MNACI members during the 3 months starting April 2020. Do you think the contractors can survive the next few months now that we are in the month of June and with no considerable change to their status? What must we do to survive and when we are restarting, what will be the things we have to continue doing as our new way of doing things in the industry?

Mr. Shameem stated that we cannot blame any one for whatever has happened in this pandemic, neither was anyone prepared, nor did they have time to prepare even.

Firstly, to persist in this pandemic, we need to take attention to the health and safety of our employees. We need to ensure that the workplace follows the guidelines set by HPA, local authorities and WHO.

Secondly, we need to manage the cashflow of our companies. Most companies do not have reserve of one month cashflow and there is difficulty in getting loans.

There has not been any work in the past two months. Very recently only the Government started releasing permits to continue works at site. When we commence our works again we must keep in mind that this is the new normal and we will not have as much freedom as before. We cannot have too many people working on sites. We must keep in mind that we can have lesser manpower at the sites and be prepared.

Many suppliers are now opting for ecommerce and they have online websites through which you can order, we need to make our staff aware of such options and make them aware of internet banking services. This is a time where many things can be done electronically.

We can also use drones to inspect buildings, like they do in some countries abroad. Install cameras in work sites, use project management software like Asana and Trello to lessen physical work as much as possible.

We need to ensure our workers' hygiene are good and also the tools that they use are properly disinfected. This is a very good opportunity for Maldivians to venture into this field. We need to work hard during these times to ensure a brighter future for all of us.

What was the biggest problem faced during the pandemic by contractors? And how can we minimize those effects?

Answered by Mr. Saudhulla Hilmy

The disruption in the supply chain was the biggest obstacle. Maldives is an import-based country and the local contractors bring most materials from abroad for our projects. With the spread of this virus and many countries borders getting closed, it was impossible to procure any materials within the past 2 months. The local suppliers also faced this issue and that meant there was difficulty in procuring material even locally.

The long process of approvals within the government at the beginning of this pandemic also was a huge problem for us.

We need to make plans for the future, and in it we need to plan how to make up for the time lost past 2-3 months.

Now thankfully, supply chain is slowly re-starting and we notice that few goods have been received from India and China which is good news. These are all indications that we are slowly getting back on track.

What is the overall advice that you will give to our construction industry?

Answered by Mr. Adam Azim

Good governance system needs to be established – as stated before, management and ownership can be different, hire professionals to manage your companies, If we want to build our clients confidence, we need to employ qualified individuals People think that we do not have the capacity mainly because of this family system most have.

Secondly, employees are the biggest assets of a company, their works needs to be planned by the management, they need to be monitored by supervisors, even in private sector. It is very easy to influence each other in the work environment, and there is a lot of staff who mismanage their time and waste their time at the work front. Hence, supervisors need to be vigilant and qualified. Staff competency must not be compromised to save money on higher salaries, which in the long run is in fact a bigger loss. Productivity is most important. Good discipline needs to be followed.

Adding to this, Mr. Janah stated that we all must work on creating awareness on changing the perception on the construction industry. People must understand there are lots of opportunities in this industry. That this is not a dirty, difficult and dangerous industry, but there are so much more opportunities and this awareness must be created. Though we do not have the means of employing all locals, it is important to come up with formulae to bring in locals to the industry atleast for the skilled works. He assured that they will prioritise to programme their works and projects in such a way that it is beneficial for the country and economy, at the same time providing the needed opportunities for the locals.

Questions and Answers Session

When would land be up for sale in Hulhumale' Phase 2?

Mr. Suhail explained that the reason why we reclaimed Hulhumale Phase 2 was for our citizens. For the benefit of them. Many buildings are being constructed there but sadly there is a problem in the electricity network there and STELCO is working on it. It is in design phase now and a contractor has been found to execute this.

As it may be seen already, water and sewerage works are also ongoing at Phase 2, so once this electricity issue is resolved, we can start with sales of land from Hulhumale Phase 2, hopefully within this year.

Mr. Janah expressed that this is good news for contractors as well, as this will bring in new private sector projects.

Many of our students, after graduation, struggle to find a job, most end up in an area they are not trained in, however, employers are not prepared to provide training.

Mr Janah re-iterated that it is of utmost importance to train our locals and the industry will keep its focus on this.

He also said that the aim of this Webinar Series and this dialogue is to bring these matters to light. The summary report of this deliberation will be shared with stakeholders also.

To add to this, Mr. Adam urged people to stop human exploitation. That due to a few people who are doing this terrible act, the reputation of the construction industry is at stake.

When giving projects, we must check their track record. We need to check if they take care of their employees, whether they get their salaries on time, is the accommodation good, are there many locals employed. We need to give more opportunities to locals.

One major complaint from employers when it comes to training is that employees leave after the companies spend on training them. Mr. Adam denies that this is a problem. Yes that issue is there where people leave and join other companies. But when the trained people go and join another local company, it is a local company that benefits and the overall benefit is for the country. Hence, this is not an excuse not to train your staff.

Mr. Janah also agreed that due to the actions of some people, and not necessarily in construction industry alone, the illegal workers issue has escalated and now is the time for us to learn from our past mistakes and learn from the mistakes of other countries too, referring to the breach of guidelines by Singaporeans to accommodate their migrant workers.

Further he also stated that if we can follow Mr. Adam's suggestion of checking records of companies and ensuring they are genuine, who treat their employers right and do not have open workers, it can filter out the illegal work force's demand and clean the system gradually. By having a reward system and recognizing the contractors who do it right, we can encourage such best practices.

Conclusion

MNACI (2020) published that the construction industry has been hit hard with all projects being halted, including the PSIP projects valuing to MVR7.2Billion, and interruption to supply chains. The biggest problem faced by the industry is the migrant workers. Even though there are lot of workers who are now in the open, released from other sectors too. Construction industry is struggling to manage the workers, rents, and other expenses with payments on hold. We must work on eradicating demand for open labour, and allowing workers to flee without any repercussion, which are the root causes of this problem.

There are various projects that are in the pipeline and HDC clarified the public's doubt on the area calculation of public housing. This episode has been informative to everyone who needed clarity on these matters. It gives us hope that there are 42 projects continuing from MTCC and that projects can restart gradually. There are works ongoing to localize staff in MTCC and this platform opened discussions how we can manage during this pandemic.

The discussion was very enriching and constructive with the panelists laying a groundwork for further dialogue to be established. Various doubts that were being circulated in the media were also discussed and clear answers were shared.

The episode was closed by our Federation President, Mr. Mohamed Ali Janah, by thanking everyone and also by stating that NFME is doing all this to facilitate and complement everything done by all other stakeholders in the industry for the betterment of the economy and the country.

NFME's aim with this report is to collate the main points discussed in the full episode and present to you so that you are also part of our dialogue, and can open your mind to how construction industry can survive and face its challenges in this new reality.

We acknowledge and thank the panelists for sparing time from their busy schedules and sharing their valuable ideas.

The full episode is available on YouTube on National Federation of Maldivian Employers' channel:
<https://www.youtube.com/watch?v=KL0bs4AU7dk>

For any assistance, you can reach out to our secretariat on secretariat@nfme.mv

TAILORING A NEW REALITY

Employer's Dialogue



Episode 2: 10th June 2020, Wednesday

Starting time :

1130 GMT
1630 Maldives
1700 India / Sri Lanka
1930 Singapore

Topic : Tailoring the Construction Industry
Under the New Normal



Facilitated by :

Mohamed Ali Janah

President
National Federation of
Maldivian Employers (NFME)
Industry Expert / Entrepreneur



Link

www.facebook.com/MVEmployers

Registration Link:

<https://bit.ly/2XuqS03>



SPEAKERS



Saudulla Hilmy

Managing Director
Swift Engineering Pvt Ltd.
Former MP Thinaadhoo Uthurudhaa



Hassan Shameem

Managing Director
Inoca Pvt Ltd



Adam Azim

Chief Executive Officer
Maldives Transport &
Contracting Company

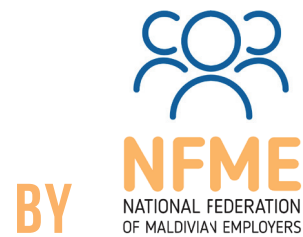


Suhail Ahmed

Managing Director
Housing Development Corporation

TAILORING A NEW REALITY

Employer's Dialogue



Report on Episode 3

“NEW FOUND POSSIBILITIES FOR THE FISHING INDUSTRY”

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Executive Summary

Fishing has been the only industry that has continued during the pandemic and the effort of the fishermen and industry workers are commendable. Even during the lockdown, fishing was allowed in the islands. Major fisheries companies were prepared with proper pandemic procedures and also due to the fact that fishermen have been abiding by the social distancing and other rules, none of the factories had yet to be closed or services interrupted.

With the borders closing restricting export, and lockdown restricting local supplies, the Yellow Fin Tuna has been severely affected. The price of the fish has gone down by almost half due to the pandemic. Fortunately, the cargo flights were operational as Maldives depended entirely on imports, which allowed some level of export for the fishermen. The demand for products like canned tuna increased whereas raw fish demand declined mainly due to the lockdown requiring products that have high shelf life. The demand for raw fish reduced as people were unable to store the fish. people were unable to store the fish.

Experiences from past tragedies such as the Tsunami proved useful and has shown that the fisheries industry is the most resilient amongst all the industries in Maldives. Policy makers must recognize this and their contribution regardless of the minimum annual budget allocated for fishing. Maldivian fishermen earn about MVR1.8Billion annually if we consider only the tuna sales and thus will be significantly higher when other products incomes are combined. However, this has declined drastically to MVR200Million as of now.

In Maldives about about 110,000 tonnes of fish are caught annually of which 80,000 tonnes is comprised of Skip Jack Tuna. Factories must process and export at least 66,720 tonnes from this annually to be profitable. With everything combined about 94,000 tonnes are used. 70% of the fish collected are exported as raw fish and the balance 30% are value added and exported. Right now, the processing is done at factories in Thailand and exported to the European market. Due to the production costs being very high, Maldives is unable to reach the Middle Eastern and Indian markets. Europe has implemented 24% duty on the fish products from Maldives which in turn affects the price and the demand. Government must work with their governments to reach bilateral agreements to exempt us from this duty, like they have done for Sri Lanka, Indonesia and Seychelles. The other countries have the competitive advantage of having their own raw materials for processing whereas ours is the healthy sea and its healthy products. We must learn from other countries like Thailand and adopt their best practices. We can also learn other ideas from several countries such as maricultural models.

This year, Northern region fishermen have been contributing more than previous years. In Felivaru there is no facility to collect fish and storage facilities are inadequate. Last year 48,300 tonnes of fish were collected by MIFCO which is 53% of Skip Jack Tuna. This is the first time in 14 years that MIFCO has made such a positive difference. However, in the last 7 years, MIFCO has been able to barely manage sales in the international market at the local cost price and has been managing with the Government's assistance. To change this, we must start processing fish locally and processing facilities must be established in both Southern and Northern region of Maldives. MIFCO announced that they have plans to increase capacities at their factories, including collection, freezing and storing capacities.

Even though the traditional fishing has been passed down generations, there are changes to bait fishing. Bait fishing has not been regulated and lot of fishermen dive for bait fish. This has led to some tragedies also as there are no proper medical facilities and equipment to treat them. It is crucial to establish decompression chambers for the health of the fishermen. It was proposed that separating bait fishing as a separate fishery can have many advantages such as sharing of responsibility amongst fishermen and availability of bait for purchase. There is also the option of using alternative bait fish such as Milkfish. Training fishermen for bait diving is urgently required. Some private companies have already started and trained fishermen and this must be continued at national level.

Government has established a financial package of MVR100Million for Handline Yellow Fin fisheries, which cannot be considered a fair value. Even if the Government is unable to provide all necessities, the fishermen must be assured enough under this scheme that their losses such as fuel costs, bait costs, and etc, will be covered even if they do not have a productive day in the sea. We also need proper incentives from the Government to promote the sector. There is a critical need to inspire the youth to join the industry. It is also important for other industries, such as financial sector, to recognise fishermen. Fishermen do not qualify for loans, insurance and pension schemes even if they earn MVR50,000. We must work on changing this and the mindsets of the prospective youth. There are many expatriates working in the industry and we must change that by attracting more locals and youth to the industry. At the current rate, it is possible for an income of MVR30,000 monthly where you go in the morning and return in the evening, and there is no reason why this is any less than other jobs. Right now, about 15,000 locals work in the fishing industry.

From the outset it may seem like a male dominant industry, but the involvement of women in the industry directly and indirectly is very high. There are several fishing boats that are owned by women. Women take care of household responsibilities which enable men to go fishing. 17,000 families are sustained from this economic activity. We must ensure that women are involved in decisions relating the fishing industry because it directly affects them. Women are also involved in fish processing such as making Smoked Fish, Rihaakuru, Mas Mirus etc. The opportunities for women are decreasing because of the industrialization of these processes and take-over by expatriate workers. We must work harder to provide opportunities for women so that they can continue their contribution to the industry. A Fair-Trade model would work well in the Maldives, which would support livelihoods and ensure the quality of products.

Fortunately, all of our fishing fleets are considered small scale. Where we face challenges is in areas beyond our national jurisdiction on the high seas where we are in competition for tuna stocks with other countries that fish industrially. We need to challenge unsustainable practices by other nations where we share resources because we will suffer the most. Yellow Fin Tuna stock is currently in red (stock status bad and exploitation level high), Big Eye Tuna in orange (stock status good but exploitation level high) and Skip Jack Tuna on the borderline. If sustainability issues are not addressed, we would face market difficulties. MSC certification of Maldives Yellow Fin Tuna is not possible in the near future due to the stock status. Maldives needs to play a leading role in the Indian Ocean Tuna Commission (IOTC) to reduce catch levels and destructive fishing practices in the Indian Ocean. In 2017 Scientific advice was to reduce Yellow Fin Tuna catch by 20% to have a chance of recovery by 2024. IOTC countries were unable to do this and catch actually increased by 8% in 2018.

Even though Maldivian fleet is considered small scale, there is still risk of overfishing. We have a very good management and traceability of tuna fishery, which is driven by market demand, but a lot of work still needs to be done on reef fisheries. We are currently focusing too much on maximum exploitation. The focus must be shifted to stock management in order to sustain the industry.

Back in the day we did not have a need to manage fisheries because exploitation levels were low. But as the fisheries developed and expanded from the 1980s, we failed to introduce sufficient adaptive management measures to manage the exploitation. There are a few management plans in place, but these are poorly implemented. Reef fisheries have been poorly studied. What we know are their average sizes and that the catch are declining. There is evidence to

show that timely action has not been taken to prevent a stock collapse. Within just six months of commercial exploitation of giant clams in the early 1990s, they were completely wiped out from the central atolls. Sea cucumber stocks have depleted in shallow waters and fishermen now have to dive to depths of 60m+ to find them. Since live grouper exports peaked in the mid-1990s, their catch and average sizes have decreased drastically. Grouper spawning aggregations have completely disappeared, and this has affected fishermen livelihoods. These lessons indicate that we need to adopt a precautionary approach to fisheries management. Where we have managed to successfully intervene, we are seeing the benefits today. We are seeing healthy numbers of napoleon wrasse today after their protection in the 1990s.

The main take away from the full discussion is the importance of a masterplan, to be established by locals, with the future in mind. An action plan has to be implemented that is solid regardless of changes in the Government. The manifestos must be in accordance with the masterplan and the Government must assist in bilateral discussions and also with the airlines on the reduction of fees.

There is also an urgent need to protect reef fish spawning grounds and nursery habitats. Protected areas can be beneficial for fishermen because they facilitate stock replenishment. Fishermen fishing on the borders of protected areas can reap more benefits from the spill-over.

This is the time for fishing industry to take the helm and engage as even with borders opening, the other industries will take time to kickstart. And the industry must be ready for the demands that will soar with the reopening of borders.

Introduction

National Federation of Maldivian Employers, NFME, launched a Webinar Series “Tailoring a New Reality – Employer’s Dialogue” with the purpose of uniting our different industries together and establish a dialogue with the industry experts on how to navigate in the new realities that are unfolding.

The first episode was aired on 3 June 2020, Wednesday and episodes focused on a different sector weekly are planned to air every Wednesday at 16:30hrs Maldives time.

The third episode was aired on 17 June 2020. With the topic “New Found Possibilities for the Fishing Industry”, the industry experts discussed various matters and this report is a summary report prepared based on the episode.

Panelists for the Episode:

Mr. Adnan Ali
Mr. Mohamed Waseem Ismaeel
Mr. Ismail Fauzee
Mr. Saud Hussain
Ms. Shaha Hashim

Facilitated by:

Mr. Mohamed Ali Janah





Mr. Adnan Ali

- Worked at MIFCO until Horizon Fisheries was formed in 2003
- Has over 38 years of experience in this industry
- Currently advisor and board member of Horizon Fisheries



Mr. Ismail Fauzee

- Started career in MIFCO in 1996
- Worked at Kooddoo Fisheries Maldives Ltd for 4 years in between and again joined MIFCO in 2014
- Currently he is the CEO of MIFCO
- Has close to 25 years of experience in this sector



Mr. Mohamed Waseem Ismaeel

- MD of Ensis Group
- Represents Maldives Seafood Processors and Exporters Association, which is a founder of NFME



Mr. Saud Hussain

- Currently a Member of Parliament and is very active in advocating for the fishermen especially in GA atoll



Ms. Shaha Hashim

- Maldivian Marine Conservative
- Running the current campaign #fishfortomorrow
- She is the Maldives Project Manager for Blue Marine Foundation's Maldives Resilient Reefs project which aims to restore Maldivian reefs as climate-resilient ecosystems for the benefit of the people, the environment and the economies that depend on them
- Has several years of experience in project management and development field in Maldives

Discussions

Measures to curb the spread of COVID-19 have hit fishermen hard, what type of opportunities could be available to make the fishing industry more sustainable?

Answered by Mr. Adnan Ali

Fishing is allowed on the islands, and so fishermen have continued to go fishing. There are SOPs established to export and sell fish. Furthermore, companies have made plans A,B and C to combat the different scenarios.

Companies like Horizon Fisheries were prepared on the procedures as to what would need to be done if any of their fishermen or factories staff get exposed to the virus or contracts the disease. This ensured, God willing, that none of the factories in the Maldives had to halt their works even if one of their workers get compromised and sick. The fishermen are very well disciplined. They have continued to abide by the social distancing rules.

Yellow Fin Tuna (Bodu Kanneli) fishing has been quite impacted. The fishermen are still allowed to go fish, but as a result of the borders of most of the countries being closed, flights grounded, restaurants and cafés being shut down, the demand for raw fish went down dramatically and the fishermen have been struggling due to this.

The price of the fish has gone down due to the pandemic. Fishermen are being obliged to sell fish at half the price of its actual price during this pandemic. Fish that were sold for MVR50 pre-pandemic were forced to be sold at MVR25.

As Maldives mainly relies on imports, the cargo flights were in operation. Hence, fishermen were able to export some amount of fish on these flights. With lockdowns enforced in almost all the countries, some products' demand decreased while other products' demand skyrocketed. For example, canned tuna was high in demand because it is a healthy product which you can store for a long period of time, especially when you don't know for how long we will be in this lockdown.

The company where Mr. Adnan serves is proud to not have reduced salaries, or forced workers into no-pay leave or laid off staff due to Covid-19. The experience from the Tsunami tragedy has been useful. Even then, tourism declined drastically and the fishermen lifted the backbone of our country. With Covid-19 also it will not be wrong to say that most of the fishermen around the country did not have to face dire circumstances or poverty because they were able to sustain by fishing.

Fishing is one of the most important pillars of our country. Policy makers need to be made aware of the real value of our fishing industry. It must be recognised that the fishermen are providing so much for the country with the challenge of a very small annual budget.

Fishermen in our country make earnings of MVR1.8-2billion annually. This is all from transactions made by selling fish to companies and excluding other types of fish products in the Maldives such as Groupers, Reef Fish and dried fish products as there is not enough data on that. Now imagine the total value of our fishing industry if we can consider these values too. These are things we need to study and find out. Up till now, fishing industry in the Maldives has been dominated by our locals. This is a very important tradition to upkeep. Even in the last FAO report, they had recommended all other countries to study how our fishing industry operates and adapt to it. So, we need be very careful in all the steps we take, to keep this industry intact and alive by our locals.

Policy makers need to dwell broad into this subject. We fish a total of 80,000 tonnes of Skip Jack Tuna per year. With Yellow Fin Tuna and other types of fish, we fish a total average of 110,000 tonnes annually. The current factories in the Maldives require, at least 66,720 tonnes per year to process and export to operate on a profit. For consumption we use 15,330 tonnes per year. Dried Fish (Hiki Mas) and Smoked Fish (Valho Mas) produced by small cottage industries within our country use an 12,000 tonnes of raw fish every year. With everything combined, we use a total of 94,050 tonnes of fish per year. If the lockdown eases, the companies who have invested in this business of the rest of 15,950 tonnes of fish like Kawakawa/Latti and Frigate Tuna/Raagondi might have an impact.

We need to make more cold storage facilities. We need to study and evaluate what will be the best way forward. Fishing season is excellent around two periods of the year, where fishermen catch plenty of fish but are forced to give them away because the storage limit for the cold storage in a certain district is full and they are unable to store any more fish. We need a solution for this, and we need to plan out how to process more fish in the Maldives.

MIFCO has stated difficulties in exporting shipments of raw fish to Thailand though export of canned fish is continuing without disruption. How long is expected before this is resolved?

Answered by Mr. Ismail Fauzee

Canned fish is exported to the European market as well. 70% of the collection are export as raw fish and the balance 30% is added value. The plan for the future is to export a higher percentage of the collections after adding value to it within the Maldives. Currently works are on-going for this.

Generally, 70% of the collection are made from Southern Maldives, but this year it has been different as Northern Maldives fishermen have been contributing a lot, to a point that it was even difficult to manage at one instance. In Felivaru, there is no facility to collect the fish. And there is no adequate storage facility either. Currently, there are developments being done to resolve this collection issue for the Northern Fishermen with the intent of increasing freezing capacity also.

Due to covid-19 there have been problems with exporting fish. At the beginning of 2020, the projected sales looked better compared to previous years. Last year, a total of 48,300 tonnes of fish was collected by MIFCO, which is around 53% of the 80,000 tonnes of Skip Jack Tuna fished per annum by Maldivians. This is the first time in 14 years that MIFCO made such a positive difference. On this basis, the forecast for post-Covid looks good and it is expected to increase the collection capacity as well to cater the fishermen.

Even now, there are around 30 new fishing vessels equipped with the latest technology, ready to serve at sea. Hence, the fishermen's capacity is also expected to increase by another 10,000-20,000 tonnes in the future.

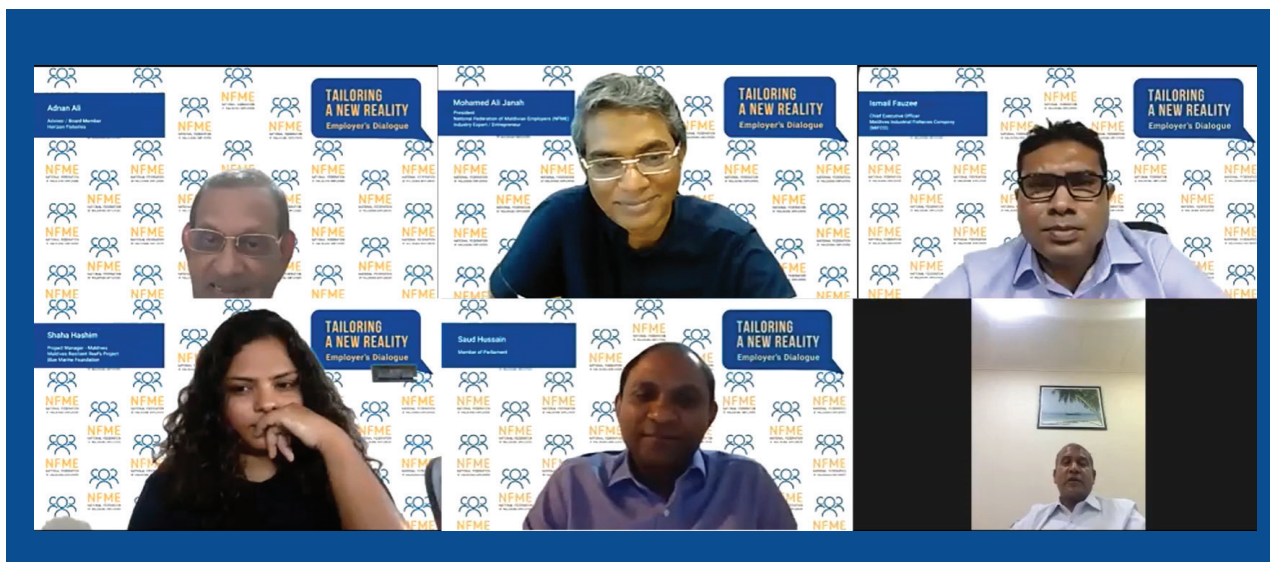
It is important to get a fair and good price for the fish that is exported in order to keep paying the fishermen accordingly. However, with the current circumstances, this does not seem viable.

In the last 7 years, MIFCO was able to sell the fish bought from local fishermen at the same buying price without margin. This was possible only because the Government was allowing MIFCO to do so within its budget. Even when there is consideration to buy more fish, the cashflow is not good. Even still, the fish are bought and sold at the same price in the international market.

Thailand is known to have the largest fish processing capacity in the world. Due to the need of their canneries even when the export must be done elsewhere is causing them to be in competition with us. This practice needs to change.

There is a plan to change this practice and to determine our own prices for the fish. There are many plans to achieve this goal. Especially now that Government is also trying to focus more on the fisheries sector due this unfortunate pandemic.

Processing facilities need to be established in both North and South of Maldives for our fishermen to thrive. Our fishermen, are well disciplined, are working with the best equipment available, with sophisticated technology and they have it in their blood. Therefore, mediating companies such as MIFCO need to increase their capacity which is a target that is hoped to be achieved within the next 10 years.



Government has announced a financial package to support fishing companies. However, fishing boat owners also need financial support for their operation. How do you reflect?

Answered by Mr. Saud Hussain

Covid-19 has impacted our economy disastrously. Even though this country was built by our ancestors who relied on fishing as their backbone, the introduction of tourism had forced the fishing industry to take a step back. As a result, Covid19 has swooped in and destroyed our economy. We used to get around MVR1.8billion per month pre-covid, but up to today this figure has declined to MVR200Million which is a huge difference.

Government is working towards supporting our industry such as establishing this MVR100Million financial package for companies in this sector. However, this cannot be considered a fair amount. From purchasing fish from fishermen and paying them their dues for the fish, and for the operations, fishing companies need to do daily transactions of this value.

It will not be possible for the current government to provide all the fishermen with such necessities as there is no capacity to do that. However, it is good that our fishermen have been able to continue fishing at our seas during this pandemic, and that the factory workers are also very well prepared. Their remarkable effort put in such hard times must be commended. Our fishing sector has not stopped, even for once during such a global pandemic, they have been working so hard to provide us Maldivians our food and to keep our economy intact. The outstanding effort by our sector needs to be recognized by all of us.

This is the most opportune time to show everyone how valuable this sector is and for our traditional and proud pillar of the fishing sector to make a

comeback. This is also the best time for the government as well to focus and pay attention to develop this sector.

Specific to the question, it was suggested that the fishermen must be assured enough under this scheme. If they have an unproductive day at sea, they must not hesitate to return to sea the next day worrying about their fuel costs, their bait costs, their food costs for that bad day at sea. These challenges should be covered within this scheme.

There is a need to rebrand this industry, to dwell deeper into this industry and unlock its true potential. There is a need to inspire and facilitate our younger generation to enter into this industry. There has been changes to our laws in fishing, which requires changes in many policies and regulations. These policies and regulations have not been implemented yet.

In the current picture we do have issues with fish merchants and fish exporters, but the efforts made by our local factories to not let our fishermen be in despair is commendable, and we must recognise them for buying as many fish that our fishermen catch and trying to process these into fish products via the factories located in Maldives.

It is the time to involve the youth in this industry. We should train the youth who have lost their jobs to work in this sector. We need the proper incentives by the government to promote this sector.

"Exports for 2020 are expected to drop by at least one third, with global demand down due to the pandemic, which has left many restaurants and hotels closed or empty for weeks or months." (UNCTAD, 2020). What can be expected now?

Answered by Mr. Waseem Ismaeel

The demand for fish products will never get low. Even though the demand for Fresh Fish and Yellow Fin Tuna went down during this pandemic due to the hotels and resorts being closed with the enforced lockdown, the demand for frozen fish products and canned fish products increased. Actually, the demand for fresh fish did not decline, they were unable to store and keep it during the pandemic.

The forecast seems optimistic with the industry to pick up once the borders reopen.

It is worth remembering that during almost all disasters that we have faced in the past, such as the 2004 tsunami and SARS outbreak, tourism has always been the first industry to be impacted, but the fishing industry has always remained resilient and held our economy during such calamities.

In the current situation, we cannot start our tourism

industry and even if we do start our agricultural industry, we still will have to wait a while for it to bear fruits. However, our fishing industry is well established, and can generate revenue for our economy. The industry can buy the catch of our fishermen, especially Skip Jack Tuna and are able to give a reasonable price for it. Yellow Fin Tuna fishermen will also be able to sell their catch at a fair price and export once the lockdown eases, border opens and restaurants and cafés open.

It is assumed that in the upcoming 1.5-2 months, these will be normalized and the fishermen will also have adapted.

Mr. Waseem requested the fishermen to be ready, to perform their duties and to be prepared to go fish every day. All the other industries in our country have been grounded and fishing industry is the only one which is able to operate. We need to be prepared for when the international markets are open and demand soars.

In addition to this, we need to explore the most efficient way of running the industry. We need to figure how we are going to give a higher price than the current rates for our fishermen.

Mr. Adnan Ali added to the response to highlight on the UNCTAD report that this report is not based on fish products produced by Maldives such as tuna, but the report is based on fish products such as lobsters, other type of fresh fish. For such type of fishermen, they have suffered a huge shock, especially European countries. Hence, our

fishing industry has remained resilient and has not suffered as per the UNCTAD report, but Yellow Fin Tuna fishermen have suffered as it needs to be exported fresh.

Mr. Janah stated that the message we are getting today is that our fishing industry has a competitive advantage in a global context and we have the opportunity for the industry to thrive and develop more by increasing productivity as the international market has the space to absorb our products.

Quoting Mr. Vivas Eugui UNCTAD “Now is the time for governments to rethink how they support fisheries sectors, and shift from subsidies that enhance the capacity of industrial fleets in favour of more support for responsible small-scale fishers as well as measures that encourage sustainable stock management and improve fishing traceability.” (UNCTAD, 2020) What would you add to this?

Answered by Ms. Shaha Hashim

Fortunately, all of our fishing fleets are considered small scale. Where we face challenges is in areas beyond our national jurisdiction on the high seas where we are in competition for tuna stocks with other countries that fish industrially. We need to challenge unsustainable practices by other nations where we share resources because we will suffer the most. Yellow Fin Tuna stock is currently in red (stock status bad and exploitation level high), Big Eye Tuna in orange (stock status good but exploitation level high) and Skip Jack Tuna on the borderline. If sustainability issues are not addressed, we would face market difficulties, and our 17,000 fishermen will be impacted severely. In 2017 Scientific advice was to reduce Yellow Fin Tuna catch by 20% to have a chance of recovery by 2024. IOTC countries were unable to do this and catch actually increased by 8% in 2018. Shaha believes that Maldives need to play a leading role in the Indian Ocean Tuna Commission (IOTC) to reduce catch levels and destructive fishing practices in the Indian Ocean for our fishermen, to protect them, to ensure our fishing industry is sustained.

Even though Maldivian fleet is considered small scale, there is still risk of overfishing. We have a very good management and traceability of tuna fishery, which is driven by market demand, but a lot of work still needs to be done on reef fisheries. We are currently focusing too much on maximum exploitation. The focus must be shifted to stock management in order to sustain the industry.

Back in the day we didn't have a need to manage fisheries because exploitation levels were low. But as the fisheries developed and expanded from the 1980s, we failed to introduce sufficient adaptive management measures to manage the exploitation. There are a few management plans in place, but these are poorly implemented.

Reef fisheries have been poorly studied. What we know is that their average sizes and catch are declining and there is evidence to show that we haven't acted soon enough to prevent stock collapse.

- Within just six months of commercial

exploitation of giant clams in the early 1990s, they were completely wiped out from the central atolls.

- Sea cucumber stocks have depleted in shallow waters and fishermen now have to dive to depths of 60- 80m to find them. This is a serious issue to fishermen's safety in addition to the damage it causes to the ecosystem. Sea cucumbers feed via processing sand in their systems, therefore, they play a huge role in our ecosystem.

- Since live grouper exports peaked in the mid-1990s, their catch and average sizes have decreased drastically. Research shows that 90% of the groupers exported from the Maldives are caught before they reach maturity. Grouper spawning aggregations have completely disappeared, and this has affected fishermen livelihoods.

Where we have managed to successfully intervene, we are seeing the benefits today. We are seeing healthy numbers of napoleon wrasse today after their protection in the 1990s.

These lessons indicate that we need to adopt a precautionary approach to fisheries management. Management plans for many of the existing fisheries are being developed right now, but this process needs to be expedited. We may not be able to get all the data we need at once, but it is important to adopt a precautionary approach for stock management.

What can be done to protect our fishermen, do we have the proper facilities in various provinces of our country? What are the sentiments about establishing such facilities throughout Maldives?

Answered by Mr. Saud Hussain

We, especially the Skip Jack Tuna fishermen, are facing such risks in bait catching. The method that is used for catching Skip Jack Tuna is traditional and has been handed down from generation to generation, but there have been changes to bait catching. These changes were found and implemented by our local fishermen through their own experiences. So, the science of this method does not apply much to Maldives as no research has been officially conducted. In policy level also, especially from the Ministry of Fisheries, there has not been much work done to regulate bait catching. Though there were efforts to boost bait catching in 1999, by implementing few policies, it has remained on halt since then. No work has continued on this.

However, our fishermen have continued to catch bait by lighting up the lagoon via lights and diving. They have been utilizing as much technology as they can to assist with bait catching. There have been many accidents due to unregulated fishing and the whole industry has been impacted at times where some of our youth has been permanently disabled as well, because there is no proper facility to provide them with the required medical attention when such an accident occurs. This is the case especially in Southern Maldives, where it contributes to a large percentage of our fishing industry. There is no decompression facility established. This matter needs to be given immediate attention, at a political level and at an industrial level, and needs to be resolved immediately.

Just one unfortunate diving incident could make a fisherman disabled with immobility for the rest of his life and his whole family thrown into despair. The industry needs to take care of its fishermen and give such people incentives. We need to be an industry who takes care of each other and lift each other up. We need to determine, who will be liable for such unfortunate accidents. The industry needs to work together, the fishermen, the vessel owners, the fish merchants and government need to work on creating a healthy labor force in our fishing industry. That is of utmost importance.

It was suggested by Mr. Saud Hussain to separate bait catching within our fishing industry into a separate division. This can enable some of our fishermen to professionally fish at deep sea during day, while others can professionally go bait catching at night instead of trying to do both simultaneously and ending up overworking and exhausted. This will also ensure that the fishermen have continuous supply of bait available for purchase to go fish everyday instead of having to stay home when they are unable to successfully catch any bait on their own. Government, as well as companies working in our industry need to focus on this and make investments.

Maldives is a chain of islands in the middle of the Indian Ocean and we have space in various provinces. We need to establish facilities to maintain bait stock as well, establish businesses who will manage bait

and give incentives to those who are interested in working in this sector, and make an example so that others would also follow suit. This would be a very successful model.

Government plays a very important role in our industry. The master plan for our industry needs to be planned out well into the future considering where we are headed in 20 years and what we should aim to achieve. Even though, we do not have the proper tools or laboratories yet to research our findings, international funding programs have aided us over the years, to check our fish stock, check the sizes of fish and more. Research for international agencies have been carried out in the Maldives. Some international agencies have also protected many of the species found in our seas. We have not been able to reach our full potential in exporting sea food products because we must act to protect many of these fishes based on some of these agencies' research. Mr. Saud's argument is that these are natural stock of fish and we need to boost our fishing industry to reach its full potential. If the locals do not use the current stock of fish, some other foreign vessel will come and use it all up.

It is of utmost importance to establish decompression chambers, especially in the southern province of Maldives where there are many fishing fleets. Healthy fishermen are a must for a healthy industry.

Currently there are no recovery plans for our fishermen, no proper management plans and no one to account for them. Hence, it is essential to ensure better regulations are established. If you consider the financial sector, fishermen are not recognized properly by the banks. Even if he earns MVR 50,000/- , he is still unable to join any insurance or pension scheme. Hence, there must be proper recognition given to the fishermen.

To summarise, regulate bait catching, establish decompression chambers, or scientifically find alternatives for bait fish. UK research showed that Milkfish is also a very good substitute bait instead of Silver Sprat (Rehi) for Skip Jack Tuna. Bait fishing must be expanded.

Ms. Shaha added her views on this later. In response to Mr.Saud's belief that "we cannot protect every inch of our seas for blue economy", Ms. Shaha responded that in order to manage the blue economy sector, we need to better protect our waters, and maintain fish stocks at biologically sustainable levels. To allow populations to replenish and sustain fisheries, there's an urgent need to protect fish spawning grounds and nursery habitats. Protected areas can be beneficial for fishermen because they facilitate stock replenishment. Fishermen fishing on the borders of protected areas can reap more benefits from the spill-over. She further stated that the idea that we can keep fishing from all areas without it effecting stocks is untrue, as is proven from past experiences with over-exploitation of reef resources.

According to the FAO, followed by China, Thailand earns the most from the export of fish products (FAO, n.d.). Who are our competitors?

Answered by Mr. Ismail Fauzee

The world's best fish processing facility is in Thailand, but we need to aim to process our catch in the Maldives itself instead of outsourcing this to other countries. Currently, our raw fish are exported to Thailand to process it, in order to be exported into the European market. Fish has been bought for around MVR 20/- in the past 5 years to export and this has raised several problems when we did cost price analysis and had to compete with the Thailand factories. Therefore, to continue this process in a sustainable way, we need to remove the exclusivity if any investor wants to invest, and float the price of the local fish products.

Mr. Fauzee asserted that we need to build the capacity to process the fish caught within the Maldives. MIFCO has plans to increase the capacity in Felivaru to 80 tonnes a day and freezing capacity 200 mt a day. Felivaru Storage capacity also to be increased to 4000 tonnes. There is an imminent need to increase the fish purchasing capacity especially in Northern Maldives. We collect most of our fish from South Maldives, so we need to increase storage capacity in South as well. In the past 24 years MIFCO has operated with only 2000 tonnes of storage capacity in the South.

There are also obstacles in collecting fish. As the small vessels of the fishermen are not suitable to make long journeys, MIFCO must send their own vessels to buy and collect the fish. It was extremely difficult last year especially as the oil prices were very high and it was not feasible to make these journeys statistically.

There are ongoing works to increase storage capacity in Southern Maldives to 6000 tonnes.

Mr. Fauzee remains hopeful that the fish that are currently being exported to Thailand can be maintained within Maldives, and processed within Maldives to export to other markets in the world. He highlighted that there is a demand for raw fish in the Latin American market. However, the aim must be to avoid exporting raw fish and process it in Maldives. We must study how the huge exporting countries such as Thailand operate their industry and try to implement their good practices in our country as well.

What trends do you see in terms of labor representation in the Maldives fisheries industry, looking at the ratio of expats already in the country?

Answered by Mr. Ismail Fauzee

We are unable to reach the Middle Eastern and Indian markets yet as our production costs are very high. 70% of our cost is on raw materials for production and in addition to this the products and processes have to be made more efficient as well. Especially the processing efficiency. For example, there is a processing facility at Felivaru established a long time ago, but we need to increase the processing capacity to correspond with current market by bringing in proper machineries and latest technologies to reduce manual labor. To make this a reality, a proper plan and funding is required. The government is focusing on the fishing sector at a high priority so there is assurance that we will get a solution for these.

There are indeed a lot of expatriate staff working amongst us. Mr. Fauzee that there was an instance where he was shocked one day when one of our local fishermen said that they have only 3 Maldivians working on their boat and the rest are expat employees. This practice needs to be stopped. We must stop employing expats in our fishing industry and train our youth and get them more involved in this industry. We have noticed that southern region

Maldivian youth are joining the industry fresh after finishing O level or A level and have this ambition in them. We need the help of all industries in the Maldives to encourage our youth.

At the current market rate, in an 80-90 feet vessel, they get around MVR 30,000/- per month. This is a good industry for our youth to participate in. They can leave in the morning for work and return home in the evening just like any other person. This is stable job as well. Even during this pandemic, the only industry unphased is our fishing industry. Mr. Fauzee commended the work by the local fishermen for the efforts on a national level to maintain our economy.

Fishing is a noble work, and our youth needs to be made more aware about it. These days, fishing vessels are also very sophisticated, just like a luxury yacht or safari and you can choose to go fishing in comfort. We need educated youth to help enhance our fishing industry to its ultimate potential.

Right now, about 15000 locals work in our fishing industry of which 9000 are Skip Jack Tuna fishers.

Could we support the transition from fresh fish to value-added processed seafood products where feasible, to offer new economic opportunities to those working in the sector?

Answered by Mr. Waseem Ismaeel

The main two types of fishing are Skip Jack Tuna and Yellow Fin Tuna. The Yellow Fin Tuna gets a fair price when exported to Europe as fresh fish. In the past, before they implemented duty for these products in Europe, it was possible to get reasonable prices for Yellow Fin Tuna. However, after they started charging duty on these products, the Yellow Fin Tuna price declined and in turn what is paid to our fishermen also decreased.

To boost our Bodu Kanneli (Yellow Fin Tuna) fishing sector, it could be a possibility to work on a solution to waive off the duty taken by European markets for our fish. As we know, our neighbours, such as Sri Lanka, Indonesia and Seychelles enjoy duty free offers for their fish products in Europe, so there is no reason why we cannot.

The expenses in the Maldivian fishing industry is extremely high. Our fishermen do not fish like they do in Indonesia, Philippines or Thailand. Our fishing vessels are much more sophisticated and well equipped than theirs. Hence, to get a good price for Yellow Fin Tuna, government needs to start bilateral discussions with the required parties to come to an understanding for making our fish products duty free.

For Skip Jack Tuna, to maximize the profits, need to focus in adding value to the fish caught by our local fishermen and then go ahead to export it. At our current state, the only thing available in Maldives is only the fish. Everything else have to be outsourced somewhere else or have to be imported, whether it be can, paper, oil, brine or even the labor workforce.

Therefore, we do not have much opportunities to compete with countries that produce their own raw material. The only advantage we have is the access to a healthy sea and assurance that our fish are healthy. We are able to keep up in the market only because we have an industrial certificate.

Mr. Waseem stressed on the importance of having products that are 100% locally produced from the local fish to be able to garner good prices. Unfortunately, currently we do not have the capacity for that and so we are forced to export 20-30% of our fish to Thailand for processing. We do not even know what they do to it as we are not able to monitor the processes there. Government and banks need to give incentives to promote this.

After China, the largest producers are Peru, Japan, the United States, Chile, Indonesia, Russian Federation, India, Thailand, Norway, Iceland and the Philippines (FAO, n.d.). What lessons can we learn from them and apply in Maldives?

Answered by Mr. Adnan Ali

From the countries mentioned above, the biggest competitors for Maldives are Thailand, Philippines and Indonesia. We can add Vietnam too. Maldivians mainly fish for Skip Jack Tuna and Yellow Fin Tuna. The biggest problem we face when competing with them is having to pay a hefty duty for our products.

Maldives and Thailand are in the same category where we have to pay 24% duty for our processed foods. Indonesia has to pay 22%. The rest enjoy free duty under their GSP or free trade agreement. 24% is a huge amount to incorporate in the price of a product. Our local products are in itself not cheap compared to those of these countries. This obliges us to target our products to the high end market to be able to sell it.

Mr. Janah expressed this understanding of this response from Mr. Adnan is that in our already flooded market, we have to maintain our niche market as a competitive advantage to maintain the industry.

Mr. Adnan also added that there are things we can do ourselves too, by taking example from what the other countries are doing. We can also develop our maricultural industry, such as reef fishing to supply our resorts and to export abroad. China produces their own aquaculture and export abroad, so this is a successful model we can study to get their expertise and develop our maricultural industry.

Is the fishing industry a male dominant industry? How can we encourage a gender balance and get more Maldivian women involved in the industry?

Answered by Ms. Shaha Hashim

From the outset it may seem like a male dominant industry as we see that the fishermen are the ones out at the sea, but the proportion of women involved in the industry directly and indirectly is quite high. Many fishing boats are owned by women, under the government loan scheme provided for women. 15,000 families are sustained from this economic activity. Women take care of household responsibilities which enable men to go fishing. We must ensure that women are involved in decisions relating the fishing industry because it directly affects their lives. Any tragedy to a fisherman is a tragedy to these families.

Fisheries production involves a large number of women. They are very much involved in making products like Smoked Fish (Valhomas), Rihaakuru and Chilli Fish (Mas Mirus). The fish processing industry is getting industrialized now and we are seeing expatriate workers taking over from women. We must work harder to provide opportunities for

women to continue their contribution to the industry. A Fair-Trade model would work well in the Maldives, which would support livelihoods as well as ensure the quality of products. This is not an impossible model; the price of the goods will also increase as well as the income for individuals.

Mr. Waseem later on added to Ms. Shaha's response and agreed with her statement that fishing is an industry where women are very actively involved. Women have been jointly working alongside men in this industry since our ancestors age. Even now in our (Ensis) canning factory at Hulhumale', there is a large number of women employed in the work force and they have been working efficiently to operate the factory.

Questions and Answers Session

Does any local factory consider or are willing to sell local Maldivian company products with a local brand name and local labor?

Answered by Mr. Fauzee: We (MIFCO) do display community products in our display such as Fasmeeru products. That opportunity is open to locals if they do fit our quality categories.

Would the factories pack for a local company with their own label?

Answered by Mr. Adnan : We (Horizon Fisheries) are currently packing for a foreign label, we can pack for locals also under an understanding.

What about our other marine resources since we are surrounded by the sea, I think we will have more types of marine products, so what's the government's role in exploiting these products.

Answered by Mr. Waseem: We do mainly two types of fishing, but as Mr. Adnan mentioned we can develop mariculture fishing in Maldives. We have the available lagoons, islands and we have the space in sea. We need our Government's support to do this. The reality is when we get an island for such purposes, we have to pay an initial minimum of MVR6 Million for rent, CSR and others. Government needs to ease these fees.

Adnan's comment for the question – We have the potential, we can add even more value to our products than what we are doing now. Recently, with the help of the Japanese government, we started Diamond Back Squid fishing which has proven very successful so far. As of now, we have not been able to market it properly but this is also an opportunity which can be enhanced by incentivizing.

When do you expect to start exporting products, canned tuna and pouches from your new factory.

Answered by Mr. Waseem : We have started exporting.

Given the dangers of Covid-19 and the fish market, what is the current state of Male' fish market? In addition to being a tourist attraction do you think we need to modernize, understand that it may be relevant to the authorities?

Mr. Waseem and Mr. Janah stated that we all agree that it needs to be modernized. There may be a plan to upgrade. We should study how it is done in other countries and customize a design for us.

What are the consequences to the fisheries industry due to opening up of the zone agreements ?

Answered by Mr. Adnan: Opening of Zones are good step forward. Fishing varies in different zones in different seasons. If boats are free to enter the zones where fishing is good, it will help fishermen to sell all their fish and reduce the load to the existing companies in that area.

However, opening for new investment is a different story for which we must be very careful.

What are the plans from fisheries company to reduce export of frozen tuna to Bangkok instead of value adding in the Maldives?

Answered by Mr. Adnan: Exporting frozen tuna to Bangkok is something we should stop immediately. However, it takes time to build new cold storages and invest in increasing the processing. I believe Government and private companies are working on this direction.

Do you see MSC certification of Maldives yellow tuna in short term or this is not possible soon ?

Answered by Mr. Adnan: MSC certification for Maldives Yellowfin Tuna is not possible for the next 2 to 3 years unless Indian Ocean Yellow Fin Tuna stock increases dramatically. All the indication up to now is not encouraging. Major problem is distant fishing nations.

However, it is time that we enter a fisheries improvement project (FIP) with MSC or WWF without which it will be difficult to market Maldives Yellow Fin Tuna. It is also advisable to join Fair trade certificate.

GDP contribution from Fisheries has declined over the years. Do you expect the same in the coming years ?

Answered by Mr. Adnan: GDP contribution from fisheries is taken only from harvests. Processing is coming under manufacturing. We have to add both harvesting and manufacturing to get real GDP contribution. As you know 98% of Maldives export is fish and fishery products.

What is the total number of employees in the fish processing sector? Excluding fishermen?

Answered by Mr. Adnan: Total number of employees in the fish processing companies which are registered are approximately 3350. This includes Yellow Fin processing companies too and excluding other local processors (small scale).

Conclusion

We can proudly state that Fisheries industry was the only industry that operated without interruption even during the pandemic. The youth must be empowered to join the industry and fisheries must be developed parallelly with other industries.

Without doubt we need to increase the capacity at Felivaru and other facilities. We need to work on processing the products in Male' without sending to Thailand, to increase the price and demand of our fish products. The government's intervention to have bilateral discussions with countries in Europe to exempt the duty on our products will help us to reduce the cost and get a better price for the products. It has also been discussed on the sustainability of the industry and our sea. Avoiding exploitation and maintaining stock.

In addition to the answers to the episode's and the attendees' questions, the panelists made a concluding statement as follows:

Mr. Ismail Fauzee

The forecast remains positive for the future. We need to work together to increase efficiency and to stop importing labour and involve our youth and the local community. We had recruited 30 fish cleaners for our production, but they were unable to travel to Maldives due to the pandemic. Hence, it was announced in our local community to hire people for this job, but this has been unsuccessful so far. This needs to change. We need to increase our fish value to give our employees a better price.

Mr. Adnan Ali

As Mr. Saud mentioned, we need a masterplan of 10-20 years for our fishing industry. Action plan needs to be made and implemented. All stakeholders' participation are important when creating this masterplan. The plan should not change if a government changes. There have been 2 attempts in the past to create this masterplan, once with the help of World Bank and then with the help of JICA. However, we have not got any results on it. We do not have any update of it. The masterplan should not be made to just be stored away and gain dust. Immediate action needs to be taken on this.

Ms. Shaha Hashim

Management of stock before depletion is of utmost importance. Multisectoral approach needs to be implemented in our fisheries industry. What we see now is fisheries, tourism and other sectors slicing one cake and using separate slices for their operations but we need to work jointly with other industries. Especially tourism industry. They have a large requirement for reef fish. Not much data has also been studied on this, so we need to standardize this and make a minimum requirement to make a premium local market. This will maximize the profit for our fishermen.

Mr. Waseem Ismaeel

Master plan needs to be established, but the contributions to this plan should be from our government, local fishermen, local merchants, exporters and NGOs. A foreign influenced masterplan would be the best for our country. In addition to this, fishing has continued through almost all disasters and fishermen do get a very good income so it is vital that our youth get involved in this sector. Fishing is a noble and fair work. Government also needs to focus more on fishing. We know, especially now, that tourism alone cannot hold fort of our country and thus fishing is also very important. Therefore, the Government needs to create more opportunities for us, such as working on bilateral agreements with countries regarding their duty charges and with airlines to reduce fees.

Mr. Saud Hussain

From 1996 onwards, many investments have been made on our fisheries industry. Hence, a master plan is very important. All political parties need to prepare their manifestos in accordance with the master plan proposed. We need to establish factories in all regions of Maldives, especially in the South where 70% of fisheries are conducted. Kooddoo needs an industrial level canning factory.

With the concluding remarks from the panelists, the episode was concluded by our Federation President, Mr. Mohamed Ali Janah, by thanking everyone and also by stating that NFME is doing all this to facilitate and complement everything done by all other stakeholders in the industry for the betterment of the economy and the country.

NFME's aim with this report is to collate the main points discussed in the full episode and present to you so that you are also part of our dialogue, and can open your minds about the fishing industry, how strong it is, how much more we can promote it and more.

We acknowledge and thank the panelists for sparing time from their busy schedules and sharing their valuable ideas.

The full episode is available on YouTube on National Federation of Maldivian Employers' channel:

<https://www.youtube.com/watch?v=Pn13mgjyWsY&t=3688s>

For any assistance, you can reach out to our secretariat on secretariat@nfme.mv

TAILORING A NEW REALITY

Employer's Dialogue



Episode 3: 17th June 2020, Wednesday

Starting time :

1130 GMT
1630 Maldives
1700 India / Sri Lanka
1930 Singapore

Topic : New Found Possibilities for the Fishing Industry



Facilitated by :

Mohamed Ali Janah

President
National Federation of
Maldivian Employers (NFME)
Industry Expert / Entrepreneur



Link

www.facebook.com/MVEmployers

Registration Link:

<https://tinyurl.com/y83wejnt>



SPEAKERS



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Managing Director
Ensis Fisheries



Ismail Fauzee

Chief Executive Officer
Maldives Industrial Fisheries Company
(MIFCO)



Adnan Ali

Advisor / Board Member
Horizon Fisheries



Ahmed Shafiu

President
Dhivehi Masverin



Saud Hussain

Member of Parliament



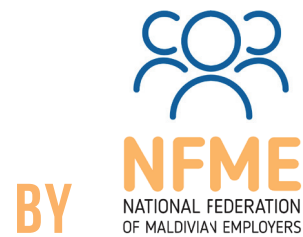
Shaha Hashim

Project Manager - Maldives
Maldives Resilient Reef's Project
Blue Marine Foundation

Mr. Ahmed Shafiu could not attend the episode as he was unable to return on time from a fishing expedition.

TAILORING A NEW REALITY

Employer's Dialogue



Report on Episode 4

“How Financial Institutions Can Step Up and Facilitate Business Transformations”

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Executive Summary

The lockdown has taught us the importance of technology and digitalization. Currently we have a strong ICT infrastructure and use of technology is dominant in our lives, with most of our transactions happening online. With the start of technological transformation by BML, others have not followed suit and thus there is not such a widespread application of technology across the financial sector. With the development of our youth in the past decade, more education and the level of young talent, some of whom are working abroad, shows that we have the opportunity and competency to enhance this more than what it is now. Had we not had this infrastructure and technology by now, the struggle during this pandemic would have been far worse.

There is additional scope in the financial sector to adopt more technology and modernization that will lead to increased growth in this sector, which is currently contributing 6% to GDP. Bank of Maldives announced that they are working to enhance MPOS and tokenization and other ways to make online payments more efficient and easier.

This is how most of the financial institutions were able to keep up. When we consider auditors, they have been able to work from home and continue their services uninterrupted though there were limitations considering there is no proper privacy at our homes, especially in the congested Male' city. The challenges in storing physical documents and the restrictions on inspecting inventories did not stop them from doing their work, by doing the works online and finding alternative ways to conduct inspections such as video calls.

Banks opted to enhance online services and reduce visits to the banks as much as possible. Regardless, there is always a segment of clients who feel comfortable to stick to the olden ways and thus the banks opened to serve them with extra measures.

Digitalization also means we have to be more vigilant on cyber security. The banks and other institutes have to be eternally vigilant, ensure people are always available to react fast in the event of a breach. They also have certain tools like ethical hacking to check the weak points in their security.

In addition to the realization of the importance of technology during this pandemic, Islamic finance has garnered a lot of attention as well. Contrary to popular belief, Islamic finance and conventional banking cannot have an apple to apple comparison. The pandemic has proven to be a good opportunity for Islamic finance locally and globally as well. It has proven that the concept of Ribah (Interest) is more harmful than perceived.

When the authorities called the financial institutions for moratoriums, Islamic finance was the practical solution for people as it does not believe in further indebting a person in debt, or adding interest or additional charges on already executed transaction. There are options of using Islamic finance tools such as zakat, Waqf and Sadaqaat to relieve people from such predicaments. There is possibility to use Islamic finance wisely in this crisis and it is observed that a circular economy is the way forward instead of a triangular economy. However, what we are currently lacking is a fully-fledged Islamic economic system, and implementing conventional banking tools in an Islamic financial system, or vice versa, is incompatible. It can be seen as the right time to integrate Islamic finance with Islamic social finance and with fintech. This is the time to research and understand how to integrate Islamic social finance and institutionalize the Islamic finance tools and merge them with financial institutions. With the political will, there is no reason why Maldives cannot be Ribah free and be a fully-fledged Shariah compliant economy.

When we consider which is the better method from both methods of banking, it all bottles down the customer and their needs eventually and thus the customer can determine the best method for them, be it Islamic or conventional method of banking.

At the moment, our economic growth is expected to decline by 11.3%, compared to a growth of 7.5% that was anticipated initially, which is a huge contraction. The road to recovery is not expected to be immediate and a "U-shaped" recovery path is expected. The first step taken by the government was to contain the virus and mitigate the casualties. The second step was to bring in financial sectors for aid. Growing businesses earlier this year are now reflecting nil sales and with the stoppage of arrival of tourists, the economy is on a downward spiral. It was important to sustain the businesses for them to be able to restart when things start returning to normalcy and have employment for people. For this debt moratorium and cash flow support loans were established. To help the households, as it was not practical to arrange cash support, the government rendered support through subsidizing utilities (40% on electricity and 30% on water).

One other major challenge the government faced was the management of expatriate labour. Furthermore, it is recommended for civil servants to shift to the private sector to contribute to the GDP, similar to the strategy used by Singapore during the Asian crisis in 1997.

Along with this, the goals of the government budget also changed. It changed to saving lives through development of healthcare and saving livelihoods

through businesses and household supports. It is now prioritized to stimulate and restart the economy.. The crisis has to be tackled through counter-cyclical fiscal policies. At the same time, large corporates will also face solvency issues where the government and banks has to help them. At the same time, even the banks are in a tough situation where their liquidity is affected. Both the fiscal and monetary policy should work together to achieve the goals to overcome the effects of the pandemic.

This is a global crisis and the global economy is estimated to be between 10-20% decline. The financial industry is witnessing debts across the country. The government is closely working with the banks and with MATI, have announced a debt injection scheme or lending scheme of about USD20Million to assist the resorts and guest house sector. Additionally, MMA organized currency swaps with India. Government has been trying to mobilize much needed liquidity to the economy and is working with foreign counterparts to raise finance. It has been announced that EIB will be lending USD20Million to the Ministry of Finance, which will be disbursed to businesses via the Bank of Maldives. There is also a possibility of another such announcement in a week's time on a substantial package from overseas and good rates.

We have also received assistance from foreign institute such as Mastercard which was very convenient for the swift movement of money across countries. There are opportunities to partner with other organisations and build promotion in time for the reopening of the borders as we need to bring in guests, such as recommencing the currently interrupted marketing campaign "Experience Maldives" by American Express.

It is important that tourists travel to Maldives as we cannot have the borders open and have no travelers. Strategies similar to the ones adopted during the Tsunami tragedy in 2004 can be effective in rebuilding the tourist arrivals as we have to urge the people to help Maldives by coming to Maldives.

It is also a vital time to learn from other countries. It is inevitable that we will need to most probably increase our taxes or implement new ones to balance out the budget deficit and start generating revenue, though the time may not be ideal now and this is the time to help the businesses and households survive. When we implement new taxes, the kinds of taxes that can be taken must be considered and there should be trust and transparency for the tax agency to be accepted by the taxpayer. It is important to ensure the tax money is used genuinely for the benefit of the taxpayers and there is accountability. Furthermore, there must be easy processes so that the payers can easily comply with the processes. If we keep the approach of treating the taxpayers as customers and work on serving them satisfactorily. If the taxpayers are confident that they get a justified and good return, they are happy to pay even high taxes.

Right now, it gives us comfort in knowing that we have always managed through with the reserves we always had, though it was not the best reserves. For import of goods, we needed USD116.2Million for the year and by April 2020 we already had USD201.4Million, which is enough for 1.4 months, excluding

foreign exchange required for service imports. In 2008, our net reserve was USD32Million and still it was managed. It must also be noted that from 2000-2018, Maldivian Rufiyaa depreciated around 31% which is comparatively lower than our neighbours. The swap arrangement with the Reserve Bank of India of USD450Million also gives encouragement to the public.

It is also the time to shift our dependency from foreign workers and engage locals and especially our youth in our economy. Dhiraagu and Bank of Maldives are success stories with Bank of Maldives operating with over 99% locals. One other important lesson learnt is that we must invest and explore other industries as right now we are heavily dependent on tourism. The government earns MVR5Billion in TGST, MVR2.8Billion from general GST and MVR2Billion from BPT. Such an industry is fisheries, which can be said as the only industry that continued without interruption during the pandemic.

Introduction

National Federation of Maldivian Employers, NFME, launched a Webinar Series “Tailoring a New Reality – Employer’s Dialogue” with the purpose of uniting our different industries together and establish a dialogue with the industry experts on how to navigate in the new realities that are unfolding. The first episode was aired on 3 June 2020, Wednesday and episodes focused on a different sector weekly are planned to air every Wednesday at 16:30hrs Maldives time.

The fourth episode was aired on 24 June 2020. With the topic “How Financial Institutions Can Step Up and Facilitate Business Transformations”, the industry experts discussed various matters and this report is a summary report prepared based on the episode.

Panelists for the Episode:

Dr. Fazeel Najeed
Mr. Timothy Sawyer CBE
Mr. Ahmed Saruvash Adam
Dr. Aishath Muneeza
Mr. Hussain Niyazy
Mr. Tommy Carlsson

Facilitated by:

Mr. Mohamed Ali Janah





Dr. Fazeel Najeeb

Dr Fazeel Najeeb is an assistant professor at the Maldives National University. He is also the editor of Maldives Economic Review, which is an online journal that provides insight on finance and economy. Furthermore, he is the Chairman and a director of Atoll Capital Finance, a private company that provides finance brokerage services.

As you may already be aware, Dr Fazeel was the chief negotiator for the Gov of Maldives from 1990s to early 2000s. He was the Governor of the Maldives Monetary Authority, and Chairman of its board of directors from 2008 to 2013. Later he moved to Qatar and served as an expert advisor to their Central Bank from 2014-2017.



Mr. Timothy Sawyer CBE

Mr. Timothy Sawyer is the Chief Executive Officer and Managing Director of the Bank of Maldives. He has over 30 years of international experience in financial services, including 20 years at Executive and Board level.

Prior to joining Bank of Maldives, he was the Chief Investment Officer at Innovate UK, the investment arm of the UK Government. Prior to that, he was the CEO of Start Up Loans, where for his services to the UK industry in developing small businesses and entrepreneurs, he was awarded Commander of the Most Excellent Order of the British Empire (CBE) by Her Royal Highness Queen Elizabeth.

Mr. Sawyer has also had the honor of leading several financial institutions including Cahoot and Kent Reliance, and was the Chairman at Banque Dubois of Switzerland as well as Folk2Folk, a lending organization based in UK.

Mr. Sawyer holds first class honors in Master of Arts in History from the University of Oxford, UK. He is an Associate of Chartered Institute of Bankers.



Mr. Ahmed Saruvash Adam

Mr. Saruvash Adam works at the Ministry of Finance as the Chief Financial Budget Executive. On this role, he is in charge of national budget formulation and fiscal policy setting.

He is also the current Chairperson of the board of Maldives Inland Revenue Authority (MIRA). He also served on the board of Maldives Monetary Authority previously.

He holds a Masters Degree in Economic Development and Policy Analysis from the University of Nottingham, UK.



Dr. Aishath Muneeza

Dr Aishath Muneeza is an Islamic Finance expert. She is an Associate Professor at INCEIF. She is the first female Deputy Minister of Ministry of Islamic Affairs and is the Deputy Minister of Ministry of Finance & Treasury of Republic of Maldives. She is the former chairwoman of Maldives Center for Islamic Finance. She is considered as the founder of Islamic finance in Maldives.

Her contribution to Islamic finance include structuring of the corporate sukuks and sovereign private sukuk of the country including the Islamic treasury instruments. She also drafted the Islamic Capital Market framework of the country and is the only registered shariah adviser for Islamic capital market in the country since 2013.

She played a key role in setting up of Hajj pilgrimage fund of Maldives, Maldives Hajj Corporation and was the first chairperson of it. She sits in various shariah advisory bodies nationally and internationally and is chairman for many of these Shariah advisory bodies including the apex Shariah Advisory Council for capital market in Maldives. She holds a doctorate in law from International Islamic University of Malaysia.



Mr. Hussain Niyazy

Mr. Hussain Niyazy is a Chartered Management Accountant with over 17 years of public sector auditing experience. He is currently an Assistant Auditor General in charge of conducting financial statements audits of Ministries and State Owned Enterprises.

He is also the Chairperson of the Licensing and Disciplinary Committee which issues licenses and regulates private audit firms.



Mr. Tommy Carlsson

Mr. Tommy Carlsson is an international tax expert and consultant. He has a long experience within the Swedish Tax Agency, working on different levels. He worked in their Head Office in Stockholm as either a manager or an expert for the last 25 years. He has been responsible for the domestic income tax systems including development of e-services and transformation. He has also worked as an international coordinator for the Head Office.

During the last 15 years he has been engaged (partly or full time) in different international development projects as a Short Term or a Long Term Expert. Such projects include countries like the Philippines, Botswana, Kenya, Cambodia and Bosnia and Herzegovina.

Discussions

Under the new normal, what kind of digital transformation can we expect in financial services?

What can Maldives do better by further digitalizing the banking and other financial institutions? Are we lagging on this front comparatively within our region?

Answered by Dr. Fazeel Najeeb

One of the clearest things that we have come to know due to this lockdown is the importance of technology.

During the lockdown most of our transactions were done online, orders were done through informal technology bases or groups such as Viber messages through Viber.

Use of technology is very dominant in our lives. To facilitate this, fortunately we have a very strong technological base. Our ICT infrastructure is very strong, very modern, and it provides very good services. So, we have a really good foundation to base more of our transactions in the financial sector technologically. Looking back, in the financial sector, Bank of Maldives (BML) started the technological transformation in the Maldives.

BML was not the first bank in the Maldives to implement technology and there were other banks prior to that. But with the establishment of BML, particularly after the management was handed over to the government, BML started using technology and modernizing the practices of banking services industry in the Maldives. Unfortunately, there is no widespread application and others have not been following suit. With the education that the youth have received in the past few decades, there are tremendously talented people in the country who are serving all over the world. Some are in Malaysia, Singapore, the UK and more. This proves that we have talent and we have an opportunity to put into place more application and use of technology.

During the crisis, most of the transactions in the Maldives, in the Maldives were done online such as online payment and transferring between accounts and more. In addition to these, there are also opportunities for innovative ideas in banking.

Even though you would not have foreseen payment systems and related businesses 4 - 5 years back, right now, there are plenty of such businesses and there are many other avenues that can be explored in terms of using technology.

The pandemic has proven and demonstrated globally that technology is vital. If there were not this infrastructure and technology for us to use by this time, the struggle would have been far more than what it is today.

There is more scope for the rest of the financial services industry establishments to take on more technology and be more open minded, assure faster delivery of services and thereby ensuring customer satisfaction. That would lead to greater increase in growth in the financial sector.

The current contribution to our GDP by the financial sector is not significant and is around 6%. There is scope to increase it. Together with MMA – the regulator, the industry and also new startups coming into this area, there is tremendous scope in application of technology in the financial services industry.

Mr. Janah commented that we can look at models from countries like Singapore and Hong Kong to which Dr. Fazeel agreed.

As a benchmark, Singapore and Hong Kong can be looked at. Though Hong Kong is facing some difficulties at the moment there is hope that come over it. Hence, looking at Singapore will be a very good idea and there can be some initiatives following this crisis. People would realize there are opportunities within this sector.

What role can Islamic Financing play in the recovery phase of the current pandemic? What are the tools in the Islamic Banking Industry that are available for both the public and private sectors under the current scenario?

Answered by Dr. Aishath Muneeza

There is a great opportunity in Islamic finance, not only in Maldives, but globally too. We have realized that Islamic finance is truly ethical, truly universal, and it has certain universal values which irrespective of the faith convictions people would want to adopt. For example, elimination of Riba (Interest) is one aspect which people respect now and realize the impact of it. This crisis has taught us that Riba is not something that anybody wants to get involved with. There is much greater harm in it than we realized before the Covid situation.

Because of Covid, people have got an opportunity to realize that Islamic finance is the answer that we are looking for when it comes to finding a fair means to obtain financing.

Contrary the popular belief, an apple to apple comparison cannot be made between Islamic banking and Conventional banking and this has been proven when people faced the crisis of debt moratorium during the pandemic. It has given an opportunity to realise the practical differences between both types.

Unlike Conventional banks, Islamic banks cannot add anything extra over the price decided on the sales contract that has been already executed. This was evident during this period when the central banks all over the world asked the financial institutions to give debt moratorium. People have started accepting and appreciating Islamic finance more than before. We cannot create a debt over debt situation.

Thus, this Covid situation has showed that the Islamic finance is the way forward in the world irrespective of faith convictions.

Dr. Muneeza referred to a scenario where the current

financial institutions expect clients to start repaying their debts as they were doing pre-Covid after just few months of leeway, which in her opinion is impractical, considering that the client would need to first adjust to the new reality before he is able to start repaying off his debt with new sources of income and stability.

She suggested that the solution for such cases would be found by converging Islamic social financing into the financial system. There are options and hope to utilise zakat (alms), waqf (Islamic endowments), charity which we call Sadaqaat, to relieve a person from such hardships faced due to the unprecedented pandemic.

Hence, with this crisis we have really created an opportunity which we could use wisely and there is possibility of an evergreen future for Islamic finance as now people realise that circular economy is the way forward. Triangular economy is not effective and when we go further in-depth discussion, we realize that Islamic economics is what we need in the world to advocate for all these things which we did not know how to implement before.

It has also been observed that Islamic financial system is developing in the world. However, a full-fledged Islamic economic system is lacking. Currently, the conventional monetary policy tools are being implemented to Islamic financial system and it is incompatible. Therefore, this is the right time to deliberate on how to take the Islamic financing industry to the next level by creating a full-fledged Islamic economic system as well.



Under the current pressures of the budget, what kind of pro-development economic policy should the government use as an antidote to slowing economic growth?

Answered by Mr. Saruvash Adam

It is inevitable that economic growth is slowing down. We expected a 7.5% growth when we estimated the budget numbers last year. But now the economic growth is expected to be -11.3%, which is a huge contraction in GDP.

This would have a lot of adverse effects on the business and the economic environments and the first thing is to address the root cause that is causing this downturn in the economy, the pandemic.

The first goal attempted by the Government was to stop the spread of the virus, save lives, and bring some normalcy. When the virus hit us, Italy was already at its peak and the biggest challenge was the lack of beds in ICU forcing them to ration the ICU services. Hence, the first thing the Government did was increase the testing and hospital bed capacity, and develop the healthcare systems to be able to accommodate any surge in the number of patients. With the lockdown and many other restrictions, there has not been such a surge luckily and the country has been able to mitigate the number of casualties. But the drawback of this self-inflicted lockdown is the economic downturn which is causing havoc in the livelihoods of people. Thus, the next thing the Government did was to bring in the financial sector to assist us.

The businesses were growing in the first quarter of the year, but with Covid-19, the sales of many businesses became nil. With the decline and stop of the arrival of tourists, the economy went on a downward spiral causing a lot of panic. It was important to save employment so that when normalcy returns, businesses are ready to kickstart again. Hence, to support the businesses through cash flow and other means, a moratorium was established. Likewise, to help households, a lot of initiatives have been taken. It is difficult to arrange cash handouts and thus the best policy was to create ease through utility bills. 30% and 40% discounts on water and electricity respectively are benefited by households directly.

Financial institutions such as the Bank of Maldives and the SME corporation (SDFC), to name a few, were involved to disburse the cash flow loans as that capacity is not there in the public sector. Banks have that capacity, so banks have become a helping hand at that time to implement government policies.

These are the kinds of policies that were implemented first and of course the budget needed to be changed. With the spread of the virus, the goals of the budget changed from being development and investment-oriented to saving lives through investments in healthcare, to address and stop the Covid-19 situation and to save livelihoods through business and household supports. Now the focus is to stimulate and restart the economy so that economy can recommence, and we can bring in some kind of normalcy to the lives of people. So that's how the priority of the budget has changed. At the same time, this crisis also highlighted some

things that need to be addressed in the budget and the economy, such as structural reforms.

One such major issue the country faced, similar to Singapore, is the expatriate labour force. They lived in congested accommodations and it was also difficult to regulate them due to various issues. It was highlighted in a sense of urgency that this issue needed to be attended immediately. The Government is addressing the issue, but broader and bolder measures need to be taken to address the issue of expatriate labor.

In the tourism sector, we have a requirement to have a ratio of 55% locals:45% expatriates but this ratio is hardly met. We need to support that and the local population. We need to reskill them so that we would bring them to these jobs. The economy has jobs and we have people who can fill these jobs. A large number is employed in the public sector and the burden on the public sector is huge at this time.

It is a good idea for most of the people in the public sector to go on to the private sector and add something to the GDP of the country rather than be in the public sector as the private sector can and will add on to the GDP much more than the public sector.

Another critical issue is the twin deficit. The budget is also on a chronic deficit and because of that, the balance of payment is also on a chronic deficit. So we have a government that does not save and we have a country that does not save. That is what this twin deficit means basically, that we spend more than what we generate. The government is investing so much in infrastructure and so forth, but at the same time, we have difficulties in the balance of payments as well. And that creates problems in other sectors of the economy too, which also affects the exchange rate.

With such sudden shocks, there is no fall back option and there is no option but to manage the situation. During such times, this is the situation the country and the government will be in, but in the longer run, there is an immense need to save and take a budgetary approach so that such situation can be addressed through counter-cyclical fiscal policies and that is what the government is trying to do even now. At the same time, private sector empowerment and diversification are also on the agenda.

The financial sector can help a lot in addressing the situation and even help the government to reduce the budgetary pressures. It can be accomplished by taking a bit more risk than now. A lot of SMEs need funding and hopefully banks will be up for this challenge and banks will be lending more to SMEs in the future.

At the same time, large corporates will be facing solvency issues even now. Despite the cash flow support that is being given to them, it is still possible for them to face issues of solvency in the upcoming few months and they need support. Banks need to help these large corporates as well. Even so, even the banks are also in a difficult situation. Banks' liquidity is also affected and the government is trying to inject money into the economy through various other means.

A lot of policy prescriptions are needed, not only one but from a multitude of areas. The government is trying to do that whilst keeping the growth intact. If we just focus on liquidity, then there will be a price

in terms of growth. Getting the right balance is what the government wants. To keep the growth intact and to enable growth in the medium term. Meanwhile keeping a liquid and full functioning government.

Mr. Janah also echoed Mr. Saruvash's statement that some structural changes are critical right now. Mr. Janah also shared a lesson he learnt, and very relevant to the current situation, during his time in Singapore during the Asian crisis in 1997, where the Singaporean government incentivized public sector employees to shift to the private sector and start private businesses. With the intent of reducing civil service, this initiative resulted in the establishment of many successful businesses and entrepreneurs who are paying a large portion of their taxes.

How best can the Maldivian financial industry be further enhanced to come out of the current challenges? Can we do this alone, or do we do this by partnering with regional allies?

So that we learn from them to harness innovations and new financial technologies that move us out from the traditional financial methods to modern day technology, and to create a future-ready workforce in the finance industry?

Answered by Mr. Timothy Sawyer

Normally people do not regard banks with high respect or even sympathy. Even at a time when the banks are under pressure on liquidity, as stated by Mr. Saruvash earlier, and do understand that globally, their customers are looking to them for support.

As this is a global crisis affecting other countries as well, that limits the ability of other parts of the world to come to the Maldives' aid considering that they are looking out for themselves first. Even in Sweden, there are issues and problems to solve and when it is bad in a country like Sweden, probability is that it is bad everywhere.

The global economy is going to take a large hit this year with the majority's estimate for it to be between 10- 20% decline. Certainly, the Maldives economy would fall and as a result there is a challenge of import deficit and budget deficit for the government, and the financial industry is undoubtedly witnessing debts.

The government has worked closely with some of the banks injecting money through the Covid relief scheme which was a fast and quick route to get necessary funds into the economy. At the same time, they worked with the Bank of Maldives, with MATI and others, to come up with a debt injection scheme or lending scheme of about US Dollars 20Million to move money quickly into resorts that needed help and into the guest house sector.

The next step then is to look further and see what help there is, and what people could do. MMA organized for debt swap with India which is really helpful. It has been announced that EIB will be lending US Dollars 20Million to the Ministry of Finance through the Bank of which is going to be really useful to the customers.

Mr. Sawyer stated that there is a possibility of another announcement the following week about a further substantial package coming from overseas at good rate that can be reached by customers that need it

particularly at this time when they are looking to open up.

Then we need to look at the payment systems around the world. Some of them such as Mastercard have been very helpful as expatriates go back to their countries. Moving money quickly and cheaply is vital so that expatriates can move. Other services such as Amex have been very good in terms of charges and swift reaction when we needed help from them.

Hence it can be said that the bank received local help from the government and also global help.

In terms of new technologies that can help us, it has already been discussed about how the new normal and the lockdown has taught us a lot about resilience and the need to invest. The payment gateway of the Bank of Maldives has probably been helping the economy survive on its feet by instant transfer from one account to another. We also need to do more with them in MPOS and tokenization ability to make payments online much more efficiently and quicker. Instead of always having to put in card details every time, we need to make our card payments easier and make our online payments easier so there's more swift transmission of money.

The final thing we need to do is work with local partners and build up promotion. Amex was launching a "Experience Maldives" campaign just as Covid hit. We now need to get back to that and work with our partners to say that from July 15th and onwards Maldives is open for business, we are resilient, we are here, the results will be ready and there is a good time to be had in a safe environment. So please come and spend lots of dollars with us as quickly as possible.

To summarize, it is a deep and dreadful situation, not just for the Maldives but for the whole world. The government has reacted quickly with the Bank of Maldives alliance. We had to act quickly, and we

worked with regional and global partners to bring in money. We also need to adapt our payment systems and who we work with to entice tourists and local Maldivians to be able to spend efficiently and feeling that they are secured.

Mr. Sawyer estimated that next year we may see a bounce back and thereafter, we will be back to a new normal with the steady growth.

Mr. Janah congratulated Mr. Sawyer for managing the Bank of Maldives, and handling the situation. It is notable that during the lockdown, the availability of electronic payment modes made it easier for the transactions and deliveries within the country. He also applauded Mr. Sawyer for taking leadership and working personally up close. Mr. Sawyer has personally travelled to the islands for ATM top ups and dealing with the situation first hand.

Mr. Janah also commended Mr. Saruvash for the empathy and understanding nature showed by him, being in a key position, and the government. There are also a lot of private resorts and businesses that need

to kickstart. They have also come to a situation where they have had to abruptly stop their businesses for months. Hence, we have to do this collectively. We have to understand the needs and the requirements and the necessities of these businesses because the survival and getting the businesses to thrive is very important even for the short term and long-term development of the economy. The resorts need money and the businesses need money, but there is that limit that can be done from the point of the government and the bank. Therefore, we cannot do it alone and we all have to risk this together and come out of this together.

What are some post COVID-19 drivers for tax development? Some countries were on the verge of introducing new taxes pre-pandemic. Do you think this is the right time for such countries to continue introducing and collecting new forms of taxes?

Answered by Mr. Tommy Carlsson

Mr. Carlsson agreed with the previous speakers about the measures that needs to be done. His response was based on his experience in the Swedish Tax Office. Sweden has had seven to eight different packages mostly to support the businesses and people who are getting unemployed. Sweden is an export country with some large companies like Ericsson, IKEA, Volvo, Scania and more, and so they are very much dependent on the trade and the openness across the borders. Based on this, one of the drivers can be said as digitalization. A lot has been learnt during these 3 months. Probably even more than what was learnt in 3 years with the digital conferences and the need of digital services.

In Sweden, the tax administration started 20 years ago with digital services. The banks were much ahead, but the tax agency was the next and the first of the state agencies to introduce this. Though it was not fully fledged at the start, it has been stepped up in different steps.

It is also good for climate change. Green tax is also something we need to work on and take this opportunity to invest in making it a better world. We have the UN 2030 agenda and this is a good time to establish this.

International cooperation and capacity building is something good. We need to learn from each other and we need to cooperate.

Transparency and trust are essential for taxes. Mr. Carlsson spoke about his experience in starting the tax administration in Sweden many years ago. Understandably, no one likes a tax man and it was no different then. However, gradually and with proper steps, people have now come to not only accept it,

but also to appreciate it regardless of the fact that Sweden does have higher taxes.

The main thing that worked for their advantage is in treating the tax payers as customers and continuously working to be transparent and introduce convenient ways for them. What Sweden initiated was a prefilled tax returns to assist the taxpayers, both individuals and businesses. Hence, the most important thing is for tax payers to be able to comply with it easily. It must also be noted that small businesses are very important and it is essential to help them.

When we consider if it is right to introduce taxes now, we must keep in mind and as also noted by Mr. Saruvash, the current situation is to focus on supporting businesses and unemployed people. However, in the medium-long term, you will need to consider this as there will be a need to build the reserves at the Ministry of Finance for future expenditures. Even so, there should be careful consideration in seeing what kind of taxes can be implemented. Such a tax can be green tax for the betterment of the environment, which is something that is important even in the tourism sector. This may already be active, but such useful taxes must be considered when there is discussion for introduction of new taxes.

As a tax agency, what we can learn from each other is to be very humble and see us as servants for the people, who are there to help them and making the tax system work and comply efficiently. We can learn a lot from each other.

Mr. Janah commented that Maldives has been one of the countries in the world that has adapted to the tax system within a very short period of time, and it is a

very well-functioning tax system. MIRA is doing a very good job. When businesses are doing good, they pay and they do not have a problem with that. He also agreed that this is the time to help the SMEs recover so that when they start earning, they will ensure it is given back to the country through the taxes.

Regarding the tax situation, Mr. Saruvash highlighted a book on Swedish taxing system called "From Feared Tax Collector to Popular Service Agency". He believes this is a very relevant book to our country and such a transformation is what Maldives and its tax agency need.

He also agreed to Mr. Carlsson's statement on filling the treasury reserve. Undoubtedly, the pandemic has caused the revenue to decline significantly and the government is financing through debts. These debts have to be brought down to a sustainable level and there is a need to increase the debt service capacity and revenues.

Therefore, it is unavoidable and in the medium term, there is a need to increase the revenue. For this, increase in tax base, increase in tax rates and introduction of new taxes are possibilities we will need to look at.

Large companies like Google, Microsoft and similar corporations have adopted the policy of letting their staff work from home for the rest of the year (Hadden, Casado, Sonnemaker, & Borden, 2020).

Are the days of large corporate offices for audit firms over, now that working remotely is widely accepted and practiced with an acceptable level of efficiency and productivity?

How would you go about obtaining audit evidence during the remote working situation?

Answered by Mr. Hussain Niyazy

On behalf of the accounting and audit profession, Mr. Niyazy gave the highest assurance to the businesses that they are geared to serve, and they can serve the businesses. Even during the pandemic, ICT systems have been improved so that the audit management systems could be digitalized. Most of the systems were cloud based or with remote access. The Auditor General's office has the systems in place and thus staff started working from home. The network firms and a lot of the private sector audit firms already had the IT infrastructure, so they had actually started working from home and the audits had continued. Much of the large audits had been completed already because by March many of the private sector firms had actually conducted those businesses.

When we talk about working from home, there are some limitations and challenges. If you take the Maldives context into place, most of our homes are congested and many people share rooms with others. Hence, most of the time, the environment is not the most ideal for you to work from, especially in an industry where client confidentiality and other professional obligations as auditors are strictly required.

You may try to do the best in such situations. Perhaps during a call, move to the balcony to avoid being overheard by your room mates, in turn being risked to being overheard by your neighbours. Hence, there are such difficulties. Moreover, there are limitations to storing of private documents. Not only storing

In contrast to a country like Sweden, where the tax man is popular now and these matters are a bit easier, Maldives is still in infancy and working on popularizing tax. In such a situation increasing and introduction of additional taxes will not be helpful. Hence, the public would also need to be on board with the fact that there is a need to increase the revenue to the government, but at the same time, the government would also need to think about the effects on the businesses by increasing taxes. Not just the increase in tax, but to expand the size of the economy and bring good to the people. We want to bring in revenue to the government to service the people, and one way to do it would be to increase the taxes. The other way to do it is to reduce spending. Therefore, Mr. Saruvash thinks that it should be a multitude of policies in that regard.

documents, but also handling them. Such an example is discarding of your notes that may contain sensitive information about your clients. You cannot discard it in the bin as you normally would at home. Therefore, there are a lot of limitations in working from home.

Even with that, Auditor General's office continued to serve using the online information systems and audit management systems in place. There are systems in place to get remote access to the client's accounting systems, download the systems, obtain scanned documents from clients, ways to verify the documents and such protocols. Fortunately, the Government has now eased the restriction and allowed to open office. People are working flexible hours, so they work at the office for certain hours and then use the laptops and access to the information systems online from home. There are flexible working arrangements for both environments.

In terms of how audit evidence can be obtained, primarily a lot of the audit evidence can be gathered from documentation. However, there are parts of the audit evidence that need physical verification before finalizing an audit opinion. It can be challenging to carry out these physical inspections of inventory and other places. What some of our colleagues at the network firms and private auditors perhaps would have done is to carry it out virtually through their mobiles video calls. That would give some kind of assurance on the inventories.

Furthermore, scanned documents have to be carefully checked to ensure the documents are genuine and not forged.

Even with digitalization, there is still a need to visit sites. Some clients may have invested in the ERP systems, but may not have been fully completely set up. Some cases in SAP systems where the accounting system are installed but as all modules have not been completed, there is some level of manual intervention required.

Mr. Janah added that it will also lead to huge savings on infrastructural expenses if we can find more reliable methods for the limitations Mr. Niyazy has touched on and learn new things from this situation. There is a lot of scope in this industry as well and as employers it is also important to create job opportunities for more Maldivian youth, to engage our youth to be part of our overall economy and shift our dependency on expatriates on to our locals.

According to the Maldives Monetary Authority the pandemic is expected to sharply reduce the GDP growth of Maldives for 2020. How vulnerable are we given the decrease in growth rate?

Mr. Janah referred to MMA's economic update tweeted that afternoon (24 June 2020) which says that "the real GDP growth is now projected to decline with negative spillover effect on all sectors from tourism, to transport, to communication, to construction, wholesale, retail and etc. And with that, they have a situation of the reserve money, also registering declines with the gross international reserves getting affected"

Based on this, his extended his question to:

Would you be able to give us a brief on overall situation of where we are heading on these fronts? What's expected of our reserves and international reserves?

Answered by Dr. Fazeel Najeeb

The decline of GDP growth is expected to be quite sharp this year. The estimates range somewhere between 5% from ADB to 18% from MMA. So it is very difficult in terms of the growth because we know that tourism is the driver.

As rightly mentioned, it goes without saying that the rest of the economic sectors will also be hit.

As we are seeing a global recession, it is going to be difficult this year for our tourists to start traveling. It is a separate matter that the borders will be re-opening and it is another matter that the airlines would need to restart their journeys as well. Additionally, even the tourists need the confidence to travel without fear of getting infected. Furthermore, there must also be consideration of the costs the tourists have to incur and whether they will be able to have that savings when the recession starts affecting the public.

These are factors that would definitely spill over on to our economy. As our economy is very open, we have a very strong association with the global GDP as well. Therefore, anytime the world GDP falls, there is likely repercussions on the local economy too. Hence, we are going to have some difficult times in the growth and domestic growth overall. However, overall growth comes from the combination of the different sectors starting from tourism.

Regarding growth there is very little that we can do because we need to see people starting to travel into the Maldives when we open our borders on 15th July. We cannot have the borders open and not have anybody coming in. We need to see people coming in.

After the Tsunami tragedy in 2004, the Government followed a very effective strategy. It was a time when Maldives was badly effected and the travelers lacked confidence, so they stopped travelling. The bookings were cancelled but everybody was

sympathetic. Governments were sympathetic and we were appealing government to government, to please help us as we were in this great difficulty and some governments helped. We also appealed to the international travelers at the time and the strategy was "the best way that you can help the Maldives is by coming to Maldives and spending your dollars" and that really worked. So in 2005, our growth soared and our tourism shot up by leaps. Such a kind of articulate strategy is really needed this time around, and the avenues are more than it was before.

Maldives do not have the world's greatest reserves but we have just about enough. We have always managed with barely enough reserves. According to latest figures, we have a gross reserve amount of US Dollars 836.9Million and usable reserve US Dollars 201.4Million. To put into context, we have to always take reserves in terms of what purpose purpose it serves, and the overall purpose is that it serves is that it supports the flow of foreign currency in the economy although there is a large chunk of our reserves sitting outside of the custody of the MMA.

We have to take some benchmark to gage the health of our ability to finance our transactions whenever we want to import our rice from India, we cannot pay in Indian Rupees. We have to pay in US Dollars which means that it has to be converted into US Dollars. So we use the import figures to put the net reserves into context. Out of the US Dollars 201.4Million net reserves that we have, and that we can use to finance our imports, of which we have two parts, one is import of goods only and the other is import of services. Now if you put the two together, the number is quite large. However, if we look at the number for the goods alone and consider the first 4 months of 2019, we needed about US Dollars 964.6Million. In 2020, from January to April, we needed US Dollars 784.6Million which indicates that there is a decline. This is the decline in the demand for imports as a

result of the slowdown in the economy. When we consider this in useful context, we require about US Dollars 116.2 Million per month that we need to import goods alone. Hence, the US Dollars 201.4 Million that we have, is just above one month's or 1.4 months of imports of just for the goods alone. We have to add the services to this. Fortunately, for this time, we are not traveling at all but goods and services wise it seems that it would be higher.

It is a good thing that MMA is ready with a standby arrangement with the Reserve Bank of India. There has been about US Dollars 450 Million that has come as a swap arrangement and that gives some confidence to the authorities as well as to the public.

Even though the situation is difficult, Dr. Fazeel is positive because historically we have been shown to always manage. In 2008, at the height of the financial

crisis, our net reserve was US Dollars 32 Million at one time. There was necessity to remain calm and manage. It is important for the Central Bank to act calmly and not give a negative message to the public.

Dr. Fazeel shared some additional information on this by sharing further about our currency. As a result of the strength of the foreign exchange policy of the government, from 2000 – until the end of 2018, Maldivian Rufiyaa depreciated around 31% during this period. Compared with the comparable economies in the region, this is very low. For India, the depreciation rate is about 60-68%, for Pakistan it is 122% and for Sri Lanka it is 162%. Therefore, it is reasonable to be optimistic, despite our weakness, as we have been able to manage our finances reasonably well and we would continue to do so. We are fortunate to have very articulate, very creative and innovative people.

In terms of Cyber resilience how do you remain vigilant to identify and protect vulnerable systems, and detect, respond and recover from cyber-attacks?

Answered by Mr. Timothy Sawyer

This is a complicated matter and there is no easy and simple answer to that. The bank has developed a range of tools such as ethical hacking trying to probe into our systems to see if they can fault us at all. There are also people available 24hrs a day looking for patterns and looking for concerns because as Australia now, other places around also have been

having a good rise in cyber security attacks at the moment. No matter how good you think that you are, you may not be as good tomorrow, as new ways are found always. The price of security is eternal vigilance so there's no simple answer apart to invest, make sure people are there and be prepared to react quickly.

We have seen a lot of people queuing up and under the normal situation, that would have been a challenge for you even during normal times, so during the lockdown and the pandemic situation, you are managing the situation through online banking and online services, so what is your plan, would you continue to make these services a day to day thing and stop the reliance?

The necessity for people to visit in person to the bank in future under the new normal. Would that be an approach that you would be taking?

Answered by Mr. Timothy Sawyer

In essence, the approach is digitization. Do everything you can do, as much as you can, in an ATM because you can take cash out. A lot of services can be availed from the ATM and the services are going to be increased very soon. The idea is not to have to go to a branch unless you need to sign something. That said, there are still people who want to go to a branch and be there to do the transactions like older generations and thus the banks have to open for that.

Even in lockdown, the bank has been delivering cards to some elderly and vulnerable people as it is realized that they do rely on it. Though the bank finds it more efficient and most of the customers find online banking convenient, we have to accept that there is a segment of clients who do not use it or feel insecure to use online banking. This segment of customers also must be served. So the bank is making sure that they can get appointments securely if they need to come into the branch.

Mr. Janah referred to this as the cultural mindset, and that shift has to take place to get used to these changes. This is the time to learn those lessons. He also noted that BML employs a lot of Maldivians, and on behalf of the National Federation of Maldivian

Employers, Mr. Janah stated that they hoped to see that happening even in the future. Mr. Sawyer confirmed that BML employs 99.4% locals, meaning the foreigners employed in the Bank of Maldives is less than 1%.

Dr. Fazeel shared his view on employing locals and stated that the thinking that we cannot do without foreign expatriate labour in a particular industry at higher levels is not correct. He took the example of Dhiraagu, which started with a fair amount of foreign expatriates at the highest levels and the government gradually took the controlling shares leading to replacing the foreigners with locals. Today, Dhiraagu is one of the biggest cash cows in the country. Their entire staff, except for perhaps one or two are locals, they are running a company that is comparable to a similar company in Singapore or Hong Kong which is fantastic. Similarly, BML always had majority local employees and is leading by example. Dr. Fazeel believes that certain firm regulations can sometimes help. Around 2012 or 2013, MMA enacted a regulation obliging banks to have a local as the second in command. Mr. Janah also agreed that Dhiraagu and Bank of Maldives are success stories, which we all have to follow.

We are always inspired by a positive story. Sweden's tax agency has gone through a remarkable journey from being a feared tax collector to become a popular service agency.

What advice can you (Mr. Tommy Carlsson) give the Maldivian businesses, tax authority and all stakeholders to manage the tax system during these challenging times?

Answered by Mr. Tommy Carlsson

As stated before, trust, transformation and transparency from the government agency is critical, and to work for the best of the taxpayers. Additionally, the taxes as itself must be used for the benefit of the taxpayers like for better pensions, better healthcare, schools, unemployment support, and government services infrastructure. As a government agency you can work very much on transformation and development. Rome was not built in one day. You have to take it step by step and have a plan. Sometimes, we call it a change of the mindset which describes very much what it is about. You have to challenge yourself, you have to challenge your mindset and think from outside in.

As covered in the book which Mr. Saruvash referred to earlier, Sweden has learnt a lot from their mistakes. A lot of mistakes were done in the Swedish tax administration during the years, but using the mistakes and trying to turn them to opportunities instead is the way forward. Though Sweden has high taxes, people feel that they get a lot of benefits from the taxes in return. As mentioned already in this discussion, using modern services and electronic services is very good.

Moreover, build capacity. As Dr. Fazeel talked about the local staff, so there is capacity and a lot of things that can be learnt. It is not necessary to take this quite complex Swedish system, and it can be made easier and transparent. Then the trust will be there.

Is it possible to conduct integrated pro-development socio-economic policy and stimulate economic growth through effective coordination of fiscal and monetary policy?

Answered by Mr. Saruvash Adam

Both the fiscal policy and monetary policy should work together to achieve the goals and to overcome the effects of the pandemic. Having said that, there are limitations to how each policy can influence the economy. What we have observed when other countries formulate their policies, and even in many literature and articles, they all recommend to act fast and do whatever it takes to mitigate the Covid-19 economic crisis. Everybody wants us to do something very fast and act very big. Unfortunately, doing whatever it takes, may not be an option for a developing country. Looking at the current conditions, there is falling demand, less velocity of money, less circulation, and falling growth. The global commodity prices are low and local inflation is also low. Given these circumstances, there are things that both fiscal policy and monetary policy can do.

On the fiscal policy side, the government tried to prevent the pandemic from becoming a contagion. That was the first response, and then the second set of responses was to help the livelihood of people. To do that government needed money, but the government is affected quite heavily in terms of revenue. That is where the monetary policy comes in. When the monetary policy is tied to the exchange rate policy,

the policy goal becomes to keep the exchange rate intact. Therefore, that is the current policy goal for both fiscal policy and monetary policy.

Both the government and the central bank need to work together and that should be the kind of policy goal that we have to work for. You will see that the government will want to inject money and stimulate the economy as much as possible. But doing that will have its own risks and that is where the constraints kick in. With the constraints, we need to take some cautious risks so that we can steer through the pandemic and this crisis as smoothly as possible. And also support the growth of the country. If we just constrain ourselves to the limits of all the policies, then we may be paying the price through the growth, and the effects will be felt by both businesses and households which is not the ideal outcome. Therefore, we support the businesses and we support the households given the limitations that we have, but we need to take a cautious approach and that coordination is necessary. The central bank and the government need to talk and tailor a policy framework for this matter. It will not be risk-free, and we will need to mitigate the risks as much as possible.

What is your view on the current pandemic's impact on your risk assessment of public sector and private sector?

What are the lessons learnt and recommendations for the public and private sectors on being proactive and prepared, while remaining pragmatic, as we evolve from the situation?

Answered by Mr. Hussain Niyazy

Mr. Niyazy echoed Mr. Saruvash on what he said about the public sector. Even for the public sector, the Government depends heavily on the tourism industry. We get about MVR5Billion in tourism TGST, about MVR2.8Billion for general GST and about

MVR2Billion for BPT. From all our industries, we depend on tourism so it is like the Maldives is a one horse driven chariot. It is tourism that drives the total economy. Any management expert would always tell you that you need more than one or multiple sources

of income to actually manage and mitigate the risks.

What Mr. Saruvash shared is the short to medium term measures that the government and the Ministry of Finance are undertaking to raise the finance and finance the budget deficit. Mr. Niyazy believes that at the same time, it is important that we take a long term view as we had been procrastinating on these structural issues for a long time already. We need diversification. We need to explore and invest in the fisheries sector to have more value added products from the fisheries sector, and we need to explore more of other sources of income. Perhaps, from shipment ports or from the shipping industry as well. There are plenty of other opportunities. Of course,

tourism has a good return when it does well, but the lesson learnt from Covid is that we need to diversify and be independent from one sole industry.

The private sector also must think about all these issues. The government and the private sector must work together to address all these issues. We are all in the same boat so I think it is important that we work together to address all these.

Mr. Janah also warned that we must be ready for a situation where tourists do not come even when the borders open and see how other industries such as construction, logistics and others can stimulate the economy.

How do you see the future of Islamic Finance in the global economy considering the current challenges? Countries like Turkey and Malaysia are developing extremely good models as hubs of Islamic Financial Industry.

What can Maldives learn and adopt from this? Do we have the capacity and appetite to one day become such a hub?

In the article that Dr. Aishath Muneeza wrote "Will we ever see a world without Riba" it states "the most simplistic answer for this question is that Islamic financial system can get out from the experimental era only with the political will and support from the respective governments and concerning stakeholders" Dr. Muneeza was requested to comment on this statement.

Answered by Dr. Aishath Muneeza

What we are learning from this pandemic era are, number one as stated before, there is incompatibility in the monetary policies that we adopt in the world today. Secondly, we also have understood that we need a special insolvency regime specific for Islamic finance whereby, we need to talk about having a shariah complaint deposit insurance schemes as well as having a lender of last resort specifically for shariah compliant financial institutions. We also have understood that we need some uniform consumer protection rules especially for a takaful sector where we are right now facing a glitch in terms of understanding what should be the treatment given to the different takaful scheme participants. Moreover, it is important to have regulatory clarifications on having a proper understanding of what could be included in force majeure clauses of financing documents as when this pandemic happened, nobody was prepared and everyone is questioning whether this would fall within force majeure clause or not, and we need clarification for that definitely.

If you wanted to adopt anything to Maldives from those sophisticated jurisdictions, one thing that must be adopted is having a proper and comprehensive legal, regulatory and Shariah governance framework for not only Islamic banking but for both Islamic banking and non-banking financial institutions like HDFC and as well as for Takaful. What we are lacking right now in Maldives is quality products. There is no shortage of products, what matters is

having quality financial products. and what needs to be focused right now is to have quality products. The way forward would be to have a proper legal, regulatory and shariah governance framework for Islamic finance in the country.

If we are talking about Islamic finance as a whole, as an industry in the Maldives, Dr. Muneeza believes that this is the right time for us to integrate Islamic finance with Islamic social finance and with fintech. She believes When we consider what support has been given to the government as a whole by zakat during this pandemic, a lot more support could have been given and there was a lot of potential that was untapped. This was because of the governance constraints we had and the only way forward is to do more research to find out to find how to integrate Islamic social finance and institutionalize Zakat, Sadaqat, Waqf.

We can definitely be a Ribah free economy as we are a 100% Muslim country enabling us to be in a strategic position to implement a full-fledged Islamic, economic and a monetary system. As covered in the article, what is required is the political will. If we have the political will, there is no reason why we cannot have a fully-fledged Shariah compliant economy where we can merge halal industry and all the sectors of a modern economy into it.

Questions and Answers Session

Dr. Muneeza mentioned Islamic finance and conventional banking is not the same, does Mr. Tim also feel the same? BML has an Islamic financing unit? For covid, what do you think is the best?

Answered by Mr. Timothy Sawyer:

Islamic banking and conventional banking are like two sides of the same coin. There are different approaches and different interpretations but the end goal is the same in both. That is to help people in their daily lives and their activities. As to which one is best, it is largely down to the customer as to what suits them.

Islamic financing is very active at the moment helping people with their conventional parts. Hence, it really comes down to what is the best for the customer and it can vary from product to product as opposed to person to person.

Mr. Niyazy said verifying scanned documents must be done very carefully. This is a bigger risk in banks. For BML, how does the bank ensure proper vetting?

Answered by Mr. Timothy Sawyer:

The Bank has been growing and learning ways on how to keep secure. It is understandable that there are people who cannot go to the bank easily, such as people on the resorts. There are two key things that are being done. One is to not just rely on scanned documents and verify them using various methods such as one time passwords and follow up calls on telephone lines to confirm transactions. Never to just rely on emails and scanned documents.

Secondly, for the transactions that require customers to visit the bank physically, such as court documents, etc, the transactions are given a moratorium until the lockdown eased. The legal system in Maldives is not as good as some other countries where we can depend on electronic signatures and verification. Hence, easier ways have to be sought and learnt in this situation.

Conclusion

The episode has opened our eyes on the conventional banking and Islamic finance. There are several Islamic banking tools that are very beneficial and can be maximized especially now. We can do this by having a proper legal, regulatory and shariah governance framework for Islamic finance in the country.

The pandemic has brought us altogether and unanimously people agree that digitization is the lesson learnt. While we are able to work from home and manage our financial institutions by working remotely, with limited public access, this is a method that can be adjusted into the new reality.

We also need to work on increasing the treasure chest of the country, as we would need to start paying the debts eventually. New taxes and building the tax base, for which a transparent and efficient tax system is important, is something that needs to be looked at in the medium term.

Based on our past history, we are positive we can manage the economy even with the current reserves we have. The dialogue was a very constructive dialogue with the panelists speaking about the steps taken by the government, why such initiatives have been taken and what are the future prospectives. There was valuable engagement by the attendees with interesting questions asked to the panelists.

NFME's aim with this report is to collate the main points discussed in the full episode and present to you so that you are also part of our dialogue, and can open your minds about the financial industry and institution, how they have been managing the situation, the challenges we are facing and the anticipated future.

We acknowledge and thank the panelists for sparing time from their busy schedules and sharing their valuable ideas.

The full episode is available on YouTube on National Federation of Maldivian Employers' channel:
<https://www.youtube.com/watch?v=VIVXyEQFDTM>

For any assistance, you can reach out to our secretariat on secretariat@nfme.mv

TAILORING A NEW REALITY Employer's Dialogue



Episode 4: 24th June 2020, Wednesday

Starting time :

1130 GMT
1630 Maldives
1700 India / Sri Lanka
1930 Singapore

Topic : How Financial Institutions Can Step Up
and Facilitate Business Transformations



Facilitated by :

Mohamed Ali Janah

President
National Federation of
Maldivian Employers (NFME)
Industry Expert / Entrepreneur



Link

www.facebook.com/MVEmployers

Registration Link:

<https://tinyurl.com/ybztv6je>



SPEAKERS



Dr. Fazeel Najeef

Former Governor -Maldives Monetary Authority
Asst. Prof - Maldives National University
Founder/Editor - Maldives Economic Review



Mr. Timothy Sawyer CBE

CEO and MD - Bank of Maldives



Mr. Ahmed Saruvash Adam

Chairperson -MIRA
Chief Financial Budget Executive
- Ministry of Finance



Dr. Aishath Muneeza

Associate Professor - INCEIF
The Global University of Islamic Finance



Mr. Hussain Niyazy

Assistant Auditor General
Auditor General's Office

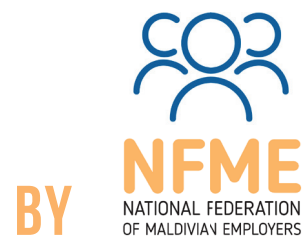


Mr. Tommy Carlsson

International Tax Expert & Consultant

TAILORING A NEW REALITY

Employer's Dialogue



Report on Episode 5

“Future of Micro, Small and Medium Enterprises”

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Executive Summary

UN's Micro, Small and Medium Enterprises, MSME Day was established as 27 June of every year at the UN's General Assembly in 2017 (UN, 2017). Statistically, 90% of companies around the world are MSMEs contributing to 70% of employment (UN, 2020), and half of creative products of a nation. In Maldives, out of the 7000 registered companies, about 6500 are MSMEs.

In Maldives, any company with less than 100 employees and a turnover less than MVR20Million per annum is considered in a category of MSME and is referred as SMEs (Ministry of Economic Development, n.d.).

The fundamental problem is that there is a misconception about the SMEs and people are not aware of the significance of SMEs. The reality is that the main income for our economy is generated by SMEs and not the popularly believed tourism. The money earned is also retained in the country unlike tourism where the income generated is exported out of the country simultaneously. Whilst tourism has shown to contribute 15.9% to our BPT, according to MIRA's 2018 annual report, construction has contributed 17% and the trade sector reached 26%.

This is the same when we consider employment also. SMEs are mostly, not always, operated with 100% locals. There is also another misconception that when SMEs are lent funds, they will misuse it whereas the track record of SMEs are better in repayment of loans.

Registering a business is a lot easier now than it was before as, unlike before, you can get assistance from service providers now to prepare business proposals or any other requirement. SMEs or even bigger businesses are gender neutral. Women are also successfully advancing in business now. There are special loan categories now, that are dedicated to women entrepreneurs. Furthermore, working women are now normalized. All these have paved an easier path for women entrepreneurs. With women leaders empowering others, we have seen a significant increase in women leaders.

We have been proven that there are no profession women cannot venture. However, it is paramount to acquire enough knowledge. Education is important. At the same time, you have to incorporate practical knowledge along with the education to succeed.

Even before the pandemic, there are some problems the businesses have been facing. The serious issue in our businesses being overcharged for their shipments by the shipping agents is a grave matter that has been raised with the relevant authorities on several occasions without any response. There are many cases where Delivery Orders are released to the clients after charging them additional charge by the ship. This is an unethical and illegal practice that is

somehow happening through different loopholes. If you consider a ship that carries 400 containers, an additional charge of USD600-900 per container means it is a business of over MVR4-5Million per ship, as added income. This is money that will otherwise circulate in our economy for our people. There is no reason our sea port cannot regulate this while our airport is seamlessly doing this and releasing air cargo without extra charges. Thus, the problem is that the businesses who are registered to do these, are not following proper codes of business and this is not being monitored.

Another crucial matter we are facing right now, as always, is the migrant labour issue which needs to be addressed to benefit the local businesses. However, we are not in a position to manage without foreign workers. From the population of 400,000 in Maldives, we have about 70,000 people who are available to work in the private sector. The management of expatriate labour is definitely mismanaged, due to various habits by some locals, preventing the government also from regulating them properly. Regardless, we cannot manage without foreign workers. However, we can have a system in place to ensure locals are not losing out on employment due to this. There can be systems and guidelines imposed where it compels industries to have a minimum local component in their manpower, especially in the senior management. Thereafter, this must be monitored. There are some such regulations even now, but not being followed as they are not correctly monitored.

With various challenges in existence already, the pandemic created havoc with a sudden stop in businesses causing them to stop their operations quite abruptly, resulting in financial losses, difficulty in operations due to the pandemic restrictions and loss of employment for many.

To help the people during this unprecedented crisis, Covid relief packages have been approved. According to the Ministry of Finance's website, as of 27 June 2020), MVR253Million has been approved for about 1000 applicants across different sectors. It is observed that regardless of the relief packages and incentives established, some businesses are unable to avail these benefits due to not operating the business systematically and meeting the criteria required. It is also estimated that MVR700Million is being distributed as financial aid and loans. There are doubts as to how the government can sustain this, except take additional foreign loans.

Matters such as improper codes of business can be regulated if the relevant ministries properly monitor how businesses are operated after they are registered. Once the company is registered, their compliance with the government's regulations must be regulated by the relevant industry's ministry and authorities. At

the same time, we need organization also as simply regulating regulations will not be efficient. There is a need to organize our SMEs and guide them.

There are also several steps taken by the Ministry of Economic Development to ease business operations. There are several strict measures that need relaxation and some that need to be restricted a bit more and this must be considered when deregulating. The SME categorization also needs to be updated to fit into the Maldivian context.

Such a regulation that needs immediate attention is the land valuation policies in the islands. Currently there are no proper standards to value land in the atolls resulting in undervaluing of lands.

There is also a need for decentralization and stop depending on Greater Male' region to operate businesses. The pandemic has taught us that this dependency in one location can bring the country to a halt without other alternative options. While working on decentralization, we also need to introduce an electronic transactions bill and establish an efficient digital service system.

Additionally, we need to work on import substitution. The lack of production of quality products, except in few industries such as Fisheries and Hospitality, is causing our dollar-based income to shrink. To aid this, there is a co-kitchen concept being introduced in the Maldives. This can help new start-ups to establish their businesses in these shared spaces and expand in due time with proper plans, instead of the current

practice where new startups are short lived, 3 years on average, due to the high rents and overheads they are burdened with from the beginning.

The financial sector also has to be developed with additional products that can help SMEs, and in turn give confidence for people in general to invest in Maldives. Even a non-businessman should be able to invest if they have access to funds or savings. There are some other countries that are conducting corporate investment programmes from which we can learn and implement in Maldives too.

For new businesses and even the existing ones, the secret ingredient to a successful venture now are technology and e-commerce. Even if you do not have technical knowledge, you can hire those who have it and venture in to the e-commerce platform. Digitization has been a unanimously agreed solution for many challenges faced right now.

There has been research done on the pandemic and its effects on the SMEs and this research paper has been submitted to Ministry of Economic Development. This paper provided the challenges faced and the recommendations suggested by the businesses. Businesses need additional stimulus packages to kickstart their businesses.

To conclude, we must accept that SMEs are the backbone of our economy and if we develop them parallelly with other sectors such as tourism, we will see positive change.

Introduction

National Federation of Maldivian Employers, NFME, launched a Webinar Series “Tailoring a New Reality – Employer’s Dialogue” with the purpose of uniting our different industries together and establish a dialogue with the industry experts on how to navigate in the new realities that are unfolding.

The first episode was aired on 3 June 2020, Wednesday and episodes focused on a different sector weekly are planned to air every Wednesday at 16:30hrs Maldives time. The fifth episode was aired on 27 June 2020, Saturday. The date was changed to coincide with the United Nation’s Micro, Small and Medium Enterprises Day 2020. The topic for this special episode was “Future of Micro, Small and Medium Enterprises”. Mr. Janah explained the relevance of MSMEs and the purpose of this celebration.

At the UN’s General Assembly in 2017 (UN, 2017), it was decided to celebrate 27 June of each year dedicated to the MSMEs globally, with the intent to stimulate creativity, innovation and new ideas by workers. This was the 3rd year we celebrated this day.

MSME takes a large portion of the economy, especially in developing countries. As per ICSB (International Commission for Small Business) and UN statistics, 90% of companies around the world are MSMEs. They contribute to 70% of employment opportunities and 50% to creative products of a nation.

Different countries have different scales to categorize MSMEs (based on population, workforce, economy and business)

The EU standard for SMEs, as per Europa Commission, is:

Micro – less than 10 employees; turnover less than EUR2Million per annum

Small – less than 50 employees; turnover less than EUR10Million per annum

Medium – less than 250 employees; turnover less than EUR50Million per annum

According the Ministry of Economic Development’s website, Maldives standard is:

Micro – between 0 - 5 employees; between 0 – MVR500,000 per annum

Small – between 6 - 30 employees; between MVR500,001 – 5,000,000 per annum

Medium – between 31 - 100 employees; between MVR5,000,001 – 20,000,000 per annum

While we celebrated MSMEs on 27 June 2020, according to UN, MSMEs around the globe have suffered the impact of Covid-19. Therefore, this report, based on the episode, will focus on such issues in MSMEs in Maldives, and how best to mitigate the impact as much as possible.

Panelists for the Episode:

Mr. Abdul Latheef

Ms. Shaira Saleem

Ms. Maryam Visam

Mr. Ibrahim Ali Jaleel

Mr. Mohamed Naseem

Facilitated by:

Mr. Mohamed Ali Janah





Mr. Abdul Latheef

Mr. Abdul Latheef has been an entrepreneur for over 28 years who is result oriented with a passion for Micro and SME development.

He has experience in various fields, such as operation of travel agency, construction, operation of hotels and guest houses, cruise and aircraft handling, trading, hospitality services and development of E-commerce.

He contributed as a volunteer in the core committee to form Maldivian Red Crescent, worked in the policy boards of MATI, MATATO, MNCCI and Maldives Tourism promotion Board (MTPB), worked at Customs Valuation committee and airport facilitation committee. Furthermore, he was on the Labour Advisory Board of the government before 2008 and contributed for 3 years to the South Asian Travel Awards- SATA as a jury member.

Have received recognition and awards from the government of Maldives for the services rendered towards sustainable development of tourism in Maldives.

Mr. Abdul Latheef is a co-founder of SME & Entrepreneurs Federation of Maldives (SEFM) and is currently the President of the organization.



Mr. Ibrahim Ali Jaleel

Mr. Ibrahim Ali Jaleel is a trained Communication Engineer and a Project Manager.

He worked at Dhiraagu for 25 years as a Telecom Technician, Telecom Engineer and Project Manager for many telecom upgrade projects & civil projects at Dhiraagu.

Now Mr. Jaleel works in project management, construction and real estate development, import of light construction machines and building material under his own companies, Smart Projects and Smart Builders.

He holds a Higher National Diploma in Telecom Engineering and an MBA from AIB.



Ms. Shaira Saleem

Ms. Shaira Saleem, widely known as Sheri Shaira, is the Managing Director of Sheri Pvt Ltd.

She is also the founder and Chairperson of Women Entrepreneurs Association of Maldives (WEAM) working for the empowerment and development of women entrepreneurs. She is also the founder and Vice Chairperson of SAARC Women's Council.

She has had several achievements in her career, including:

- 1- National Youth Award
- 2- National Award in 2004 for her work to voice women's leadership
- 3- SAARC Women Entrepreneur Award
- 4- Voice of Women Award from Nepal
- 5- Women Leadership Award from India
- 6- Women Role Model of the year WIM/IFD



Ms. Maryam Visam

Ms. Maryam Visam is the registrar of companies in the Maldives, and known to all the business entrepreneurs for her competence and commitment to developing the business industry in the Maldives.

She currently oversees business registrations and Foreign Development Investments, and also engages in the formation of business policies.

Ms. Visam has over 15 years of experience in finance and the business sector.



Mr. Mohamed Naseem

Mr. Mohamed Naseem, otherwise known as Nafa Naseem, studied economics and law, and has worked in the government and private sector for over 20 years and is a business consultant for international multilateral agencies.

Discussions

You have been a vocal leader who has helped raise women leaders especially in Micro, Small and Medium Enterprises, MSME. Most of the women leaders we see now are trained under your realm.

Compared to when you (Ms. Shaira) started, how has raising women leaders become easier or difficult now and what can we do differently to bring more women in to the business industry?

Based on the answer by Ms. Shaira Saleem:

Ms. Shaira started her professional career in the late 1998 which was 22 years ago. She opened her own business and soon came to realise the lack of skilled people in various professions. She had difficulty in finding professional aerobics instructors, beauticians and professionals she needed for her company.

There was such a demand, yet not enough people who were trained. This prompted her to explore the idea of training people and developing the skill sets, who she believed would do the same and train the next generation and pass it so on. She has trained majority of the successful professional women we see now in the Maldives. She was happy to highlight few of them whom she trained, and are now leading women in the society, such as Suiza from Sui's Salon, Aisha from Aisha Salon, Zeena from Xee Salon, Shifana from Heat, Hishko who is a gym instructor, Ana who runs Coco Chic, and many more.

Regarding the comparison of past and present on how easy or difficult it is, she stated that is definitely a lot easier now to start a business. 22 years back, a business proposal was required to even start a business and if someone does not have the knowledge to make a proposal, they are unable to start a business for themselves. However, if you consider the accessibilities now, even if we do not have this knowledge we can even go to a bank and have them assist us to apply for such things. An easier path is laid out for us now to enter the business world. There are separate loan facilities at some banks specialized for women entrepreneurs. Such options were not available for us earlier. In fact, it was a very normalized opinion that working women were disgraceful or shameful.

Ms. Shaira then got the opportunity to join the NGO MNCCI, Saarc chamber as a women's representative after an endorsement. She expressed her happiness in seeing the women, who worked beside her in the NGO, have started their own NGOs and are very active. She expressed her pride in seeing figures such as Rahee, Rafiyya and other, continuing the work she started and following suit by training the next generation. The fact that all of them are able to independently pursue these and at the same time have a good relationship with her makes her prouder. They are able to communicate at any time, and she has also led them on international platforms to get notable awards. Hence, she is very happy to see the women she has worked with excel and prosper.

In December 2019, when it was announced that 33% of the councils must be represented by women, she joined hands with an international organization to train such potential women for these roles. Out of the 39 women she trained, 14 women got the ticket and are now serving as councilors in their respective islands. This is a notable achievement and shows that we are able to empower women much more than it was possible in the earlier days.

Mr. Janah also agreed that it is important to share your wisdom and experience with others and train them. And it is of great pleasure to see those people whom you have helped become successful people in the future. He commended Ms. Shaira for being a fine example of such an inspiration.



Freight forwarding, shipping, logistics and airline agencies are perceived by many to be controlled by foreigners, either directly or by using a local for namesake and legal purposes. We believe this is a huge loss of opportunity to the many aspiring and genuine local SMEs who are capable of successfully venturing out doing such business.

What is the remedy to this critical issue, of foreigners taking over business opportunities, which is causing unmanageable harm and continuous damage to our economy on this front?

Based on the answer by Mr. Abdul Latheef

Cargo logistics and DO (Delivery Order) is a very serious issue in the Maldives. Mr. Latheef referred to an incident that he encountered when he brought a container from China with its CIF fully paid up to Maldives, but he was not able to collect the DO without further payments. He finally had to pay these extra charges from Colombo to Male' in order to avoid demurrage charges at the Maldives Port, which will result in a bigger loss. He had no choice but to pay double the actual fees to collect his goods.

As Mr. Latheef runs the SME & Entrepreneurs Federation, a lot of people approach Mr. Latheef complaining about this matter or to share their experiences. To see if he can assist them, he has in some instances even accompanied them to lodge complaints at the Maldives Police Service. The Transport Authority of Maldives has also been approached but regardless of their many assurances that they are working on it to gazette a regulation to regulate this issue, there has been no solution or update so far.

When he did some additional research on this matter only did he realise the extent of this business. Every cargo container ship that docks in Male' port carries a minimum of 400 containers and they charge an average of about USD600-900 per container, meaning they will generate a profit of about MVR4-5Million per ship, in addition to all the charges that are already charged from each ship up to the Male' port. This is seriously concerning and despite many complaints there has been no action from the Transport Authority, Maldives Police Service, Auditor General's Office, Maldives Courts or the Ministry of Trade. None of them have taken any serious action on this matter. After an encounter with an official from the Foreign Ministry of Pakistan during an SME discussion, Mr. Latheef discussed this topic with him and he advised Mr. Latheef to change his perception and approach to this matter, as considering the lucrative and big business, surely there will be people who are putting more effort to keep this business as it is, than the effort we are putting to resolve the matter. There is no easy or fast solution to fix this.

Our seaport and airport are both governed by the same regulations. If MACL, who operates our airport, is able to release DOs of all cargos coming into the airport without any issues, there is no reason why the Maldives Ports Ltd or another capable government organization cannot take over releasing DO of goods coming in to Maldives via seaport. It is high time such a step is taken as the way they are charging us for our shipments is just unacceptable.

To put it into a simpler context, when we are paying MVR200 for a pickup to carry goods from Male' to Hulhumale' and when the driver charges you an extra

MVR200 again to release the goods after they are delivered, it is just not reasonable. So far, our cries to all governments regarding this has gone unattended. There is a huge amount of money involved in this business and this may very well be the reason that this matter has not been resolved. Because there are people who do not want to resolve it, much more than how much we want to resolve it. To bring a ship here and and to clear the ship, normally it takes about 4 days. If we apply MVR5Million, then for 365 days they earn over billions. This is our nation's earnings, money which is lost from our citizens and it is outflow of cash to foreign parties. If we are able to at least circulate this money withing our nation, it would definitely boost our economy, as well as our SMEs. This money would be in our gross reserve to circulate within our local economy.

Hence, this issue will be solved only if a government body takes this over from the private sector, as how they are already releasing DO for air cargo from MACL.

As the problem is identified and the issue is already raised and being raised with the relevant stakeholders, Mr. Janah stated that this is the opportune time, when we are venturing into business after an abrupt halt, to implement better regulations and practices in our businesses and work, and to stop the negative practices we had pre-Covid.

Ms. Visam shared her view on this matter during her response to the next question. The main cause as she has observed is the problem of intermediation. At the time of implementing the Foreign Development Investment policy, there was a lot discussion on this matter and how to transform the shipping and logistics industry to an independent and locally dominant industry, and the policy demanded for this, for 100% local businesses to be allowed doing these businesses. We normally see that there are plenty of foreign companies, who use a local business as their front, or foreigners who partner with locals to register their shipping and logistics business. Therefore, the problem lies within the conduct of business of the registered businesses.

Looking a bit further into this, when we consider the ships that come into Maldives, containers are imported on ships that transit in a neighboring country's port and these ships charge from our businessmen and consumers whatever charges they were not able to take from those ports due to the strict rules and regulations at those ports. Hence this matter is a problem arising due to poor conduct of business, that is enabled due to insufficient enough regulations in this industry.

The government has been doing a lot to manage and help facilitate the challenges encountered by the MSME sector both currently and pre Covid.

Could you please elaborate on the stand of the government towards SMEs pre and post Covid 19 and what additional measures and facilitations had been granted to mitigate the losses faced by the MSME sector?

Based on the answer by Ms. Maryam Visam

There are several government led initiatives available to support businesses in response to the negative impact on the economy caused by the pandemic. The main form of support is relief loans provided to businesses. Ministry of Finance's website today (as of 27 June 2020), had published the amount of loans approved under the Covid relief package which amounts to MVR253 Million. This is for around 1000 applicants as per Ministry of Finance and the sectors include agriculture, commerce, construction, fishing, innovation, tourism and transport. These can be extended to businesses that meets the conditions set out by the government. Due to the businesses ability to maintain proper records, some businesses may fail to provide the necessary information that is mandatory. As a result, such businesses will stand a thin chance in securing the relief loans availed by banks and other financial institutions.

Undoubtedly, no country was prepared for a pandemic. All institutions are required to rethink their service models, same applies to both government and the private sector.

Some services have been deployed online, not all businesses are yet conversant with these procedures, but the online service uptake is relatively high now. Ministry's main objective is to streamline business processes, therefore, businesses are encouraged to use the Ministry's business portal to access some services. As for the long term, more stringent measures, that is beyond sustenance of the economy has to be considered. The Government is currently working on an economic recovery plan to address the medium - long term issues.

The pandemic has made us understand that there are certain policies that were very lenient earlier, but must be actually strengthened and similarly there are several policies that were very strictly regulated that should be eased. Hence, in deregulation, all ministries should identify and consider the areas that can be moderated and enable easier ways to do things.

Furthermore, Ms. Visam believes that, subsequent to the registration of the business, businesses should be more focused on their 'conduct of business'. Business registration enables you to carry out business within specific parameters set out by the relevant Ministry / Agency that is responsible to regulate the 'conduct of business' of that specific sector / industry. Hence, monitoring of code of conduct of businesses, ensuring standards are maintained through compliance with government policies, are very important for the development of the sectors.

Moreover, Ms. Visam suggested that we need to decentralize our economic activities and services though it is a topic which is usually neglected but needs to be brought to attention. To make our citizens' lives better and to keep providing them with the quality of services they require and deserve, we need to focus on economic decentralization. This means that we have to stop our dependency on the greater Male' region when we operate a business. This is a lesson we all have learnt due to Covid. When trading operations in Male' was halted, the supply to the atolls were cut down by 50%. Therefore, it is critical to figure out how to build our economy without depending on a certain place. As Mr. Latheef and Mr. Ibu Jaleel have been advocating, integrated SME development needs to be looked at closely.

One other important matter is to work on import substitution. In the Maldives, there are no parties who can create quality products, in volume except for some in our hospitality services industry and our fishing industry. That says a lot about our economy. The main reason why we have not been able to do this is because we have not built the capacity for this. Or it is because of our planning. We see that our dollar-based income is shrinking, and we are able to estimate that our economy will surely suffer. This is a wakeup call, to focus on import substitution.

On this, she noted that the Business Center Corporation, in collaboration with the Ministry of Economic Development has started works to help those in the import substitute sector. And to introduce co-kitchen share concept for the first time in Maldives. In most countries, stimulus packages have been implemented to support the MSME sector by the government, private sectors or jointly, but in Maldives the picture is very different. There are many startup businesses in the Maldives that are usually made with an expiration date of 3 years maximum. This indicates that the sustainability and success rate is extremely low for the new startups. From the businesses that are aided, the number of businesses which will sustain themselves will be substantially low. When we look at food and beverages sector, there are many cafés, restaurants or food delivery services. Instead of starting such businesses after paying a hefty rent for a space per month, plus cost of equipment and ingredients and other overheads, they should try to look at giving many services under one roof under the co-kitchen concept. The initial start can be through such an establishment and when they earn some profit and created a loyal customer base, then they should think about the next level. The entrepreneurs need to think deep

about how they can generate a reasonable profit for their investment in the first 6 months of the business.

Mr. Janah shared the ease of doing business for our existing businesses and new startups. He believes dwelling on the code of businesses can assist us to take back control of certain sectors.

He also shared a statement by the Prime Minister of New Zealand who stated in a panel discussion that Sir John Key estimates it may take at least 10 years to come out of this crisis. But the silver lining is that the banks did not crash this time and this can actually be a chance for other things to develop in the world, such as climate change and sustainable development goals.

What are your views on banking and financial institutions providing funding and incentives for the growth of MSMEs in the country?

Are our MSMEs getting the required support for their growth and are our financial institutions able to match the required growth of MSMEs in the country?

Based on the answer by Mr. Nafa Naseem

No country has been able to provide the required help in the required capacity. It is not even possible. The times have changed, and development is happening too fast. As people develop, it is difficult for the government institutions, countries or the established structures to follow and keep up. It is pleasing to note that since 2013, the Maldivian structure has developed, especially for MSMEs. A regulation has been implemented, an SME bank has been introduced and with ADB's help there have been business centres introduced in 7 regions of the Maldives.

These are certain necessities which need to be discussed. As Ms. Visam mentioned, our government has been able to provide some amount of financial assistance to the businesses. It is estimated that around MVR700 Million is being distributed as financial aid to various locals and loans are also being issued by the SME bank. It does make you wonder how the government will sustain itself if they continue releasing such high values of financial aid. Mr. Naseem's conclusion is that the government is taking loans for funding and doing it as it was done before in other government administrations.

Mr. Naseem stated his opinion that the fundamental problem within the SME industry is that people are not aware of the importance of SMEs. Mr. Naseem has published an article on this on the Mihaaru News, which can be accessed on <https://mihaaru.com/business/76378>. His point being, though the main belief is that main income from our economy is through tourism, that is really not the case. The actual fact is that the main contributor to our economy are our SMEs.

If you consider the spread of businesses even, the SMEs operate the major base of businesses when we consider the widely dispersed islands in Maldives. In terms of income, the amount of money entering Maldives may be larger in the tourism sector but the eventual amount of money we retain is less. The large amount of money we get from tourism is either invested in materials or employees. Income wise

this is an error we make that we think that tourism generates more profits. The larger portion of income contribution for Maldives economy is made by our SMEs.

Similarly, we assume or feel that bigger sectors such as tourism generate more employment opportunities. When you look at the tourism sector, the ratio is 2 or 3 persons per bed, but when you look at the ratio of locals the number is very low. However, SMEs are usually operated within 100% local staff. We do see that there are many Bangladeshis also involved in this as of lately. But the bottom line is that when we look at employment also, we realize the importance of SMEs.

Hence, in terms of income generation, economic activities, the spread of across the country, retaining profits and reinvestments, SMEs are very important. The profit earned by most of the tourism tycoons are not invested in Maldives, whereas the profit earned by our SMEs will be circulated and retained within our economy. The government and our citizens must change their mindsets on the concept of SMEs.

As highlighted Ms. Visam also, one major lesson we learnt during this pandemic is how much we rely on the Greater Male' area. We have to focus on enhancing SMEs in other regions.

It is human nature to focus on the bigger and shinier things. We have been deceived by such a cobweb and lost focus of developing our SMEs. Loans are being given to bigger businesses. Policies are also structured focused for bigger businesses or sectors. Likewise, when it comes to giving incentives also. Even when conducting trainings or workshops, it is usually for the bigger businesses.

This is not to ask to stop empowering bigger businesses. Usually this is done to make the business broader or to bring in more foreign currency and investments, which is a whole another objective. But to enhance the Maldivian economy, widen its

base, generate more income, create employment opportunities and increase contribution, we must develop SMEs.

Mr. Naseem supported the kitchen space initiative explained by Ms. Visam, but not for a kitchen concept. Thailand has the most developed and successful SME sectors contributing to their economy. They have very beautiful places to promote as tourist destinations, but their aim is not tourism. Their goal is SME. They are holding up their country's economy via the SME sector. You will not see beggars on the streets of Thailand. For the businessmen who start their own factories, it is strictly mandated that 25% of it must go to the SMEs. If you visit Bangkok, you will see small factories operating with a workforce of 25-30 persons making clothes or something else. Such a system needs to be implemented in the Maldives. Our focus is not where it should be prioritizing on. To take an example, Baiyoke of Thailand is leased a huge building by their government on a very small rent to operate their business. There is no reason why such a building cannot be introduced in Maldives. Just like how we can give co kitchens, we can introduce such buildings as well.

Next is the mindset on finance. The mentality that when you give funds to SMEs, they will utilize it for their personal use is wrong. SMEs are much more faithful. Even when you look at the records, the SMEs have been paying back loans much regularly and better. Moreover, the end revenue generated for them, the

government and the community is more.

Mr. Naseem is not in full agreement with Ms. Visam's response that we need to regulate regulations. Instead, he believed that we do not need further regulations, but we need organization. We need to be able to organize our SMEs. We need to show them the path, if be it, take their hands in ours and lead them to the path and guide them. Even with proper regulation, some things cannot be accomplished without organization. If we consider the issue with the freight forwarders, it is not because that they do not have regulations that they are over charging our businesses. There are regulations, laws, policies for that and contractually also, they are not allowed to charge these. Yet, this is still happening because despite the regulations, there is no proper organization.

Lastly, Mr Naseem referred to Mr. Janah's quote from the New Zealand's Prime Minister and echoed that the crisis we are facing now is quite different. It is not that we are unable to get money or that there is no demand, this is an entirely different situation. For Maldives, this crisis can be very beneficial too, but we can do this only if the stakeholders of our industry, government, community and all act together collectively.

Mr. Naseem recommended an SME seminar to be conducted as soon as possible with all these stakeholders and to focus on this area.

These are unprecedented times and this episode of tailoring a new reality focuses on the micro, small and medium enterprises facing the new normal.

As a leader in the MSME sector, what are the challenges that you (Mr. Ibrahim Jaleel) faced at the beginning of the pandemic and how are you coping with it?

Based on the answer by Mr. Ibrahim Ali Jaleel

The biggest obstacle was Covid itself as we did not have any identity of it on any charts. It was an evolving situation, and WHO itself was observing new developments and the end result was not clear. The main concerns of our businessmen and entrepreneurs were also what would happen to their businesses if Covid persists. How they can sustain their businesses in such a pandemic.

There have been research done by the SMES based on the queries received and the figures and advice obtained from businessmen and experts in the field. Based on this research there was also an estimated schedule of the opportunities that will arise. This was compiled all into a research paper and submitted to Ministry of Economic Development and other relevant government agencies.

In this report, recommendations have been given on what can be implemented now, post Covid and in the long term. Mr. Ibrahim Jaleel noted that there were some discussions that took place after the paper was shared and he thanked Ms. Visam and the Ministry for their support rendered to the SMEs.

The next step was to find a way to start operating the businesses while adhering to the guidelines set by HPA.

As Mr. Naseem highlighted, SME sector is the largest contributor to employment for locals in the Maldives. There are around 7000 companies registered in the Maldives. Excluding about 500 companies that are considered as large businesses, the rest are SMEs. In early June, National Bureau of Statistics published the statistics on employment where it shows that there are only 23000 local employees in the tourism sector. Civil service employs 25000 locals and the rest falls into wholesale retail businesses, construction and SMEs.

To add to what Mr. Naseem mentioned about the greatest profit being generated by SMEs, according to MIRA's annual report of 2018, the BPT received from the whole tourism sector was 15.9% only. Construction or real estate contributes over 17% to the BPT.

Another major obstacle arising due to the pandemic is the instability in the employment market. How could we resolve the loss of employment? The support from the government through the 6 months loan moratorium and the employment loss income support allowed some breathing space.

In the past few months, most of the businesses barely survived. The businesses need an additional stimulus package to kickstart their businesses.

Mr. Ibrahim Jaleel also touched on the issue with the migrant workers in the Maldives. There are around 3-4 categories of expats in the Maldives. They are, the expats who suddenly leave their employers or disappear even though their employers have fulfilled their obligations towards them, expats who get thrown into the streets because the employer got bankrupt, and expats who are released here via an organized crime network. Taking some documents which got highlighted on social media in the recent years into account, Mr. Ibrahim Jaleel referred to a case where a quota of 1300 persons was given for a sewerage project of a single island which is equivalent to the number of people required to build a resort. Not only that, the quota was issued to another company which was not related to this project as it was another company that carried it out. Solving this is also critical to help our local businesses.

Mr. Naseem added his thoughts on the matter of migrant workers during his question later during the episode. The population of Maldives is around 400,000. From this, the workable age, which is over the age of 18, is a very small percentage. Around 100,000 locals are out in the market out of which about 30,000 are working in the civil service, so that leaves about 70,000 locals for the private sector. Maldives is a very rapidly growing economy and we need hands to work in this economy. With these numbers, it shows that we need all the extra help so we cannot fully remove all foreign workers. From expatriates, we produce around \$700 worth of income, by paying them only around \$100. The reality is that the problem is not about expats. It is because we cannot manage them due to certain bad habits of ours, which also prevents the authorities to regulate them properly. Mr. Naseem shared a statement by Dubai's Sheikh Mohamed that the service in Dubai is so excellent because for anyone who visits Dubai, they have the capacity to have seven helpers. So much of workers are required to give such efficient service.

Even though the backbone of the Maldivian economy is tourism, the actual backbone of the economy are the SMEs. The SMEs employ a large part of the work force in the country, both skilled and unskilled. Unfortunately, even in tourism industry, as well as in the secondary industries, we find that the majority of the work force are foreigners (National Bureau of Statistics, 2019).

How can we encourage to increase the proportion of the local work force across the various industries in the Maldives? What can we do differently?

Based on the answer by Mr. Abdul Latheef

Around December 2004 when the tsunami hit, the budget for Maldives was around MVR5Billion and now the budget is MVR37Billion. With regard to our population back then, our working population has increased around 173%, but the expenditure budget by the government for the development of our country increased around 740%. This means we need to find additional labour to generate the revenue of the extra 600% or 700%. We are not a country operated by funds generated from certain factories, or production of machines. We provide services.

Hence, what we need to accept first is that no matter how much we call out to send all these expatriates back, this is not practical in this country. To fix this issue, our approach should not be to make 51% or 43% or 70% or 60% of employees locals. Practically, we cannot reach this percentage but there are many things that can be done to facilitate this. We can distribute the employees into 3 groups, that is unskilled, semi-skilled and highly skilled. We need to employee more locals into the semi-skilled and skilled area and employee more expats into the unskilled area.

When we look at a practical logistics, the amendment to the employment act which the Ministry of Economic Development has proposed to the parliament, or the regulation following that act needs to be amended to synchronized with this.

To add to the GDP contribution stated by Mr. Naseem and Mr. Ibrahim, Mr. Latheef noted that while tourism contributed 16% to the BPT, the wholesale and retail

sector has contributed 26%. Right now what we need is GNP (Gross National Product). What we need is a product which will retain in our country.

Mr. Latheef believes that this issue of a better GNP hopefully will start resolving soon if things go well with the new bill Ministry of Economic Development has proposed a law to the parliament regarding fair competition act. If the act gets passed as it has been intended, a lot of issues that we are addressing now will be resolved.

SMEs are around 95-96% of registered businesses in the Maldives. When we look at employment on an economic pyramid, the foundation is SMEs and when the foundation is damaged, there will be a huge toll on the rest of the economy. What we must look at is that the most vulnerable community is employed by the SMEs. If we are unable to protect them and if the government is forced to take care of their livelihood, then there will be much more grave consequences.

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Mr. Naseem added his views to the question. When we do an economic analysis, SME is backbone of spillover economy, but in fact it is the other way around. Tourism is the spillover economy but what we are getting is a droplet from the top of the full glass. SME is the whole full glass.

Based on statistics from 1972 and onwards, the difference between the rich and the poor have grown in correlation with the development of tourism. This bias and discrimination are created due to neglecting

the SME sector for too long. If these two sectors are developed parallelly we will see a positive change.

Mr. Janah commented that not one part of the economy should progress while the others remain still. As we develop the SMEs need to develop.

Is there a specific industry that is more prone for women to be successful in? Can businesses be successful with proper strategic marketing and little academic competency?

Or does this depend on the size of the company especially in the context of the local environment?

Based on the answer by Ms. Shaira Saleem

There is no specific area specialized for women. Women can go ahead in any area or sector they prefer. In the Maldives and globally, we see a lot of women in executive positions. In the Maldivian construction industry, diving sector, logistic sector also there are many notable capable women.

Education is very important, but it is not everything. For a business to succeed, you have to practically apply skills alongside with the knowledge that you have. To take an example, even if you study and become a pilot, you need on site experience to qualify to operate an aircraft. Likewise for other professions such as doctors, divers and so on. They all have to have practical knowledge before they are able to fully function in their respective fields.

Further to your higher studies, Ms. Shaira advises to always gain work experience by working in a business environment, and then opt to start a business for a clearer, easier path to success. If you work by applying the education and work experience that you have gained over the years, you will succeed.

When you look at the most successful Maldivian businessmen also, we notice that most of them are carrying high educational certificates, but they are very experienced. They can employ educated people to work for them. For all that you do, you must have a plan laid out. With proper guidelines and Standard Operating Procedures, you can have a very fruitful and successful business. Therefore, experience is very important too. Now, you can attain honorary degrees, masters and even PhDs once you gain a certain level of work experience and achievements.

Women can do everything, but we also have to take this into statement into the right context. Women may have certain physical restrictions. A woman CEO of a resort operating company may not be able to physically construct a jetty that may be required in the resort. Nevertheless, she will find the means to do it. We must accept that Allah SWT created the genders differently. There is a reason why in the Olympics also there are two different categories for the genders to compete in.

Mr. Janah applauded Ms. Shaira for her services and highlighted on the recent appointment of a female as the group Chair and CEO in one of our neighboring countries. Just as women are playing an active role in global leadership, Maldivian ladies can and should target international platforms. We have the skills and knowledge amongst our women to lead large international corporations.

What can you (Mr. Ibrahim Jaleel) tell us about the pre pandemic goals of your organization and how it changed for the post pandemic recovery period? What are the lessons learnt and your plans?

Based on the answer by Mr. Ibrahim Ali Jaleel

Even before the pandemic, the required support from the banks were not received which was a struggle especially considering the level of construction and real estate being done was slightly lower than mid-range. This led to look for other options by liaising with foreign parties to run a mid-range development project. Unfortunately, while the venture was being negotiated the pandemic happened at a high speed causing this project to be delayed.

Mr. Ibrahim Jaleel believes that the main lesson learnt in this experience is to be as open and transparent as possible in your communications. Build the trust and carry forward. Right now, this project is deferred until the end of this year. Hence, the way forward is to build the trust and go for a win-win solution for both parties.

It is important to revert to the status we were pre-pandemic. Regardless of how well and how much you plan things, the circumstances have changed and according to the situation a step must be taken back respectively.

Mr. Janah praised Mr. Ibrahim Jaleel for his works done for the sake of SME sector. In these situations, it is crucial to take our experiences and messages to the policy makers for them to understand our situation better.

Mr. Ibrahim Jaleel also stated that they are utilizing the opportunities made available from the Ministry of Economic Development to the maximum.

For new startups and entrepreneurs, in terms of managing new businesses, what is the feasibility for growth, managing their businesses and making a plan for their future path post Covid?

Based on the answer by Mr. Mohamed Naseem

Mr. Naseem highlighted on two things as the secret ingredients. Technology and e-commerce. Gain knowledge on how to use technology and use that knowledge to expand your business into e-commerce platform to operate your businesses.

It will not be easy for our SMEs to find success in this at once. Mr. Naseem concluded so based on his experience of many years working for the government in previous many regimes where he found most businessmen and entrepreneurs in the Maldives to be disorganized and not as systematic as they should be. Hence, in such a case, suddenly transforming to technology and e-commerce will be difficult.

There are such structural issues existing. However, we have educated youth these days and there are good systems in place. Mr. Naseem recommended to utilize our youth to fill that gap in technology

for the businesses to succeed. You do not need to possess or try to understand ICT, but instead you can employ a capable person to do these works for you. He also touched on the proposal to decentralization. Decentralization must be focused on SMEs rather than political services. If you do choose to decentralize the political services, it would be an added cost or burden on the government's budget even though it can ease some services. Instead of this, by choosing to decentralize SMEs from which you get income generation, revenue generation, employment opportunities, taxes and so on, it would contribute to a healthier and happier country. So Mr. Naseem's urge to the authorities when decentralizing is to utilize 10% for political services and invest the other 90% to SMEs.

Are there any new rules and regulations or laws required to foster the better functioning of MSMEs at this point?

Regionally speaking, how are we placed, compared to the Micro, Small and Medium enterprises in other countries?

Additional question posed by Mr. Latheef to Ms. Visam:

During the start of this pandemic, Ministry of Economic Development (MED) had gazetted some policies regulating work for locals and foreign parties, with some work such as accommodation, travel agencies, logistics and retail services being made exclusive to locals only. However, for certain sectors (such as Travel Agents) the regulating body is Ministry of Tourism and they have granted an exception to this policy from MED. Similarly, Civil Aviation Authority of Maldives has given permission for foreign parties to sell their tickets. Based on this, we notice that there are problems of synchronization within the government ministries. Is there a solution for this?

Based on the answer by Ms. Maryam Visam

Ms. Visam pointed out that some regulations need to be updated to adjust to the current picture. Subsequent to many requests from individual members, there are changes being brought to the company governance where the Ministry is working on enabling an option of single shareholder companies.

The sole proprietorship regulation allows you to register businesses for a period of 5 years. However, since the implementation of this regulation in 2015, it has been observed that 5 years is a very short duration of time for a new startup business to establish itself. Therefore, this 5 year period needs to be extended to at least 10 years which seems more reasonable.

In addition to that, how we categorize SMEs need to be revised in the Maldivian context, to fit better into the categories of SMEs that we have. Currently, the regulation considers the number of employees and turnover to categorize the company. We need to set other benchmarks or customize categories to fit into the Maldivian market. In Maldives, the revenue by SMEs and their number of employees are different than when we started in 2013. Thus, we need to revise our categories. To consider an example, if we take a digitalized company, they will not need too many employees and in this case when such companies are categorized based on number of employees and turnover, they are incorrectly designated. When we are working on enhancing SMEs some of our current regulations have to be revised to optimize the capacity. The land regulation is also a very big issue, especially in the atolls. There are no proper standards set to value land in the atolls. So, when we look at resource valuation, there are many problems faced. The regulations for valuating land in atolls are not the most suitable and needs to be changed. The loss by this valuation standard is faced by the community in their

respective atolls or islands as we do not know the true economic value of the land. Hence, need to identify the best standards for this as well.

Another thing that must be focused on is to introduce an electronic transactions bill. When we work on decentralizing economic activities as Mr. Naseem suggested, we need to establish an efficient digital service system. For next year's SME celebration day the Ministry would like representatives from some or all regions of Maldives or cities to participate in this panel. However, to reach that goal, works must start immediately to engage them. It will not be wrong to state that there are no representatives of the industry movement in the atolls. Hence, to move ahead, establishing an electronic transactions bill is very important allowing legal validity to some electronically executed transactions.

The financial sector development is critical, especially during these days this needs more emphasis than earlier. Firstly, while we are using our resources to pay back our international debts, we cannot simply wait and watch the impact we are currently having on our BPT. Secondly, we need to develop our financial sector innovatively. In some previous SME forums, there have been discussions regarding crowd funding, establishing SME funds and developing a debt market. But we are unable to gauge and answer the question, what are our SMEs capable of performing currently. In most cases, in the government or in the private sector, criteria are established based on their own business experience of the people who are creating these criteria and they fail to accurately assess and establish the actual market situation.

Ms. Visam explained that we need to deepen the financial sector and work to determine how much

information is necessary to provide for SMEs to opt for an alternative financing system such as capital market based finance and alternative investment funds. It is not referred to selling your company shares in this statement.

Not everyone has to be a businessman. If you have savings, you should be able to invest in business in Maldives. But you will gain the confidence to invest only if there are financial products which the SMEs can also utilise based on their performance, to develop the country.

She noted that some countries, who are also in the same category as Maldives, have been conducting corporate investment programs very successfully. These programs are structured for high net worth individuals to invest in certain financial products such as Strata Title projects in the tourism sector or some other industry in their countries. This is the time for us to come up with things like this in Maldives too.

We have learnt from this experience that we cannot just trust and rely on some 20 major businesses of Maldives to hold up our economy. It is important when we venture into a whole new outlook, to look at the legal framework in addition to the current regulations. To implement such electronic methods and to bring about the necessary changes to the financial sector.

Secure transaction law is also a major requirement. We do not have a single registry of assets of the Maldives. There is no efficient and easy system to check the details of a land's mortgage details and where we want to lend by collateralizing, these records are vital to be available and accessible easily.

Ms. Visam stated that the government alone cannot do this. We need the input of SME advocates to refine the existing policies and she is hopeful that this dialogue can be carried on in future forums as well.

Concluding Remarks by the Panelists

Mr. Abdul Latheef

"When we go into the new normal from this Covid situation, this is an opportunity to correct our mistakes and make our livelihood better. It is not important to be based in Male' to be in a business. You can run businesses from the islands as well using online platforms such Facebook or Microsoft Team. It is the time to digitalize our work."

Mr. Mohamed Naseem

"Firstly, some conventional wisdom cannot be applied in the Maldives, so when we study economics or law from abroad, we try to implement these new ideas by the book into our culture. This will not succeed. We must customize according to the Maldivian context and integrate into our community for it to succeed. For example, exclusivity of certain businesses for locals or foreigners, we cannot implement such policies as they do in foreign countries. We are a small country; we will be able to get profit only if we bring foreign parties in here. Why the guest house businesses have not expanded yet is because Maldivians do not have the necessary funding, or the banks do not have enough funding for locals. This leads them to cut a deal with a foreign party discreetly to develop these properties. We should not compel our locals to go into this secrecy to conduct businesses.

Secondly, education is key. I cannot emphasize this enough."

Ms. Shaira Saleem

"This is the time for us to be ready for the new normal. This pandemic was unprecedented, and we have never imagined such a situation. We need to change our mindsets when we prepare for the new normal and give priority to the technological advances. We must not depend on tourism alone. We need to work collectively to develop other sectors such as farming, fisheries, and agriculture. We want SMEs to work collectively as in this panel, to come on to one platform and be able to share opinions and suggestions with each other."

Mr. Ibrahim Ali Jaleel

"We foresee the coming 3-6 months to be financially tight. As tweeted by Mr. Naseem also, the real impact of Covid will be realized in the coming 6 months, so we need to be vigilant and be prepared for this situation. What we want is another stimulus package to kickstart the businesses."

Ms. Maryam Visam

"The lesson we have learnt from Covid is that we have to change how we operate the businesses, we cannot operate the businesses like we used to before. Please rethink your business plan and opt to use technology if it is possible. As Ms. Shaira stated, SME is gender neutral so it is very important to have everyone's participation. So, I am hopeful we can all work collectively to bring about these changes."

Conclusion

The panelists were experts in this field with years of experience in managing and advocating for SMEs in the Maldives. It was a constructive dialogue with representation from the government and also SME Federation, with experienced entrepreneurs.

A lot of insight was given to the reality of SMEs and how the generic concept that SMEs are a spillover economy is far from the truth.

Various challenges faced by our businessmen have been discussed and certain recommended solutions by the experts who have been lobbying for such matters for a long time. Additional pandemic related changes were also highlighted and an overall clearer picture on the MSMEs in the Maldivian context and how to manage it a bit better are definitely a takeaway from this episode.

As with all other episodes and reports, NFME's aim with this report is also to collate the main points discussed in the full episode and present to you so that you are also part of our dialogue. We hope to give you a clear understanding of MSMEs, their valuable contribution to our community and at the same time touch on the main challenges faced by them and the country as a whole. We are confident that the wisdom shared by our panelists have enriched us and changed our thinking in a thing or two.

We acknowledge and thank the panelists for sparing time from their busy schedules and sharing their valuable ideas.

The full episode is available on YouTube on National Federation of Maldivian Employers' channel:
https://www.youtube.com/watch?v=2PJf_UJdRw4&t=1s

For any assistance, you can reach out to our secretariat on secretariat@nfme.mv

TAILORING A NEW REALITY Employer's Dialogue



Episode 5: 27th June 2020, Saturday

Starting time :

1130 GMT
1630 Maldives
1700 India / Sri Lanka
1930 Singapore



Special Edition Celebrating :
United Nation's Micro-,Small and Medium-sized Enterprises Day 2020

Topic : Future of Micro, Small and Medium Enterprises



Facilitated by :

Mohamed Ali Janah

President
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SPEAKERS



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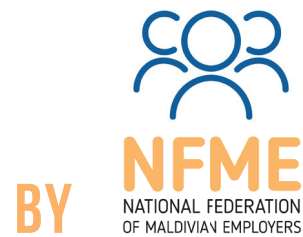


Mohamed Naseem (Nafa Naseem)

Managing Director
IUM Holdings Pvt Ltd

TAILORING A NEW REALITY

Employer's Dialogue



Report on Episode 6

“The Role of Airlines and Aviation in the New Reality and in Restarting Tourism”

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Executive Summary

MACL had about 680,000 pax and 19,000 movements in January 2020 and just like any other company, MACL has been adversely impacted by the pandemic with various losses. Firstly, they expect to fall short of their income in 2019, which was a bit over MVR1.2Billion, and this shortfall is going to be their first area of loss. Then they will incur the losses due to various exemption and reduction of charges, such as the waiver of ground handling charges for the 1st 3 months after reopening borders with discounts offered for the months thereafter by 75%, 50% and so on. In addition to these losses, they are also anticipating losses resulting from expiration of various licenses and permits that are needed for airport operations. To give an overall idea, the current revenue compared to 2019 has declined to 2%. To counter these losses, several cost cutting measures have been taken such as cutting on utilities and travel expenses.

During the pandemic, the importance of having a national carrier was realized more than ever. Maldivian assisted the Government by aiding transport of necessities during the pandemic as well as with the repatriation of stranded people. With the China market, which is Maldivian's biggest international market, being stopped, Maldivian also had to take measures to manage the situation and thus reduced flight courses and temporarily halting certain planned expenses. There will also be changes to the domestic and international flight schedules.

With no commercial income, Maldivian was also severely affected and was managed with the generous assistance of MACL, banks, authorities and the financial assistance by the Government.

Manta Air also shared their strategic plans on expansion by looking for opportunity in this adversity. Such as exploring international travel within a regional bubble amongst Sri Lanka and India. Possibilities of using other airports instead of Male' airport will not only reduce the congestion in the Male' airport, but it will also make the journeys more affordable. There are works going on to upgrade Dhaalu airport to an international airport which seems easily possible as the airport was initially developed with the required infrastructure for an international airport. Additionally, there are works in progress for a training school in Dhaalu Airport. If and once approved, this can train the local youth for the aviation industry to promote the local employment.

To try a more economically feasible method, Manta Air transformed some of their Twin Otters with wheels to enable routes with less traffic. However, it can only be viable if MACL allows charges on Twin Otters based

on the seat quantity as they have about 15 seats compared to normal ATRs that have 40 or 72. They also believe it is more feasible for the Government to create more seaplane hubs than to invest in more domestic airports.

In Flyme, post Covid Standard Operating Procedures are being updated, in line with HPA, other local authorities and international authorities, to maximise the seat haulage while providing the highest level of health and safety measures. They assured practical and efficient operations in their airline and the Maamigili airport. Paperwork to upgrade Maamigili airport to an international and a regional airport has been submitted as well. This will give tremendous benefit to the tourism industry as well.

Sri Lankan Airlines is waiting to see how the other borders open up and the current tentative schedule is to travel to London, Tokyo and Sydney. Their Colombo base station has not yet announced when they will reopen but is expected to be in August. Meanwhile twice daily operations to Maldives have been confirmed and that will increase to triple daily flights. There are new policies being drawn up for operations including how to disinfect flights between services and more. Regardless of additional costs incurred, they are committed to avoiding price hikes and maintain their pricing policy once the operations resume.

During the past few months, Sri Lankan operated 68 flights to Maldives. They exported 125 tonnes of fish for the exporters and moved 2100 passengers. They also helped the Government by bringing the 200 students who were stranded in Belarus and also few hundreds who were stuck in Colombo.

Like many others have voiced out, the biggest take away from the pandemic is digitization. Sri Lankan is discussing ways to enhance their online services and how to improve the current limitations on online check-in where the electronic boarding passes are not accepted at the Male' airport counters.

There are also discussions and negotiations for possible alliances between the airlines, such as combining certain sectors such as Gaafu Alifu and Gaaafu Dhaalu.

Everyone is anticipating for borders to open and see how it progresses as simply opening the borders is not sufficient. There must be a demand for tourists to travel and airlines must also be accessible with easy routes for guests. The destinations also must open their air space and also, travel must be marketed

abroad. It will take some time to pick up the markets in certain sectors such as Japan where it is illegal to promote a country while it is on red alert and thus it will take some time for tour operators to be able to promote Maldives, which is expected by August or September. We must take advantage of the geographical scattering of Maldives that enables guests to arrive in Maldives and go direct to their destination resort which is similar to isolation and thus coming to Maldives is deemed safe.

Whilst waiting to check the situation, some major airlines have committed to recommence operations such as Sri Lankan, Qatar, Emirates and Turkish Airlines. Many airlines have opted to wait a bit longer, but are still holding on to their allocated slots from the airport.

Right now, different scenarios must be considered when planning the actions and possibilities of further waves of the virus must be considered. On 30th June, Sri Lankan had to halt their Melbourne sector due to the risk of a second wave and lockdown.

With all these risks in travelling commercially, there is a demand for private jets though operations were stopped in February and March 2020. Avia Maldives anticipates that this year there would have been about 350 private movements in Maldives. The Chinese movement that happens normally during February declined drastically as expected. During

the pandemic, there were some operations for the purpose of repatriation of guests at certain high-end hotels. Right now, communication is continuing and there is hope for the numbers to pick up and to expect a good number for new year with some extra work. One advantage is the containment of travel when you choose private flying. It is expected that you will come in contact with about 30-35 points of contact whereas there is a risk of being exposed to over 300 when you fly commercial. There are seat buying options on private jets now and this is enabling more people to be able to choose private flying.

To enable private flying, the dependency from Male' airport must be shifted and Maafaru Airport and Dhaalu Airport seem as viable options for this, provided they can be fully-fledged with the customs, immigration and other services to be provided at the airports, avoiding an additional pit stop at VIA.

Together with tourism industry, aviation industry must work together as a team to overcome this economic downturn. During this difficult time, alliance is the key.

Introduction

National Federation of Maldivian Employers, NFME, launched a Webinar Series “Tailoring a New Reality – Employer’s Dialogue” with the purpose of uniting our different industries together and establish a dialogue with the industry experts on how to navigate in the new realities that are unfolding.

The first episode was aired on 3 June 2020, Wednesday and episodes focused on a different sector weekly are planned to air every Wednesday at 16:30hrs Maldives time.

The sixth episode was aired on 1 July 2020, Wednesday on Airlines and Aviation with the topic “The Role of Airlines and Aviation in the New Reality and in Restarting Tourism”

Panelists for the Episode:

Mr. Moosa Solih
Ms. Aishath Jennifer
Mr. Fawzan Faried
Mr. Mohamed Khaleel
Mr. Ahmed Arshad
Mr. Abdulla Nashid

Facilitated by:

Mr. Mohamed Ali Janah





Mr. Moosa Solih

Mr. Moosa Solih is the current Acting Managing Director of Maldives Airports Company Ltd, MACL. He has been in MACL for close to 38 years. He is also the Chairman of Airport Emergency Committee in MACL and Chairman of the Board of Directors at Maldives Telecommunications Authority. He has diplomas in various fields such as IT, Engineering and Airport Operations from IATA. He holds an MBA from Cardiff Metropolitan University in UK.



Ms. Aishath Jennifer

Ms. Aishath Jennifer started her career in aviation in the 90s and today, is a seasoned professional with extensive experience in the travel and aviation industry specializing in marketing and sales. Having taken the helm as the Deputy Managing Director, she manages a team of aviation industry experts at Island Aviation Services Limited, the parent company of the national airline, Maldivian. Ms. Jennifer holds a Masters degree in Business Administration from Edith Cowan University Australia, and is one of the few women in the airline industry who has made it to the top of the corporate chain in Maldives.



Mr. Fawzan Faried

Mr. Fawzan has 23 years of experience with Sri Lanka's National carrier SriLankan Airlines. He started the career with airport operations and continued for 4 years before moving to commercial division of the Airline.

He has a lot of international experience. He served as an Area Manager in Saudi Arabia, Country Manager in Qatar, Manager in charge of Sri Lanka Sales, and country Manager of Japan & South Korea, before moving to Maldives in the capacity of Country Manager Maldives.



Mr. Mohamed Khaleel

Mr. Mohamed Khaleel is the CEO of Manta Air and brings 20 years of the industry's experience with him. He is also still actively engaged in and over sees the sales and marketing function of Kandima Maldives. His experience of tourism and aviation is critical for our dialogue today.



Mr. Ahmed Arshad

Mr. Arshad has a career span of over 15 years in the aviation industry. He has been with AVIA Maldives for the past 8 years. AVIA Maldives is mainly focused on serving private jets and commercial operations.



Mr. Abdulla Nashid

Mr Abdulla Nashid graduated from City University, London with a Bachelor and Masters in Aeronautical Engineering (1996). He holds a UK CAA Aircraft Maintenance Engineer's License on a wide range of aircraft types.

He has a vast experience in pioneering aviation. He started his career at Civil Aviation Authority of Maldives and later worked for 10 years at various different MROs (Aircraft Maintenance and Repair Organisations) in UK.

He started working with Villa Air (Flyme) as a founding member and Director Technical Services, in June 2010, later assuming the role of Managing Director of the company in 2016.

Discussions

Airports continue to incur fixed costs for maintaining the infrastructure. Their burden is magnified because partners such as retail outlets and airlines have been given breaks in terms of rentals and reduced parking and other fees.

Maldives Airports Company Ltd (MACL) has been one of the very successful State Owned Enterprises with some of the largest investments and projects in the Maldives being executed successfully.

With all the investments and projects being carried out by MACL amidst the pandemic, what are the current estimates of losses for the financial year 2020, what is being done and are what are the plans to mitigate the losses that are being encountered?

Based on the answer by Mr. Moosa Solih

Airports across the globe are known to have heavy investments and depending on the sizes and services that are provided, they have a high tendency to have many employees. The issue with the airports is that airports have to be maintained, including your manpower, be it rain or shine and whether there are any operations ongoing in the airports. In a situation such as now, where the flight operations have ceased, the operating costs go down as well.

If you have an operation, which will recommence on 15 July 2020 with the opening of the borders, there is a commitment to maintain your service levels and there will be extra cost expenditures. As any other airport, MACL's main expenditure on the recurrent side is the manpower. Currently there are about 3,300 employees working for the company.

When considering the cost or loss there are 3 areas that can be considered. Firstly, the amount that was earlier supposed to be received, but is not possible anymore due to the pandemic, will be considered as a loss. In 2019, the net profit declared by MACL was a bit over MVR1.2Billion and the target for 2020 was between MVR1.5-1.8Billion. It is now expected to be much lower than the target and this shortfall is going to a loss resulting from the pandemic.

Secondly, the other major cost for the company is incurred through the various operations that are done without charges for the benefit of the country and the people, and to support the industry and the stakeholders. There have been numerous transports of medical cargo, repatriation, and evacuation

flights, for which the company has borne the fuel charges. The ground handling charges, and the cargo handling charges have also been waived. With the borders opening in mid-July, 100% leverage has been offered for all ground handling for the next 3 months, with 75% for the following 3 months and 50% for further 3 months and so on. All in all, these costs, which eventually is considered as a loss, would add up to millions of dollars.

Then the other costs that are incurred for the different products that will expire in the coming few years. The airport requires specific licenses, trainings and certifications that will need to be renewed again. Overall, the company expects to make at least the same as last year, otherwise which the shortfall will be considered as a cost and loss.

Even though Covid19 had already by this year, in January 2020, the airport had a growth of 15% compared to 2019. The effects of the pandemic started in February and by May the impact has been the worst. To give an idea how bad it was, the revenue compared to last year was down to 2% only. To mitigate the losses, various cost cutting measures were taken wherever possible such as reduction of utilities, administration charges, halted all foreign travels and stopped foreign trainings for now.

The current plans are to start operations by the 15th of July and have registered scheduled operations of all the 11 different carriers by October.

The circumstances surrounding Covid-19 are continuously evolving. Gross bookings for airlines across domestic, regional and international sectors are down year on year to unimaginable and unmanageable levels. Pre covid-19, Maldivian was on a healthy growth curve with successful flight operations to both the domestic aviation sector and also, Maldivian was regarded as a growing regional player especially when it comes to lifting passengers across from regional giants such as India and China, contributing a major share for the growth of the tourism industry in Maldives. It has been a few months since your normal operations came to a halt.

What are your (Maldivian's) plans and the main strategies to kick start the operations of our national airline, when Maldives restart tourism on 15th July?

Based on the answer by Ms. Aishath Jennifer

Due to the many geographical challenges in our country, it has been once again proven the importance of having a national airline, especially at this time of the pandemic. The airline's services to the individuals, businesses, resort owners, entrepreneurs, importers, exporters general traders are vital for this industry.

During the pandemic, the main focus was on serving the nation by assisting in transporting the medical equipment, medicines and a lot of food and cargo. Additionally, there was a lot of assistance rendered to the Government in the repatriation of people who were stranded in the other countries. To avoid spikes in prices there was a certain amount of goods also that were imported through the airline.

To manage during the pandemic, flight courses were reduced, and certain planned expenses were put on a hiatus to cut costs. Way before any other market

was affected, as China was one of the worst to be affected, the Chinese sector flight operations were stopped. While the operations will resume on 15 July, the airline is fully geared up and ready to work with the customers to assist in restarting the businesses including the tourism sector.

The market will be assessed and communicated with partners to discuss the road map in to serving them better during this period. There will be some inconveniences to the tourists when travelling during this time, but Maldivian will try its best to maintain schedules that work best for the tourists and to make them feel welcome. There will be changes to the domestic and international flight schedules based on the customer demands and expectations.



You are part of the team that operate Manta Air and of the companies you handle, Reollo Investments, own Dhaalu Airport. Being the newest member in the local aviation industry with a new fleet of seaplanes as well.

These companies (Manta Air and Reollo Investments) had one of the most ambitious expansion plans in the domestic aviation and airport sector. What has changed in your strategic planning after the pandemic hit us and what are your plans after the borders open on 15 July 2020?

Based on the answer by Mr. Mohamed Khaleel

Manta Air operates with a hospitality point of view rather than the generic airline mentality. A great effort is put to work very closely with the resorts to ensure that customers are delighted in the operations efficiency as much possible. Manta Air is very ambitious and is still building the scale. The goal is to position the airline as the best luxury domestic airline in the next few years.

This pandemic was unprecedented and created a huge impact on all the industries and this level of destruction is always bound to create an impact on any development plans or any strategies. We are all forced to evaluate strategies now and be very dynamic. The recovery is going to a gradual one and there has to be a very careful approach on this.

While major airlines such as Emirates, Virgin and Cathay Pacific, have downsized their operations, the domestic airlines in Maldives are no exception.

There is a part of Manta Air's strategic change where potential opportunity to start international operations is being explored as there is a potential to create a regional travel bubble with India and Sri Lanka. This means the possibility to connect with these regional airports must be explored. One way can be to build short routes directly from the domestic airports instead of routing to Male' Airport. This will not only reduce the potential congestion at Male' airport, but it will also make the journeys more affordable for the communities around those domestic airports.

It is critical at this time to explore this, and the resorts and the guest houses will benefit from the cost saving and by not having a transit through Velana International Airport. The guesthouses will be more successful if there can be a shorter route and create a travel bubble with our neighboring countries such as in India.

Therefore, as part of this effort, Dhaalu airport is gearing up to make the airport international, and the application has already been submitted to the authorities. When the Dhaalu airport was initially developed, there were plans to expand to an international airport. Thus, the infrastructure exists and with regulatory approvals, the operations can start. However, before that, there has to be demand and a customer base who will be using these services as empty flights cannot be operated. The airlines need to cooperate with each other, the resort owners, airport owners and the Government.

The government and MACL must play a key role in the recovery process. There have been announcements on incentives from MACL which is yet to be received by Manta Air. MACL should look beyond maximizing its revenue and assist all service providers for a speedier recovery through attractive rates and more efficient services than before.

Mr. Janah added his view that a common strategy will be most useful in this situation. With spillover from each other, there are opportunities to complement each other. To find common ground and create a common strategy for the betterment of the industry, this platform can be a beginning to start such discussions.

As an airline operator Villa Air, under your brand Flyme, you have been expanding by investing in new aircraft and adding more destinations pre-Covid19. You had also planned to start a sea plane operation. With the onset of Covid-19, and the abrupt halt to all your operations, you have been bringing in some structural changes to your organization as well.

With the Maldives borders opening and many of the resorts opening, part of which belong to your (Villa) group, what have you planned for your airline (Flyme) once the borders are open?

Based on the answer by Mr. Abdulla Nashid

Flyme takes pride in being a people's airline and its drive is to provide newer and better aircrafts with the primary objective of exploiting the benefits of the latest technological advancement on selection of the aircrafts, and also looking into the efficiencies with an objective of less carbon emission per seat.

Villa Air was started with the objective to provide a comfortable, affordable and a safe passage for all passengers without any segregation.

We all understand the gravity of the impact of Covid 19 on the entire economy of Maldives, especially on the tourism sector inclusive aviation as well. The prime aim in facing the challenges of the Post-Covid operations is to support the revitalization of our economy.

Presently, post-Covid operation SOPs are being fine-tuned to maximize the seat haulage while providing

for the highest level of health and safety measures. Great care is taken to ensure these are consistent with the HPA's guidelines and the Ministry of Tourism's guidelines. Additionally, the international health and safety standards outlined by the WHO, the recommendations from the Civil Aviation Authority of Maldives, and guidelines from institutes such as ICAO and IATA are followed. Mr. Nashid thanked the Ministry for having a collective discussion on the guidelines with the involvement of the aviation sector as well.

Mr. Nashid assured that they will be introducing a practical and efficient operation that will maintain social distancing limitations, in both the flight operations and in all the airports that are operated by them including Maamigili Airport.

Sri Lankan Airlines is considered as one of the most successful airlines in South and Central Asia. Sri Lanka and Sri Lankan Airlines have persevered through many crises in the past. Sri Lankan has a fair share of the airline industry market regionally. The losses resulting from the current pandemic would be proportionately higher than any other incident in our recent memory.

What are your (Sri Lankan Airlines) current strategies to save on expenditure, manage the airline staff and operational capacity, and the strategy to market the airline to bring the business to a manageable level post pandemic?

Based on the answer by Mr. Fawzan Faried

Covid is something new to everybody. There have been few cases where some airlines are going for bankruptcy and some airlines are drastically cutting down staff, trying to pull out as early as possible. And cancelling certain routes as well.

Sri Lankan airlines is also eagerly waiting to see which airspace is going to open to commence and are ready with the strategies and the policies. There are policies being drawn up for everything including how the air travel should take place, disinfecting the aircrafts after every service, and more. Currently the tentative schedule is to travel to London, Tokyo, Melbourne, and Sydney. Unfortunately, effective last night (30 June 2020) the Melbourne service had to be abruptly stopped due to an expected second wave or the second lockdown in Victoria, Australia.

With the opening of the Maldives borders on 15 July, the initial plan is to deploy three weekly services. For Male' operations, there are considerations on having daily incoming to Maldives, probably trying to give connectivity to the existing London and Tokyo services. Regarding Gan operations, which is the Airline's second international operation within Maldives, there

are second thoughts as to when should operations recommence or the number of flights that should be done. Due to the limited number of resorts in the Addu region, this decision needs to be carefully considered and thus there are discussions going on with different parties and the stakeholders in Maldives to see whether it is a possibility to connect the next few atolls in the South like the Gaafu Alifu and Gaafu Dhaalu atolls, so that a bigger region could be catered. Mr. Nasheed, Mr. Khaleel and as Mr. Janah also stated, the way forward is alliance.

In the international arena, there are alliances such as One World, Star Alliance and more, and something similar could be done in Maldives too. Pre-Covid, there were discussions taking place with Mr. Nashid on how Maamigili airport could support in sharing passengers between airlines.

Sri Lankan Airlines has been able to enjoy the incentives by MACL, and Mr. Fawzan commented that the charges waiver and the discounts in the coming months are very encouraging and is very welcoming to the allies. Not many airports have offered such a significant package and this will surely attract flights

to come to Maldives. Likewise, Sri Lankan will render any support possible through the Airline's networks.

There is a huge anticipation on the opening of borders and for certain markets to pick up. To take an example, in Japan, it is illegal to promote tourism of a country that has an alert level on red. Even when the level gets better, and they can start promoting, it will take few months for the market to pick up. Hence, if it starts now, the market is anticipated to pick up by August and September.

Right now there is no post pandemic situation as we have to consider how the pandemic will progress and develop. Strategies have to be developed based on these considerations. There could be anticipation of second waves and lockdowns like in Australia right now. And in such situations, how the countries would react will play a big role in the airlines' operations in general. The biggest markets are China and India and thus, how these countries will react will have a huge impact.

One positive thing about travelling to Maldives during the pandemic is the geographical nature of Maldives where you go directly to the resort once you come to the country, which is similar to going to isolation in an isolated island. If this marketing strategy could be adopted and done properly among the probable holidaymakers, Maldives will be a winner.

However, as per the IATA report of 26 June 2020, which conducted a survey on how tourists and holidaymakers are going to react from February until

May, it showed that the percentage of people who said they will come to Maldives have reduced from 66% to 33%. The people are monitoring the situation country wise and weighing when they should travel and also there are about 10% of holidaymakers who believe that they should not travel for a year.

It is a tough situation and airlines must work together an alliance and put their hearts together, put their ideas together to overcome the situation, at least for a short period even.

Sri Lankan Airlines is pleased to note that there has been no redundancy of staff. There have been few staff who have been granted no pay leaves and will be definitely taken back when normal operations resume. There is eagerness for the main markets of China, India, Malaysia, Singapore, Thailand to open so that the key regions can be focused on to bring in passengers to Maldives .

Ms. Jennifer added to this discussion during her response.

Maldivian is willing to assist the commercial airlines that operate to the South by connecting Maldivian's domestic flights to Gaafu Alifu and Gaafu Dhaalu. As flights have commenced from Gan to Kulhudhuffushi there will also be connectivity from North to South as well. This is anticipated to continue within July and can help other airlines.

Even though Maldives' borders open on 15th July onwards, Sri Lanka is yet to announce a date for their borders to open. How will Sri Lankan Airlines operate? Will it be transit passengers and Maldivians?

Based on the answer by Mr. Fawzan Faried

Even though the Airline is geared up and ready for operations, other air spaces need to open for the operations to happen. There is no certainty when other countries' borders will reopen and though the Airline's base station, Colombo was anticipated to open in early August, there has been no confirmation on this as yet.

Nevertheless, three service will continue and hopefully SriLankan Airlines will be the first arrival on the 15th July early morning to Maldives. As a passenger service,

there will be some passengers originating from Colombo and a few other stations. As stated earlier, there is work going on with the network planning team on how connectivity can be established to ongoing London service and the Tokyo service. If it permits, few more frequencies can be added to the already planned three flights.

In an article published by Maldives Isle Media (2019), Velana International Airport welcomed 83 private jets over five days during last new year's period with international celebrities and leisure travelers flocking to the Maldives. Avia Maldives play an extremely important role in the management of the private aviation sector especially when it comes to the private jet market and in the travel and logistics management of the ultra luxury travel market into the Maldives.

What is the impact of Covid-19 to this important segment (private jets) of our tourism industry and how have you planned to promote, manage the continuity and keep the focus of this market segment towards Maldives?

Based on the answer by Mr. Ahmed Arshad

Throughout the years there has been much growth in the general aviation market in the Maldives. There is a good year by year increment. The market is increasing at a percent of around 15-20% per year which is not bad. To state the impact of Covid19 on this sector, from February to March, almost all operations were cancelled.

To state statistics, in 2019 Maldives had around 1142 permits cleared for general aviation, and for 2020, until now, there has been about 500 permits cleared which is including the canceled flights. For Avia Maldives, there were about 38 cancellations and it is expected that a total of about 150 private jet bookings would have been cancelled in total. This means that there would have been around 350 movements this year.

Normally in February there will be a lot of Chinese movement. However, this year, these numbers were significantly lower due to the closure of international borders despite Maldives borders being open.

To move forward, what is being doing right now is communication. Coordinating with almost all of the operators, their account managers, and decision makers. For the past 4-5 months, regular updates have been shared on the Maldives' regulations, and if we can operate crew rest or technical flights.

There were some cases where some guests at high-end hotels who needed to be repatriated and this created some operations for that period.

There is some interest in the market even now to come to the Maldives. There are some tentative bookings for the new year period. There are requests and inquiries coming in and this gives hope that there will be some good numbers. Maldives New Year period is always a winner and this year also seems positive. However, for the coming period, some extra work is needed to have the higher end market come into the Maldives.

Given the current crisis, and Maldives not being an international air transport hub, Velana International Airport is totally dependent on the business activities of the airlines and consequently how well the Maldives perform in tourism, and other business activities post covid-19.

What are the actions taken by MACL to engage the airlines, operators, tourism industry stakeholders and other industry promoters?

Based on the answer by Mr. Moosa Solih

It has been 4 months since Covid reached Maldives. It was always a concern with the stakeholders what exactly is this virus and what to expect. Initially when it started in December last year, everyone were of the mindset that it originated from China so it will only affect the Chinese market, which was still a huge portion of the tourism contributing 40% of arrival, and that the other markets such as Europe, USA and Middle East were safe. However, other countries joined and soon it was Italy, UK, Germany and so on. The situation kept evolving.

The borders closed and the airlines operations ceased as well. For flights to operate, both destinations borders must operate. Only few airlines have been in continuous discussion with MACL during the past period and up to the reopening of borders on 15 July.

Sri Lankan, Qatar, Emirates and Turkish Airlines have been in continuous dialogue, and even on 30 June there were 43 tons of cargo incoming through Turkish Air, which generated one of the highest income. For the passenger traffic, 11 airlines have expressed interest to initiate flights and currently discussions are

going on with these airlines to see how well it can proceed.

The rest of the airlines are waiting to see what is going to happen with the other borders. Even though they are yet to decide on these, the Chinese and European carriers still want to preserve the existing slots they have been allocated before as everybody is looking forward for this situation to be over kickstart again as soon as possible. It is expected for the airlines to pick up as soon as the situation improves at the other origins and other borders reopen.

Mr. Solih is very optimistic that even though the cash flows are showing negative during these times, the air transfers will be picking up, with the tourism slowly restarting along with airlines, the year will not end on negative cash flow. Even now major airlines such as Sri Lankan, Qatar, Emirates are very active.

The expenditure on maintenance and the responsibility to continue serving the nation during such a pandemic would have a heavy financial toll on our national airline. Maldivian employs a huge pool of local crew and staff members.

Being a state-owned enterprise, would you (Maldivian) be looking at a government bailout or financial support, or would the company be able to manage it on its own?

Based on the answer by Ms. Aishath Jennifer

As a national carrier, there is a social obligation to continue serving the nation during this period and to cater for the many requirements of the Government as Maldives is very dependent on imports and there are a number of items being imported via air. The sudden discontinuation of international carriers would have an impact on the supply of the vital imports like food and medicines. To ensure that this restriction did not lead to sudden spike in the prices and necessities be catered to the importers at pre-Covid market rates as instructed by the Government, similar operations were held on domestic routes also. Cargo services continued in the domestic and international routes.

There were severe adverse impacts on the financials of the company due to operation of these flights, however, it was manageable with the generous assistances from MACL, banks, other authorities and the financial assistance by the Government, along with measures taken to reduce costs. With no commercial income, it was inevitable but to depend on the owner, which is the Government of Maldives.

To minimize the financial impact on the company, the operations have been scaled down. Wherever possible, minimum staff are utilised. Use of office premises were restricted to reduce overheads and costs such as utilities. Additionally, loans are being financially restructured and flexible terms are being negotiated with vendors.

Under guidance from the Government and the board members, solutions were sought to manage the staff and to retain the staff. Staff costs are the major costs and in the current situation, salary revisions were unavoidable. This was a difficult decision undertaken in the best interest of the company and all its staff, as it is better to have salary revisions than to release any of the company's staff. Enduring this situation in unity and together is the goal.

What opportunities are there for local Maldivians in the field of aviation and aviation related industries?

Based on the answer by Mr. Mohamed Khaleel

There is a key understanding between the domestic airlines. Manta Air employs 70% locals. During the pandemic, the plan is to try and maintain all Maldivian staff even with reduced salaries.

As local business owners, there must be a moral responsibility to protect the local. However, there is a major difference when compared to the state-owned enterprises. Private airlines are dependent on the few investors that invested unlike the Maldivian, which is state-owned Company with more resources especially from the state. The private companies will not have that benefit but local employment should be a priority at any cost.

To bring more local people into the aviation industry, there are plans to start a training school in Dhaalu Airport, which will be targeted specifically to bring the local talent in to the aviation Industry. The aviation industry is a well-regulated and a highly paid industry. With the right kind of career aspiration and proper discipline, this industry has good potential for Maldivians.

There are many professions for the locals and youth to choose from such as aircraft engineer, pilot, safety or quality engineer, ground operations, or customer service. But the necessary kind of a training must be provided to attract the young school leavers. After the completion of A'levels, it is an ideal time to choose a career path and pursue further studies or training in those sectors. The necessary paper works are already filed with the authorities for approval to kick-start the training.

Mr. Janah also highlighted the necessity of fire fighters and maintenance staff at airports. There is a huge demand for fire fighters and currently most of the local airports outsource these due to lack of skilled people.

Villa Air also have the added benefit of having Maamigili Airport in their group. We believe Villa Air would be a key player in the operations of Maamigili Airport just like Maamigili Airport would need Villa Air as their strategic partner.

As we understand, Maamigili Airport is getting ready to become a full fledged International Airport. What would be the role of Villa Air once Maamigili Airport becomes fully international?

Based on the answer by Mr. Abdulla Nashid

Villa Shipping and Trading company has declared to make Maamigili Airport an International Airport and Villa Air and Maamigili Airport have been working very closely as partners.

Villa Air will continue a consolidated service providing both domestic and international as a regional transport network. This would give tremendous benefit to the tourism industry, the domestic travelers and other stakeholders within target service area.

It is planned that Flyme will support the international operation of Maamigili International Airport, when it becomes international, while Villa Air International will serve the regional network. Application has also been submitted to become a regional airport as well.

Sri Lankan, by far, would be the largest international carrier to the Maldives in terms of the number of aircraft operations to the Maldives pre pandemic. Sri Lankan had been historically regarded as the airline that kept the gateway open to Maldives much before other regional and international players came into the picture.

What is your (Sri Lankan Airline's) strategy to the Maldives market and what good news could can be shared with the Maldivian tourism industry, the local population and all travelers, in terms of capacity and pricing post-Covid19?

Based on the answer by Mr. Fawzan Faried

An operation of double daily service movement has already been pledged to support the tourism industry. As soon as Colombo base station reopens their borders, a double daily service can be operated and then increase it to a triple daily service. It is anticipated to happen in August or September and Sri Lankan will be the only airline to operate triple daily during that period.

In a bigger nutshell, as Ms. Jennifer suggested, discussions have already been initiated with Maldivian on how to connect South Gan service which is at a standstill. There is interest on how this can move forward.

During the past 3 months, Sri Lankan has been a silent operator into Maldives. In the last 2 months, 68 flights were done despite the pandemic and lockdown. About 125 tonnes of export of live and dry fish was also done during this period in order to support the local economy. In terms of passenger movements, about 2100 passengers were moved. Additionally, 200 students who were stranded in Belarus and few hundreds from Colombo were brought back home. These have been ongoing in the last 4 months and it will be continued. There is a segment of people who

travel to Colombo and India for medical treatments and they are either stuck here or there and there is priority to move them as fast as possible, as part of the Airline's Corporate Social Responsibility.

Regarding the pricing, there will not be any exorbitant pricing structure though it is anticipated that a lot of airlines will do that due to country policies or requirements that they would need to maintain such as social distancing on board, which means you may have to charge something for the passenger to have a seat vacant. Fortunately, as no such policies have been received from the Sri Lankan's base station, such a situation can be avoided allowing to maintain its pricing strategy as usual, unless otherwise additional costs are incurred on disinfecting and other certain areas. Regardless, a regular pricing policy will be maintained when operations resume.

Mr. Janah referred to possible scenarios where airlines resort to charging the people high prices due to the additional costs incurred and at the same time the reduced number of passengers which he hopes will not happen especially when MACL has allowed so many incentives.

According to many studies, air travel may increase as travel restrictions and stay at home orders ease across the globe in the coming months. We also see record low prices on jet fuel and also an overstock of airplane manufacturer inventory (Redding, D.A. and Domow Bacsardi, S.B., 2020).

Concerns over the health risk of flying on commercial flights and the likely reduction on available options on commercial flights could increase the demand for the rich to travel more on private jets. Do you agree with these statements and how could Maldives take advantage in this lucrative sector in the tourism industry?

Based on the answer by Mr. Ahmed Arshad

About over 85% of business aviation executives are very positive about this market. As Maldives is an ultra-luxury destination, it is the time to target the elite travelers now. The brokers market has seen some positive impact because the second-hand private aircraft are on demand now. In the future, it is likely to have new clients coming in rather than repeaters, which means there will be an increment on private flyers. Health and safety is also one of the factors why people are choosing to fly private. Most of these heavy jets carry up to a maximum of about 15 passengers allowing you to travel in a very contained environment. Recent studies show that passengers traveling on commercial aircrafts may get in contact with around 300 other passengers, whereas in private jets this is limited to about 30 or 35 points of contact. Hence, passengers who opted to fly first-

class before may now prefer to fly private. We may think that only the ultra-rich can afford to fly private but now the times have changed and there are various programs where people can purchase seats from private jets for some various trips. Therefore, because of such programs, there can be a surge in incoming passengers by private jets.

Currently the airport operators are providing good rates and good discounts to commercial airlines. However, this should be considered for the general aviation market, for the airport operators in collaboration with resorts, and implement offers similar to the ones which we see amongst many high-end hotels that offer whole charter packages at reasonable prices.

The current crisis is a totally unpredictable event, and we have not experienced anything similar within the last several decades even in the aviation industry. There are talks amongst experts that passenger volumes may never return to pre Covid-19 levels.

What are your estimates, in terms of forecasting timelines for Velana International Airport to regain and catch up to a reasonable level of business activity?

Based on the answer by Mr. Moosa Solih

Last January the airport's capacity was about 680,000 pax and there were 19,000 movements. These were the numbers before the pandemic impacted the arrivals and thus to consider when these numbers can be reached again can be forecasted for around 2023.

However, IATA and other global studies show that globally, they expect it to return back to pre-Covid levels by 2024, which considers the world air transport

and is different to the Asia Pacific region as the travels have recommenced earlier than the rest of the world. Fortunately, for Velana International Airport, the forecast looks better and currently is expected to pick up by 2023 especially with the lot of efforts by the Government and the Ministry of Tourism, as well as MMPRC, promoting Maldives tourism, which of course is from where the majority of travelers come in.

What would your (Maldivian's) main international destinations be when you resume flights and how would you describe a post Covid-19 domestic travel network?

Based on the answer by Ms. Aishath Jennifer

China has always been the main international market for the Airline which has unfortunately been affected the most because of the pandemic and is still faced with many challenges and uncertainties. However, there are negotiations taking place with Chinese counterparts on the opportunities available and to cater for any niche market as the many destinations are being explored.

Although many international carriers may not be able to start their regular operations to the Maldives, as a national airline, Maldivian will be ready to operate to any international destination to give a boost to the Maldivian economy. There are lot of studies being carried out right now. With the negative impact of this crisis on the economy, domestic travel by locals will initially be restricted to only essentials and as the economy recovers, a gradual increase in numbers will be seen depending on the outcome of relaxation

measures in countries that contribute to the tourist markets.

We may see a growth, however, almost all the economies are suffering as much and IMF has also announced that the economic recession is far worse than they anticipated initially. These are uncertain times and even the employment rates will spike which creates doubt on the number of tourist arrivals to the country. Thus, a lot of work is being done with various partners to rebuild the economy and new opportunities are also being explored.

so during the recession I don't think there'll be many tourists coming to the to the mold because of unemployment rates also will spike there are many uncertainties but we are ready to work with our partners to put our economy back into prosperous times we are exploring new opportunities as well.

What are the key lessons learnt as an airline during this pandemic?

Based on the answer by Mr. Fawzan Faried

The biggest lesson is digitization. The future is e-commerce and less human touch and interaction.

In the last 3-4 months, everything has been conducted online from ordering food to other services. As many airlines have been doing even from the past, there is a strong e-commerce platform for airlines from online ticketing till you board and disembark a flight. Now it is all about enhancing these services and strengthening it.

There are on-going discussions with stakeholders in this area on how it can be done in the Maldives. Currently, there are certain limitations on the online

check-in where home printed boarding cards cannot be accepted at the Maldives Airport. These are being discussed on how to avoid human touch as much as possible and to give the confidence to the travelers that they are safe from the time they leave their house until they arrive at their destination.

Therefore, one key lesson that has been learnt is how e-commerce facilities can be used effectively for a safe travel model of new normal.

Under the new normal what would domestic travel be like?

Based on the answer by Mr. Abdulla Nashid

The new normal is all about new challenges, bringing new business models and introducing new technology. As Mr. Fawzan mentioned, to facilitate the demand and supply elasticity of the new challenges. It is absolutely necessary to remain nimble to the technological advancements and business models developments due to the sensitive nature of aviation industry. Aviation has always remained at the forefront of facing all global challenges. Because of this, the governing and guiding bodies of the aviation industry, their airlines, the airports, and the business communities continue to seek new and better ways of providing service to the customers.

It is expected that travel in the new normal will be pleasant and a safe experience for all customers. To meet the operational challenges, some changes would be necessary to facilitate the increased vigilance that is required to meet the recommended health and safety standards. Probable inconveniences to customers can be mitigated with proper coordination and introduction of procedures and technology to support these changes and the new normal will be adaptable.

In addition to VIA, what other airports in Maldives are recommended for the private jet owners/operators to land/use post Covid-19?

Based on the answer by Mr. Ahmed Arshad

Gan is an international airport with all the facilities and has had some operation throughout the years. Maafaru Airport and Dhaalu airport are very viable options as new airports for private jet operations. Maafaru Airport is an international airport even right now, but they do not have 24/7 based customs immigration. This brings a lot of inconvenience whenever there is any international operation there as customs and immigration have to position staff and services from Male' to Maafaru.

These two airports should be full-fledged ports of entries with customs, immigration and all of the facilities available in the station, so that jets or the general aviation flights do not have to do an extra pit stop in Male'. Clients can go to these airports directly and depart directly to their respective international destinations.

What would be the preferred expansion segment between conventional fixed wheel aircrafts and seaplanes?

Based on the answer by Mr. Mohamed Khaleel

There is no real preference segment as both seaplane and airplane operations are being continued. However, it will not be economically feasible for Manta Air to operate larger aircrafts for some of the routes that were flown in 2019.

For this reason, some of the Twin Otters are converted with wheels to serve those routes with lesser traffic. With the Twin Otters on wheels, some support is needed from MACL to reduce the charges based on the seat numbers instead of charging the general ATR rate as the number of seats on these Twin Otters is around 14 to 15 whereas ATRs have 42 or 70 seats. With support from MACL it can become very viable for the post-Covid era of aviation and build the routes there.

The recovery is expected to be slow and as Mr. Solih mentioned, it can be not until 2023 that the volume can pick up to the pre-Covid levels and this is a reality that has to be now accepted. There is healthy competition now in all segments between the different airlines. It is very critical to ensure that this competition does not become destructive during the recovery phase. Undoubtedly there will be a lot of pressure to compete for the few passengers because of the low arrival numbers but it must be managed within the industry to avoid it getting to a point where everyone suffers more.

Together with tourism, aviation must work as a team to come out from this global economic downturn.

It is important to lobby our source markets at government to government levels. Additionally, there is the need to lobby for international carriers to add Maldives back to their routes and then to kickstart tour operators and build their dialogue. We need to push the destination market much harder and should give a lot more focus on creating the demand for the destination. MMPRC must engage all the tourism stakeholders in a more constructive way to bring a difference to the marketing.

There is a good potential for the Government to develop few seaplane hubs across different parts of the Maldives where seaplanes can cater to these domestic requirements, rather than building more domestic airports. That would help the government to save the money. The development costs for the seaplane hubs are significantly lower than developing an airport and it will be more convenient even operationally with less manpower requirement. This is something that must be focused on going forward.

Concluding Remarks by the Panelists

Mr. Abdulla Nashid

"Thank you very much for organizing this and for giving Villa Air an opportunity to participate. I would like to pass the message to our customers that we are coming back. I would also like to sincerely thank all Flyme staff for the tremendous support in continuing our services. We are coming back. Thank you."

Mr. Ahmed Arshad

"Thank you for the opportunity. It is high time that we all work together and try to kickstart our industry."

Mr. Fawzan Faried

"As an expatriate, I would like to give a message to the World. Maldives is, I would say, the safest country if you are ever planning to visit, because from the time you land you are going into a resort isolation. So think about Maldives. Your safety is assured in Maldives. And also, I would like to take this opportunity to thank all the health service sector employees who supported and went through tough times during this tough period to make an environment for us to come back to business. Thank you so much."

Mr. Moosa Solih

"I have two messages. One is that we have all the domestic and international airports opening up. For the sake of the economy of scale, I would very much request to support each other, and I assure everybody that we at MACL, we are here to support you in case if you need our support. We have got the expertise and equipment. Second thing is, we, MACL experience it is good at a time like this that you have other businesses to survive. You cannot put all your eggs into one basket. Like especially if you are an airline or whether you are at the airport, you have to have an alternative plan. Thank you."

Ms. Aishath Jennifer

"As a national airline we are ready to take you to the skies. I would like to invite everyone to the Maldives to make memories again. We are ready to give a boost to the economy so we can kick-start the economy and everyone can start enjoying what they were enjoying before, way better than pre-pandemic. We want everyone to get employed again. We want our tourism industry to boost. We want to go back to the life which was there before the pandemic. So we are ready to start again. Thank you."

Mr. Mohamed Khaleel

"Thank you for organizing this event and this has provided us with a good platform to share our views on the post-Covid, how we are going to go about it. I think, we as industry stakeholders, we all have to work together. We need to make sure that there is a good cooperation among us and clear understanding of us to recover, because if we work together there is no challenge that we cannot overcome and this is not any exception. So let us all work together to come out from this and have a fast and speedy recovery from this crisis. Thank you very much."

Conclusion

With the borders reopening on 15 July 2020 to restart the tourism in the Maldives, the aviation industry has a critical role to play in operating flights and bringing in arrivals. It is a given that just opening the borders will not help the country's economy and there must be a demand for guests to arrive so that airlines also can operate with a practical number of passengers. At the same time, airlines need to have convenient routes and accessibility for guests to be able to come to Maldives. This depends heavily on the reopening of other destinations' air spaces also.

Airlines have been aiding the Government heavily and opting different strategies and exploring possibilities such as alliances with other airlines and trying different routes as ways to manage the pandemic period. With several incentives also granted from MACL, the aviation industry is hopeful to manage the situation and the industry though normal operations are foreseen towards 2023 only.

The panelists wise ideas and tactics to manage this era and how they are cooperating to boost tourism and the economy are also discussed. The discussion opens ideas and avenues that are definitely going to help the industry.

As with all other episodes and reports, NFME's aim with this report is also to collate the main points discussed in the full episode and present to you so that you are also part of our dialogue.

We acknowledge and thank the panelists for sparing time from their busy schedules and sharing their valuable ideas.

The full episode is available on YouTube on National Federation of Maldivian Employers' channel:
<https://www.youtube.com/watch?v=kjzhWrt0Mjo>

For any assistance, you can reach out to our secretariat on secretariat@nfme.mv

TAILORING A NEW REALITY

Employer's Dialogue



Episode 6: 1st July 2020, Wednesday

Starting time :

1130 GMT
1630 Maldives
1700 India / Sri Lanka
1930 Singapore

Topic : The Role of Airlines & Aviation in the New Reality
and in Re-Starting Tourism



Facilitated by :

Mohamed Ali Janah

President
National Federation of
Maldivian Employers (NFME)
Industry Expert / Entrepreneur

LIVE ON



Link

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Registration Link:

<https://tinyurl.com/y78y8srh>



SPEAKERS



Mr. Moosa Solih

Acting MD
MACL



Ms. Aishath Jennifer

Deputy MD
Maldivian (IASL)



Mr. Fawzan Faried

Country Manager
Sri Lankan Airlines



Mr. Ahmed Arshad

Director - Ground Operations
AVIA Maldives Pvt Ltd



Mr. Mohamed Khaleel

CEO
Manta Air

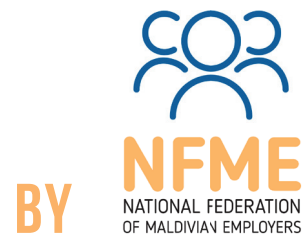


Mr. Abdulla Nashid

Managing Director
Flyme

TAILORING A NEW REALITY

Employer's Dialogue



Report on Episode 7

“Tackling New Challenges in Shipping and Logistics”

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Executive Summary

The new Commissioner General of Customs was appointed in June 2020 and since then, there has been historical changes in the institute with plans to eradicate corruption in the administration and establish a transparent and efficient system. To do that, there are plans to ensure the employees are held accountable and are responsible through professional training and work experience. There are also changes planned to develop leadership and commitment of staff under the authorities assigned to them legally. In addition to the reform of the employees, the work culture is also being transformed to automation of services. This is part of the Maldives Customs modernization plans.

Though a growth of 12% was anticipated for the Maldives Ports Ltd, the pandemic has affected the operations severely. There were imports continuing due to the Ramadan stock replenishment by the Government and other imports of necessities. This allowed the cargo volumes to stay on a high level, which declined when the lockdown was implemented and right now the inbound cargo value has reduced by half. MPL's revenue depends on the cargo volumes because the income is generated from handling, wharfage, stevedoring and cargo storage.

There were several scenarios and respective action protocols prepared. Even in a normal standard operation, the main challenge for MPL was to maintain the expenses at a certain level especially for salaries and wages. To manage during the pandemic, it was and is necessary to reduce costs. Hence, repair and maintenance works are on hold unless critical and other costs such as travel and trainings are naturally reduced. Furthermore, certain segments of staff salaries have been revised for MPL under guidance from Ministry of Finance and the Government.

Considering the archipelagic nature of Maldives, a quarter of all projects are related to logistics. The biggest difficulty was implementing social distancing measures on the vessels. Creating awareness amongst the crew was also a challenge plus an added cost. Moreover, there were many operations that were stopped. The Government did implement online permit systems, which were not very smooth and businesses had some issues in getting the permits. However, now with the lockdown over, and less restrictions, operations have resumed. Most of the services in the relevant institutions and the private businesses have transitioned to a digital platform and people are getting more used to this.

Note: Subsequent to the episode 5 and 7, there has been tremendous progress in regularizing the freight and shipping agents. On 20 July 2020, Transport Authority of Maldives gazetted a regulation, under iulaan number (IUL)202-M/1/2020/53 that all shipping agents must be registered. This is a new regulation (2020/R-52, dated 16 July 2020) which will prevent the additional and extra charges that are being charged from consignees. There is a grace period until 17 August 2020 for the registrations to be done and any breach will result in a fine up to MVR10,000. This is a very good step taken by the authorities and NFME, along with the whole logistics industry, acknowledge and appreciate the support given by the authorities.

Maldives Customs converted to online services and have plans to increase the services. Even Maldives Ports Ltd opted to communicate and transact electronically for their operations. Guidelines were established in both these authorities in line with international guidelines. Both have continued to provide services without any interruption which is commendable.

After being discontinued for about a decade, Maldives State Shipping started operations during this situation which is an achievement itself. Currently it is operated using a charter boat. It may take some time to get the line established enough to be lucrative enough as a career path for our youth. However, the target is to become a regional and global player and the direction is towards this goal though the speed is a bit slower than anticipated due to the sudden crisis.

The logistics industry contributes to about 16-19% of the country's GDP, which is more than double when compared to USA. However, in the World Bank's "Ease of Doing Business Index" Maldives is at 157th position. Sri Lanka is at 97th. There should not be any reason why this gap cannot be bridged.

One main reason the industry has not been able to reach its fullest potential is due to the role of intermediary players who are taking undue advantage of the businesses. When the ports are already congested, when we have so many freight companies, there is no room for additional players in the industry, let alone foreign players. These are unresolved due to lack of regulatory bodies monitoring them and the industry not having a proper Federation or an entity to represent the industry. There are no dedicated group or people, who work for the logistics industry and work towards lobbying and advocating for the industry's betterment. There is one in the making, which has been delayed due to the current hold up.

During this time of transformation, where companies are converting to electronic methods, it is also beneficial for private companies to venture into floating the company and going public. It has proven to increase the company's transparency and help strengthen the company internationally.

Overall, there is a lot of room for improvement, which the private sector alone cannot do. There needs to be a collaborative effort by the Government and the private sector to take the logistics industry to another level.

Introduction

National Federation of Maldivian Employers, NFME, launched a Webinar Series “Tailoring a New Reality – Employer’s Dialogue” with the purpose of uniting our different industries together and establish a dialogue with the industry experts on how to navigate in the new realities that are unfolding.

The first episode was aired on 3 June 2020, Wednesday and episodes focused on a different sector weekly are planned to air every Wednesday at 16:30hrs Maldives time.

The seventh episode was aired on 8 July 2020, Wednesday on Shipping & Logistics with the topic “Tackling New Challenges in Shipping and Logistics”

Panelists for the Episode:

Mr. Abdulla Shareef
Mr. Shahid Ali
Mr. Abdulla Saeed
Mr. Abdulla Sawad
Mr. Ahmed Ziyad Mohamed
Capt. Ahmed Maumoon

Facilitated by:

Mr. Mohamed Ali Janah





Mr. Abdulla Shareef

Mr. Abdulla Shareef has been working in Maldives Customs for over 27 years in different positions. He was the Deputy Commissioner at Customs since July 2019 until he took the position of Commissioner General of Customs in June 2020. He holds an MBA in Custom's Administration.



Mr. Shahid Ali

Mr Shahid Ali has a Master in Project Management and MBA from Australian National University Australia. He has been in the government for 10 years, mainly at ministry of planning and Ministry of Finance. He served for 5 years as MD and is the current CEO and MD of Maldives Ports Ltd.



Mr. Abdulla Saeed

Mr Saeed is a former Cabinet Secretary at the President's Office during the administration of former President Mohamed Nasheed. Afterwards, he went on to become Director at Maldives National Shipping Ltd (MNCL) at Singapore, until the office's closure. He also filled the post of Chairman at Maldives National Oil Company (MNOC) located at Singapore as well. In April 2020, he was appointed as the Managing Director of the state-run Maldives State Shipping (MSS).



Mr. Abdulla Sawad

Mr Sawad started with a small mart in 2000 and started logistics trade in 2004. Now he runs one of the leading logistics company in Maldives as their Managing Director. He is also a director of SAS-E Construction which is one of the biggest construction companies in Maldives now.



Mr. Ahmed Ziyad Mohamed

Mr Ziyad started his career as an officer at the Maldives Customs Services' Documentation & Valuation department. He is the founder and MD of Asia Forwarding. He has extended offices of Asia Forwarding in Thailand, UAE, Dubai and China.



Capt. Ahmed Maumoon

Captain Maumoon started his maritime career in 1990 and came ashore in 1999. He holds a Master's Degree in International Shipping from University of Plymouth UK and a Master's Degree in Shipping Trade and Finance from City, University of London UK. He was the MD of Maldives National Shipping Ltd prior to creating Centurion Transport Solutions in 2008. Currently he is the Chairman of Centurion Plc.

Discussions

What are the biggest challenges you (CG Mr Abdulla Shareef) faced upon taking the leadership of the Maldives Customs Service and what would be your strategies to meet those challenges?

Based on the answer by Mr. Abdulla Shareef

Mr. Shareef has been working at different ranks in Maldives Customs Service since starting in Grade 1 rank in 1993 and was the Deputy Commissioner to Late Mr Nu'man, who he praised as an excellent leader with great principles.

There have been rumors of corruption and unethical behaviour within the Customs administration and the main challenge will be in investigating these matters and carrying it out as transparently as possible. Regardless of the difficulties in doing so, Mr. Shareef is committed to investigating these under his governance.

Customs is an institute that serves the public, private and the whole community. Despite the difficulties faced in the services, especially, in facilitation, saving revenue for the government, and enforcement for the prevention and protection of public safety, the most important factor for a successful operation is to build an environment free of corruption. Furthermore, there must be full transparency.

The decision to bring this historic change has been included in the plans for Mr Shareef and has been accepted by both the public and private community. These plans have slightly been shifted to the next year due to the impacts of the pandemic.

To achieve this, firstly, the employees should be responsible. The employee should have the capacity to become responsible. Either through professional training or work experience, then only they can have the right attitude to adjust into the office laws and practices. There are plans to enhance the human resources of the institute and conduct trainings for the staff.

Thereafter, employees' leadership and commitment play a key role. It is vital to create an environment which allows the employees to develop their leadership and commitment to the organization. It has to be ascertained as to how much can the employees have authority as per the regulations, laws, labor law and any other public laws. By considering these and the feedback received from the customers, there will be changes implemented.

In addition to anticorruption, in the WSO standards it is advised to find ways to automate services. Even though a lot of processes are already automated, other services that can be added to this are being currently identified and there are plans to automate those in the future.

A good audit and investigating unit needs to be established to ensure there is proper monitoring.

At the time of having the webinar, Mr Shareef committed to meeting with businessmen on the 130th Anniversary of Maldives Customs which is 18th of July. Since then, the meeting has taken place. For a successful operation and a corrupt free environment, even in the world customs standards, it is mandatory to find ways to develop a good relationship with the private sector. He also announced that he will be meeting with exporters, shipping agents, brokers, consignee leaders and so on, to ensure a constant communication is established. The purpose of these meetings is to identify the problems faced by the customers of Customs. This will be essential for the plans to improve the services of the institution which are intended for next year.

These are plans that Mr Shareef shared for the Maldives Customs reform and modernization package. He intends to start working on it as soon as the referred meetings are conducted.

Mr Janah commended Mr Shareef on his commitment to encourage accountability in the organization and his work towards the automation and digitalization of services and improving HR management.

In Maldives, imports have drastically dropped with the decline in the economic activity because of the pandemic. How has this impacted the Maldives Ports Limited and what are the steps taken to mitigate the losses?

A report by the International Association of Ports and Harbors (IAPH) which included a record response from 104 ports from around the world highlighted emerging trends in operations including an increase in high-frequency feeder services to regional ports mostly on essential goods, while majority of the ports continue to feel the impact of canceled sailings and the suspension of many feeder services (IAPH, & WPSP, 2020).

Based on the answer by Mr. Shahid Ali

The cargo growth in 2019, in terms of volume, inbound and outbound was one of the best numbers that was seen. Had this pandemic not happened, the estimate was that there would have been around 12% growth. Unfortunately, we are facing this sudden pandemic and going through the negative effects. MPL's growth was at an expected patten at the beginning of the year, but when the pandemic struck in full force in China, the cargo volumes started to decline. As they were in lockdown and the goods originating from China was held back way before the pandemic struck in Maldives. When Maldives went into lockdown, Ramazan was right around the corner. To prepare for this, the government had already decided to import a large volume of essential items, especially staple food during this period and food demand also increased for Ramadan. Hence, the cargo volumes pre- pandemic or pre- lockdown was very large. Since lockdown implemented, the volume has been declining. Currently the normal inbound cargo has declined by around 50%.

MPL's revenue is generated by handling, wharfage, stevedoring and storage of cargo. Hence, with the decline in the cargo volume, the revenue has been severely affected.

In a standard normal operation, the main challenge is to maintain the organisation's expenses at a certain limit, especially for salaries and wages. This is not something that can be reduced temporarily, especially some special fixed costs cannot be changed on short notice. However, from January onwards, there have been plans and assumptions of different possible scenarios, and how to manage them respectively.

The short-term target was to identify wherever expenses can be reduced immediately and to implement it. Based on this, there is determination to reduce recurrent expenditure such as expenses on repair and maintenance, except where strictly required. All capital expenditure has been cut down as well. With the lockdown, travel expenditure naturally came down which is otherwise a huge cost for the company considering MPL invests a lot in staff training overseas, or short-term trainings.

Under the guidance of the policies of the Ministry of Finance and the government, salaries of employees who receive a certain amount and above were reduced. The target is to maintain our expenses within the forecasted budget. The utmost priority is to carry this out in a way that it does not impact the service, but also in a way that the expenses and revenue meet.



What are the challenges that are being encountered now and what will be done differently when we transit from lockdown to a new normal?

Leo Trading have been one of the most successful companies starting from humble beginnings and becoming one of the largest logistics service providers in the country. The Covid-19 must have been your biggest challenge in your entire career.

Based on the answer by Mr. Abdulla Sawad

Maldives is a chain of dispersed islands and therefore, in all the businesses and projects, around 20-25% involve logistic movements. The pandemic was very sudden and thus no one was prepared. Companies, including and especially logistics came to a halt.

However, there were necessary requirements, such as supply of food, healthcare, PPE and supply of material for essential projects that continued during the pandemic. If it were not possible to supply these, the impact would have been worse than the pandemic. Mr. Sawad volunteered to assist and manage the situation, and lent 420 staff, especially the local senior members and the arrangements were done for the logistics of these necessary sites.

The biggest obstacle faced was having to work differently and adjusting to social distancing measures during this lockdown. In logistics, especially in sea transport in dhonis and boats, it can be very difficult to adjust and make the crew of these vessels aware of these measures. Some members and staff were trained via online meetings, advertisements and on-site lessons. This was not only a practical challenge, but also an added cost.

Maldives State Shipping (MSS) has taken the bold step of starting operations during the start of a global pandemic. A state shipping line is very important when any country tries to become self-sufficient. What positive role has MSS played in the service of the nation during this pandemic?

Most of the world's goods are shipped by sea but the marine shipping industry has already taken a hit as demand drops and countries put stringent measures against the Coronavirus in place.

Based on the answer by Mr. Abdulla Saeed

The establishment of Maldives State Shipping (MSS) has been planned for a very long time, even before the lockdown. Though this is not the ideal time to start any business, the Government decided to move ahead with this as it was necessary as State Trading Organisation (STO) gives a very high priority to ensure staples are imported without interruption.

The progress has been very good so far as MSS was able to participate and contribute to provide necessary goods for the operations of the Government's projects during the pandemic such as the Hulhumale' Covid Centre. Another such critical project was the expatriate housing scheme in Gulhifalhu, which requires utmost attention due to the over congested facilities the workers are accommodated at leading to high spread of the virus. Hence, materials were supplied for this as well.

A national shipping line is very important. Private sector can also venture into this. It has been 10 years since Maldives National Shipping Line stopped, and since then it has been maintained by Lily Shipping. However, as they do not have their own vessel, there has not been many opportunities for local seafarers.

Mr. Saeed compared the situation when he joined the industry years back, where Maldives had an established shipping line but considering the status right now, it may take a while until it can get established enough to be a lucrative career for the youth. With the initiative already taken by the state, there is no doubt that doors to plenty of opportunities will open again. The goal is directed towards this and for the time being, it is an achievement to have been able to start operations even in these delicate circumstances.

What were the biggest challenges your company (Asia Forwarding) faced and how is it now post lockdown? If it has not improved, how can you mitigate the challenges you face now?

Logistics and related services had to continue even during the pandemic as Maldives is dependent on imports and internal distribution of goods.

Based on the answer by Mr. Ahmed Ziyad Mohamed

The biggest challenge was the restriction on movement. The lockdown interrupted most of the work as it was not allowed to go out. To brainstorm how to move ahead with this new development, a crisis management group was established within the company, with each member delegated a specific task.

With majority of borders closed globally, cargo air freight into the Maldives was halted. To be prepared for a situation that may arise, Asia Forwarding connected through their international network to arrange charter flights and mechanisms to cater to any healthcare emergency that may be urgently required by the country. Fortunately, the national carrier of the Maldives was able to supply the requirements and this back up set up was not needed.

During the lockdown, authorities had a system of allowing permits for businesses in order to help them operate. As all other companies, Asia Forwarding also faced obstacles in getting the required permits

and passes via the online system. This was a whole new normal for everyone to adapt as this was an unexpected crisis. Adjusting to use an online system was not easy even though there have been several benefits from implementing these online systems. As Maldives Customs Service and Maldives Ports Ltd are responsible for almost all the imports being made into the Maldives, the automation of most of their services made it very easy for their customers to avail their services. Mr. Ziyad stated that these services were so easy now that he hopes that these online services continued that allows them to avoid waiting in queues for long hours and get things done at the comfort of their own office or home.

He also suggested to make more services digital, to strengthen the digital infrastructure and modernize as much as possible. This would ensure more transparent communications and accountability as online transfer is safer than cash in hand. Eventually, this can also reduce opportunities for corruption.

What is the success story of Centurion Plc from being private to going public? What lessons can be learnt from your journey?

Centurion Plc became the first private shipping and logistics company in the Maldives to offer shares to the public through the Maldives stock exchange in 2016 (Shaahunaz, 2016).

Based on the answer by Capt. Ahmed Maumoon

The shipping industry of Maldives has not been very active. There is a lack of educated or skilled enough professionals to advance in the same level required to reach the organisation's goals. Even though there are traditional captains or people with other maritime segment experience, the level is not up to par to help the company reach its goals. This leads to bringing people onboard. For that, the company needs to have opportunities available for them to go ahead in their career path, needs to have transparency and assurance about these opportunities.

Captain Maumoon does not believe in nepotism as it is important to ensure the company is run by competent and able people, which necessarily may not be from the management's family. A lot of people's livelihood depends on this work and therefore, a capable team is essential to operate the business. One main reason that many companies fail, but is not always the case, is having family relations run business. This was the main reason Centurion opted to go public.

There were many lessons learnt from this experience. Maldives was not ready at the time, and it was a challenge to explain the failures of a company that went public before. Even the banks were doubtful and this is the mentality of Maldives though it is quite developed. Accounts division questioned on how the evaluations were being done. A lot of questions were asked by everyone and despite the doubt and challenges created by the people who were in charge

of doing it, it was done and everybody, from the Government to the commercial enterprises, have benefitted.

One such benefit was being accepted in the international market. Trust and reliability strengthened where the bigger international companies across the globe felt more comfortable in their due diligence and KYC. Going public was an essential step towards the vision of the company.

In Maldives, the main issue is transparency. Thus, people are hesitant to open the books to the public if they have to become a Plc. By taking this step, Centurion set an example that disclosing your books does not expose your business or make it any more vulnerable, and it reflected the company's transparency.

Captain Maumoon believes that there are certain aspects of the Maldives Company Act that creates hindrances to taking this step for many companies. With some changes, it will be easier to go on this journey.

Mr. Janah took away from Captain Maumoon's statements that corporate governance standards are of utmost importance in managing a company especially when considering floating their business and venturing in to stock exchange.

As we understand ASYCUDA World (AW) system adopted new policies and procedures to meet the evolving situation and mitigate safety risks (UNCTAD, 2020). How far would these new policies help improve the efficiency and the protection of everyone during the pandemic and under the new normal?

Customs Administrations as cross border agencies is an essential service even during a pandemic as the necessity to import essential health care, food and other goods is an absolute necessity. At the same time, the safety and health of the entire staff of the institution would have been a huge challenge.

Based on the answer by Mr. Abdulla Shareef

With the beginning of Covid19, HPA established a guideline that was shared with the institutions working at the borders with awareness programs that were conducted in January 2020. Subsequently, an internal contingency plan was created for different levels of this situation. In addition to the contingency plan, a Standard Operating Procedure was prepared for the operational level works. With these fundamental steps only Maldives Customs Service proceeded with their operations and services.

At the same time, World Customs Organisation (WCO) guidelines were also published. There was a collective effort globally by all the customs organisations worldwide to ensure that there are no goods stuck at any border, and to facilitate the fast movement of goods from one country to another. ASYCUDA World is an internationally accepted system and is an important pillar of the Maldives Customs Service also as main operations such as all declarations are made via ASYCUDA. Even before the pandemic, a lot of customs services were digitalized.

With this evolving situation and by keeping in mind the safety of all the staff, a plan was devised with the IT division on how to operate without disruption to services in the event of a community spread leading to a lockdown.

Earlier it was not possible to do customs documentation process remotely from home. The IT team worked on this and enabled users to be able to process the documentation from home, and with the

lockdown, all the communications such as payments were digitalized. To attend to cases that may require physical examination, an isolated team was identified. It was while a lot of foreign aid was received by the Maldives, especially through healthcare goods. A lot of medical items as well as the medical requirements of the citizens were imported. For these items, the shipping documents of the aid shipments were collected and subsequently the goods were released to NEOC. Release of goods was prioritized and expedited in this case, pending the documents processing. At the same time, the works at the quarantine facilities were continuing at high speed and STO was also stocking up for the pandemic. In addition to this, there was a soar in import of disinfecting items by the private sector resulting from the exemption of duty on these products, by His Excellency President. All this led to a lot of imports during this challenging period and this was handled by transferring most of the processes online.

The pandemic was a good opening to find new ways to improve the institution's transparency and work on reducing corruption.

Mr. Shareef took the opportunity to thank the staff who tirelessly worked to ensure these services were uninterrupted, especially the staff who worked in isolation during lockdown, which was also during Ramazan, including the staff at airport servicing the inbound and outbound flights. About 50 employees stayed in guesthouses in Hulhumale for isolation.

How challenging has it been to manage the required Human Resources (of Maldives Ports Ltd) in every way including their health and safety?

Our research shows that despite the spread of the virus, most ports around the world have been able to maintain a reasonable level of their workforces. Similarly, MPL has done an excellent job maintaining and keeping the port open to keep importing the essential items including food and other urgent requirements for the country while managing a safe port with a safe team of dockworkers.

Based on the answer by Mr. Shahid Ali

Even at Maldives Ports Ltd, great priority was given to raising awareness amongst the staff, especially the frontline staff such as stevedores and dock workers, which was done in collaboration with HPA and Maldives Red Crescent. Awareness was raised on about the virus, how to mitigate the risks of spread and how to manage the risks.

Thereafter, a protocol was implemented for stage 1, stage 2 or for different scenarios, ranging from risk level white to orange or yellow or red, and how to act in each scenario respectively.

The only ways for the virus can cross international borders to be imported into the Maldives was either by sea or air. Therefore, extra precautions were taken to ensure that the virus did not enter Maldives via the seaport and the safety of the seaport was taken very seriously. There was one protocol, on what should be done prior to the arrival of a ship, that is similar to the International Association of Ports and Harbors (IAPH) and International Maritime Organization (IMO) guidelines.

This includes the assessment of its crew, their travel history in past two weeks and their medical conditions. Before any staff could board the vessel, this assessment must be completed. Additional guidelines were established for the when boat is at dock or quay wall, that would prevent any physical interaction with the crew on board and the crew going on board from onshore. All transactions were and documents were instructed to be executed and exchanged electronically.

Whilst there were precautionary measures being taken, there were preparations for a community spread also. MPL was the first institution to establish handwashing and disinfectant systems for the staff and customers at the work environment. It was constantly reminded to the employees to use masks, especially the stevedores were instructed to use PPE when boarding other vessels.

By the time the country went into lockdown, to continue the services without interruption, there was a plan in place and selected number of staff to work at the frontlines, who were isolated within MPL and other critical service points of MPL, with all services provided for them and without any interactions with anyone outside.

One very important thing that had to be considered was the segregation of skilled staff so that in the event of a spread amongst the staff, the group of staff with the same skills are not in the same cluster. This was planned so that there will not be a lack of specific

skilled staff who operate critical equipment if one cluster of the port becomes compromised. Hence, such staff were isolated in separate clusters within the premises.

Mr. Shahid praised and noted that there were many employees who were willing to serve the country even in this situation, to ensure these critical services continued for the nation and voluntarily worked on the frontlines.

Even though works continued, it was not at the same speed as pre-pandemic. There were lot of limitations on the staff capacity that could be accommodated at the office premises in isolation, thus, it was not possible to have a 24hrs operations. However, from morning 8am till after 1am, operations continued.

As CG Mr. Shareef also stated, this period was when there were a lot of shipments coming into the Maldives. The port was used for the Bangladeshi aid, Indian aid and repatriation of Indian nationals. There were some disruptions in the normal services due to this but MPL staff, and other staff who work at the port, put in a collective effort to work together in the most difficult time, which was the full lockdown and during Ramadan. At the same time, the demand for food, medicine, materials required for quarantine facilities increased. Due to the efforts of all these workers, who worked tirelessly and in so very difficult circumstances, it was possible to clear the goods and facilitate the transport of the goods to the required destinations without delays.

What is the motivation that keeps you (Mr. Sawad) going? Is it money or the passion to perform and serve the community?

Based on the answer by Mr. Abdulla Sawad

Mr. Sawad expressed his motivation for his services is the love he has for nation and its people. Leo Trading was one of the private companies who contributed largely for the construction of the Covid hospital at Hulhumale'.

During lockdown, similar to how Mr. Shahid explained as was done at MPL, the staff isolated themselves at the specific work sites, which totals to 31 for all companies that Mr. Sawad is involved in. It was a difficult challenge to provide necessities on site, for so many sites but this was how it was done. In addition to that, since Leo Trading is a company that provides logistics services, a lot of logistical assistances were rendered to private companies, foreign companies and also the state-owned companies.

Mr. Sawad is well known in Maldives as an active person who personally participates at the frontline in giving logistics support. If logistics services are disrupted even temporarily, it will have a greater impact than the current situation. Leo Trading provided significant logistical support to the Northern, Southern and the Central Maldives during this lockdown, such as supply of food, medicine, and projects materials. He shared that a huge portion of these assistances were transport of staples, medicines and essentials, that were done free of charge for individuals, as means of help during this tough time for everyone, purely out of affection for the people.

Will MSS be centered around servicing the Maldivian shipping industry requirements or will it play a regional or global role in the medium to long term?

Based on the answer by Mr. Abdulla Saeed

The state shipping was established to address the requirements of Maldives. Currently the operations are quite small as it is being operated through a charter boat. However, the long-term mission of the company is to become a regional and a global player in the market. Mr. Saeed that his goal is to achieve this,

with his team, though it may not happen immediately, especially now that the anticipated speed of growth is at a halt due to the pandemic. Hence, the plan will be to work on it gradually and establish MSS as a regional and global player.

We understand that your operations would have been slowed down due to the restrictions applied. How did you cope in this set back?

Did you prioritize certain types of services or stopped some services? Or did you work out a way to keep on rendering all the services?

Based on the answer by Mr. Ahmed Ziyad Mohamed

There have been no difficulties faced as a direct result of any restriction or policies imposed by the Government. However, sudden decisions by any party can be difficult to adjust for anyone. Especially the vessel permits required for travelling inter-islands.

With the implemented policies, it called for pre-planning and thus the permits for the vessels and crew members would need to be applied in advance. Though this was difficult to adapt to initially, people have gotten used to the new procedures and are functioning seamlessly now.

It must be stated that the Government had very well planned everything and due to the automation of services by the Maldives Customs Service and Maldives Ports Ltd, which are the main institutes that the company deals with, most of the operations were very efficient and smooth.

Even though there are not many difficulties, the fact that there is no representation for freight forwarders or shipping agents, or any establishment who could express the issues raised by the freight industry, is a huge setback for the industry. Hence, the industry is in need of a mechanism to raise the concerns to the policy level of the Government. There were some attempts few years back to establish a Freight

Forwarders Association and the works for this was initiated though it has now been delayed due to the current situation.

The biggest threat to the existing freight forwarding companies is that in Maldives, there is no license required to become a freight forwarding company or service provider. Meaning, any company which is registered under Ministry of Economic Development, can venture into this business without any additional permit or license. Maldives Customs mandate shipping agents to have a specific license, however, there is no license required to become a freight forwarder. In other countries, it is compulsory to have a non-vessel operating common carrier (NVOCC) license to become a freight forwarder. In Maldives, there are an average of around 200 freight forwarders companies currently.

Mr. Janah also agreed that an NGO for the representation of shipping and logistics sector is very important as with it, the path to communicate with the relevant stakeholders, ministries and others will be enabled.

Do you believe Maldives has enough logistics service providers to meet the demand or do we have space for other players in the market?

Based on the answer by Captain Ahmed Maumoon

There have been attempts to accumulate data to analyze the logistics situation in Maldives. Due to the unavailability of accurate data as the industry was extremely fragmented there was no significant collection points established. However, according to that research, it is estimated that estimate that logistics is involved in 16-19% of our GDP, which is a significantly high value. Even if this is compared to a developed country such as the USA, their contribution is 8.2%. This difference could be because the islands are geographically scattered in Maldives. Also, there is not enough attention given by the Government to this industry, which is proportionate to its growth.

Logistics is the backbone of all the industries of this developing nation, whether it be tourism or construction, logistics is required for the operation of all sectors. Regretfully, logistics has not been prioritized enough to improve this service. It has to be improved in terms of manpower, technological advances, better collaboration and more.

Even to transport a small piece of good to an island, there is no other option but to rent a boat, which is very inefficient.

According to the World Bank's "Ease of Doing Business Index", our neighbor, Sri Lanka is in 97th position whereas Maldives is at 157th position of the list. There is a huge gap that needs to be bridged.

When you consider the fishing industry, there are a lot of local private firms who operate fish processing factories. The fish caught by the fishermen must be collected and transported to these facilities, which is done using landing crafts. To make these trips feasible, the fishermen must have at least 5 containers of fish for each trip. That is around 125-130 tons. If the logistics were easier in such cases, it can enable more frequent trips and increase the turnaround time, which in turn will improve the liquidity, and that again in turn will increase the speed of the country's development.

The private sector alone does not have the financial strength or means to improve this industry, however, with the Government's help, it can be accomplished. The logistics industry is still very rudimentary. There are various challenges that are there, from warehousing to timely delivery, resulting from extreme weather, lack of sufficient ports and high port traffic. With so much already in high demand, there is no room for additional players but there is room for improvement.

To make this industry successful, the logistics posting to GDP must be raised to an accepted level.

Now that we are just out of lockdown, what would be your advice to the industry post lockdown and under the new normal? What should we do differently?

Based on the answer by Captain Ahmed Maumoon

Even before Covid19 and adjusting to a new normal, there was a visibility programme initiated with the intent of improving the visibility of the company's operations, finances and other areas, to transform on to the next planned phase of the company's objectives and goals. Under this programme, there was investment done in software and improving visibility.

When the pandemic first hit Maldives, the company implemented Singapore standard preparedness before anyone else and this enabled everyone to be very well prepared and well in advance too. The company's MD, Mr. Aiman took charge of this and started way ahead and thus before the actual lockdown was announced, the company already had had test

runs on working from home to identify the difficulties and fix it before the actual lockdown happened. Therefore, all the employees were facilitated to fully work from home before the lockdown came.

The biggest challenge in the new norm is the difficulty in collaboration. There is a desperate need to improve IT capacity in all companies and make a work from anywhere work arrangement.

Mr. Janah also commented that with the right masterplan for our logistics and shipping sector, Maldives can also be developed to the likes of great countries such as Dubai or Singapore, as there is a very big scope for improvement.

There are many intermediary foreign businesses players in this market, what are your thoughts and opinions on this?

Based on the answer by Mr. Ahmed Ziyad Mohamed

There are challenges due to intermediate players. There are layers of intermediation in some cases, and each layer is a set of charges. In situations where some cargo has to be consolidated with another shipment that is being routed via another country, there are charges imposed from that country's agent and again by their respective Male' agent. With all these charges, the final price gets hiked up significantly, sometimes

being even higher than the actual freight amount. This was discussed in further detail by the President of SME Federation Mr. Abdul Latheef in episode 5 and is covered on its respective report. Hence the advocacy for an NGO is top priority right now.

Based on the answer by Mr. Abdulla Sawad

There is a lack of clarity as to what logistics is and the common belief is shipping, freight forwarding and transport are related to the logistics industry. And this industry has been quite neglected by the businesses and the Government.

Therefore, it is necessary to research this sector and compose a plan for the future, and raise awareness on the industry. Mr. Sawad suggests that Maldives National University can do such an initiative to conduct a survey on this, and train and encourage youth to venture into this industry. Mr. Janah gave his assurance that NFME will provide their fullest support in this.

amount that is recorded at the Transport Authority, it is highly likely that the actual amount will be higher than this. All this extra money is illegally and unethically charged from the businesses through several intermediaries. Right now, the situation seems to indicate that there are certain Sri Lankan companies that monopolize this market.

These matters have been raised with the Maldives Ports Ltd and Maldives Customs Service several times. As we can note from the episode 5, SME Federation President, Mr. Latheef also explained the same and stated that they also raised this matter with all stakeholders with no subsequent action.

He also touched on the majorly discussed freight charges matter where USD130Million are exported out of the country annually. Since this value is the

Based on the answer by Capt. Ahmed Maumoon

In respect to the discussion on the high charges being incurred by the companies, Captain Maumoon believes there are some local companies that can and do provide transparent and final pay costs for shipments, and the reason for businesses to suffer these high charges may be due to the impulsive decision of choosing seemingly cheaper options, can be from China or somewhere, that advertise a cheaper charge from the originating place and deliberately not disclose the other charges that will be incurred at the different intermediaries, resulting in the customers being billed for several charges that were not made aware earlier. Hence, by choosing a reliable company that is transparent can assist to avoid these unnecessary charges.

However, Mr. Sawad did not agree fully to this as based on his experience, these additional charges trend started recently only, roughly around 2016 or 2017 when the port had heavy congestion and a "port congestion fee" was implemented. Hence, if these dupes were due to companies choosing unreliable companies, his question is why did it not happen before. Currently, what was paid about USD50 now costs more than USD700.

Based on the comments by Mr. Sawad and Captain Maumoon, it seems that both are right and there are unreasonable charges being charges and there are cases where choosing reliable and honest forwarders and save you some unnecessary charges too.

Is Gulhifalhu the Best Location to Build the New Port?

Even though the Male' port is currently not congested, there have been some challenging situations in the past recent years. The port we have is not sufficient to support our development speed. Hence, there is the plan to build a new port in GulhiFalhu.

Based on the answer by Mr. Shahid Ali

The current location of the commercial harbour of Male' is not sustainable, which is even now operating over its capacity. Theoretically, around 60,000-70,000 containers can be handled annually. However, in operations, practically, least 130,000-140,000 containers are handled per year. To do this, it requires resources that MPL does not have. There are no means to operate even if the current capacity grows by 5-10% even. Which reflects the importance of relocating to a space with more land availability and technology.

The options that are discussed for relocation are Thilafushi or Gulhifalhu. The advantage in choosing Gulhifalhu is that there are several services that can be availed there, which are not available at Thilafushi.

There is the possibility to create a huge inner harbor at Gulhifalhu. To solve the traffic congestion in Male' harbour, it has to be shifted and there is not enough space to have such a big harbour in Thilafushi. It has to be enough to be able to cater to the T-jetty operations and the commercial harbour operations. Even though it may seem enough for now, the plans must be for long term and keep in mind the expansions that will be needed in many years to come.

Based on the answer by Mr. Abdulla Saeed

Gulhifalhu is a good location.

It seems it is planned to operate container handling, general cargo handling, warehousing, container freight stations (CFS), and more.

There is no opportunity for the private sector to explore the bulk liquid industry as right now STO is bringing it and either storing in Fonadhoo or the airport. This service also has to be introduced at the port so that this opportunity can be opened for the private sector. Right now this is possible only for Thilafushi jetty space lease holders.

Based on the answer by Mr. Abdulla Shareef

Even from the Maldives Customs Service perspective, the current commercial harbour is not appropriate. The space is too small and it hinders the services in such a confined space. Bulk products can easily be managed efficiently in Gulhifalhu. MAJ Comments

Mr. Shareef believes that Gulhifalhu and Thilafushi should be treated as one, and expand in the master plan so the issue will be resolved.

Based on the answer by Mr. Abdulla Sawad

Mr. Sawad believes Gulhifalhu is the best location, as it is close to Male' and close to Thilafushi.

Based on the answer by Mr. Ahmed Ziyad Mohamed

Mr. Ziyad also believes that the best solution for now it relocate the port to Gulhifalhu.

It is critical to develop an area with duty free and CFS, as some cargo are very expensive and must have a way to get all the services from the same location.

This is a global situation, and Gulhifalhu should be a hub of export import in the region.

Based on the answer by Capt. Ahmed Maumoon

Captain Maumoon's view is different from the rest of the panelists. Considering the amount of money that is being spent now, Gulhifalhu is wrong and the most ideal location is to take it to Thilafushi and the Northern region of Maldives as planned previously.

Concluding Remarks by the Panelists

Mr. Ahmed Ziyad Mohamed

"Thank you for creating such a platform to discuss these. Digitalization of our services can make services easier and more efficient. And if Gulhifalhu is done, it will make things much easier IA."

Mr. Abdulla Sawad

"Thank you for the opportunity. We need to train locals and give more opportunity to our youth as mentioned before. I would like to request from the MD of MSS to take the initiative and develop our locals and youth, and to develop our own national shipping line."

Capt. Ahmed Maumoon

"We need to be innovative. Collaboration and shared space is the future for the development of our logistics industry."

Mr. Abdulla Saeed

"We need to be as friendly as possible with technology, as the world is advancing, we also need to keep up. We need to be able to clear goods from a single window, via customs or MPL. We need to be in one reliable journal system such as blockchain and have a secure platform."

Mr. Shahid Ali

"Logistics sector is very large, and in the future if we are able to create a hub such as Gulhifalhu, this will open up the door to many unexpected yet positive opportunities. During this pandemic we learnt the importance of remotely working from home and how to use technology in our work. No customer came physically to MPL during this pandemic. We exchange all B/L, Documents, Manifests or others via online platforms whether it be with shipping agents or shippers or consignees. So, it is important to go ahead in this trajectory with the collaboration of everyone. Then we will be able to achieve many things."

Mr. Abdulla Shareef

"A historic change has been brought to customs by the Government and we are ready to work with all the businesses, shipping agents and individuals. Please give your support to the work that we will be starting from next week onwards, and IA we will refine and reform customs into the ideal institution as you all want."

Conclusion

The participation of institutes such as Maldives Customs Service and Maldives Ports Ltd, on the same platform with the leading operators of the shipping and logistics industry enabled the discussion on the logistics industry to be established on the best level and it allowed to have the most relevant answers to various questions we all have about the industry.

As with all other episodes and reports, NFME's aim with this report is also to collate the main points discussed in the full episode and present to you so that you are also part of our dialogue. We hope to give you a clear understanding of the shipping and logistics industry and highlight on one of the biggest concerns currently being discussed in this industry, which is the relocation of the Male' port. Additionally, the constantly reported challenges with freight intermediators was explored in this episode as well, adding weight to what was shared on episode 5, on the same issue. We have also come to understand the importance of digitization in this industry as well.

We acknowledge and thank the panelists for sparing time from their busy schedules and sharing their valuable ideas.

The full episode is available on YouTube on National Federation of Maldivian Employers' channel:
<https://www.youtube.com/watch?v=zBg8vhxeOlw>

For any assistance, you can reach out to our secretariat on secretariat@nfme.mv

TAILORING A NEW REALITY

Employer's Dialogue



Episode 7: 8th July 2020, Wednesday

Starting time :

1130 GMT
1630 Maldives
1700 India / Sri Lanka
1930 Singapore

Topic : Tackling New Challenges in Shipping and Logistics



Facilitated by :

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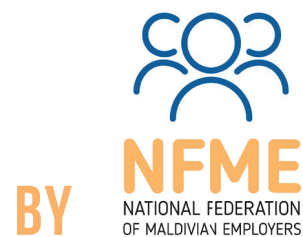


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TAILORING A NEW REALITY

Employer's Dialogue



Report on Episode 8

**“Readiness and Best Practices of the Maldives
Food and Beverage Industry to Cater to the
Evolving Demands in the New Normal”**

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Executive Summary

The F&B industry has been affected with an overall drop of about 70- 80% with some businesses suffering irrecoverable damage. It is expected for some businesses to go out of businesses and for large scale chains to downsize their operations to survive. Globally it is expected for 1/3 of the F&B industry to go out of business especially in the USA (Sharpe, & Querolo, 2020), and many operators in Maldives also feel that this is possible.

Currently the F&B industry has more supply than demand with lot of outlets opened that seems too much compared to the Maldivian population. However, the catering segment has always been a small number with about 7-8 parties. Though they did well pre-Covid, the restrictions on gatherings and parties have hindered the catering business too. But this is due to circumstances and not a mismatch in supply and demand.

The biggest challenge for the restaurants and outlets was the high overheads, which was impossible to reduce significantly. Unless you are closing for good, there is no way to release the rented spaces, and incurring monthly rents, that are so high that big outlets have rents of over MVR100,000.00 even for their smallest spaces. It was not possible to reduce staff as the repatriation was on hold and even without work, their costs were also being incurred daily.

On this note, the general thinking amongst the industry is that smaller kiosks that can be operated with minimal overheads and staff are the solutions for their businesses. The trending business now is takeaway service and this is manageable with smaller outlets. We also see a lot of unregulated home-made food service providers, who are selling their products in small corner shops. There is a major concern amongst the restaurant owners and RAM, as this poses a risk to safety, health and hygiene.

The Restaurant Association of Maldives, RAM, is currently awaiting an election. However, with the existing executives, they have been actively working with HPA and other authorities to find solutions to assist the industry stakeholders during the crisis.

The Government has announced relief packages within their means and qualified companies are entitled for up to MVR1 Million. This amount is not enough, but is still some relief for many companies. The Government has also given moratoriums for rents on their lands, allowing the businessmen some breathing space in

terms of rent, but will be a challenge later on when they are obliged to pay it later at the current rates and with the recurrent expenses then.

With all these challenges there are general worries whether food prices will spike and the industry is trying its best to maintain the prices. Unless the US Dollar rates keep on increasing, it is possible to maintain the prices even with additional costs for the extra precautionary measures advised by HPA and the reduced sales.

With tourism industry crashing, even the F&B industry has been severely affected, especially for supply importers and distributors. With minimal sales from resorts, that is currently taking place only for those that need supplies for their staff, the sales have been disrupted by half for one of the major distributors. Their domestic sales have also declined due to the reduction in spending power of the community as well as due to challenges in reaching to all the regions of the country due to logistical constraints. Even when transports of goods are managed, the lack of storage facilities in certain areas prevented optimum reach to the customers. There have been cases where customers also have had accessibility limitations when goods are made available.

Though many companies adapted the work from home model, this was not possible for the distribution companies as certain departments needed physical work to be carried out and thus, work at home could not be practiced.

At the same time, additional expenses had to be borne, that is in addition the generally discussed high rents and staff overheads, in mitigating operations risks. Additional accommodation facilities had to be arranged for staff, who were previously paid allowances and managing their own accommodations. To avoid the threat of community spread amongst them, staff had to be separately kept, which add up to the existing expenses. Furthermore, the requirements to hire vehicles and vessels for transport, when there are equipment that are owned but needing repairs, which are on hold.

The timing of the pandemic's full force coincided with Ramazan which was a blessing in disguise as this ensured the country did run out of stock. In general, suppliers place their orders few months ahead, and this meant that by the time lockdown was enforced, the goods meant for Ramazan were en route.

Except for few disruptions to supplies that were due to issues with some state borders abroad, such as supply of eggs from India, there were not any major disruption to the supply chain. This would have been very different had the pandemic happened during another time, and these orders were not arranged ahead by the suppliers. There were also some other challenges such as the unavailability of US Dollars and the numerous banking holidays locally and abroad. There is optimism that the availability of US Dollars may get better with the tourism restarting, but at the same time there are doubts as to when tourism can pick up considering the large-scale global recession and drop in spending power.

The pandemic also taught us the importance of decentralization, especially considering the geographical nature of the country. It is important to have port access and storage capacity in both ends of the country and various regions to avoid interruptions to the chain supply even if Male' is affected. It has also taught us the importance of economizing and

adapting to cheaper lifestyles and options.

It is very important for small businesses especially as they will have less staff and limited space, to have a plan and action procedure on how to manage if a staff gets infected, as most of the time there will not be access to substitutes. It is practical to have more than one operating site to ensure operations do not stop completely even if one site is compromised.

Overall, F&B industry is very much affected, but probably not as much as certain other industries. With changes in strategy, it is possible to survive this period and rebuild the industry. The industry needs the help of HPA and the authorities to regulate the small businesses and refine the existing guidelines to make it more elaborate and to ensure the F&B industry is a safe and secure one.

Introduction

National Federation of Maldivian Employers, NFME, launched a Webinar Series “Tailoring a New Reality – Employer’s Dialogue” with the purpose of uniting our different industries together and establish a dialogue with the industry experts on how to navigate in the new realities that are unfolding.

The first episode was aired on 3 June 2020, Wednesday and episodes focused on a different sector weekly are planned to air every Wednesday at 16:30hrs Maldives time.

The eighth episode was aired on 15 July 2020, Wednesday on Food and Beverage with the topic “Readiness and Best Practices of the Maldives Food and Beverage Industry to Cater to the Evolving Demands in the New Normal”

Panelists for the Episode:

Mr. Ibrahim Amir
Mr. Ali Ihusaan
Mr. Nuzair Ali
Mr. Mohamed Shujau
Mr. Hussain Ismail

Facilitated by:

Mr. Mohamed Ali Janah





Mr. Ibrahim Amir

Mr. Amir is the owner and Managing Director of Salsa Investments Pvt Ltd which is one of the largest catering businesses in catering and operating Salsa Royal and Mint Leaf. He graduated from hotel school in 1989 and had some experience in several resorts before setting his own business. He is also a star in the sports field where he managed the national football team for 2 years. He was also an interim member at Football Association of Maldives in 2008. Mr. Amir also contributes significantly to the community. In affiliation with Hotel School, Salsa Investments has trained 16 local youth for this industry and continues to sponsor various community activities.



Mr. Ali Ihusaan

Mr. Ihusaan is the CEO of Happymarket Trading Company and a member of the board of directors of MMA. He is also the CEO of International Beverages Company, who are the producer and distributor of "Life" water, CEO of Best Oil Company, an importer of Diesel and a Director of AIMS Health Care. He served in the Military for 11 years and was a Captain before he resigned in 2017, with several achievements and awards internationally as well. He was awarded the President's Commendation for Outstanding Services in 2014. Mr. Ihusaan holds a Bachelor of Science Degree in IT and a Bachelor of Science Degree in Defense and Strategic Studies from the US Military Academy, USA. He also holds an MBA from Nanyang Technological University in Singapore.



Mr. Nuzair Ali

Mr. Nuzair Ali is a hotel school graduate. He worked in Nasandhura Palace Hotel and Relax Inn Hotel in early years of his career. He is the founder of Raanbaa and a famous Television personality. He currently runs his business Bills 90 and is a co-founder of Sorso, which is a beverage shop. He is also a founder of Restaurant Association of Maldives.



Mr. Mohamed Shujau

Mr. Shujau is the Director of F&B at Buruzu Catering where he has been working for 14 years. He has a Bachelor of Hospitality and Tourism, and is specialized in Management and Engineering of Food System. He also has a Masters in Business Administration.



Mr. Hussain Ismail

Mr. Hussain is the owner and founder of Just For Maakin Pvt Ltd, JFM Pvt Ltd and United Ventures Pvt Ltd. In 2015, he ventured into food industry and is the proud owner of Retreat outlets; with 5 operating cafe outlets and 2 outlets soon to be opened

In addition to his 5 years of experience in Restaurant management, Mr. Hussain also has 15 years of experience in finance and 10 years of experience in management.

Mr. Hussain has completed ACCA, AAT, CAT & recently completed MBA program from British School of Commerce from Sri Lanka.

Discussions

In the global F&B industry they currently consider 2 segments. Online and offline food chains. It also includes companies that process raw food material, package and distribute food and beverage items. The main factors of growth for the F&B industry pre-pandemic have been the steady increase in the population and per capita income including the change in lifestyle.

Now that the Covid19 has affected the Maldives and around the globe, being one of the largest distributors of food and beverage in Maldives, how has this impacted your business (Happy Market) and what are the plans for post-Covid recovery period?

Based on the answer by Mr. Ali Ihusaan

Happy Market is an offline food chain management company, mainly specialized in distribution. In Maldives, the resort industry is the obvious main market for almost all businesses and thus, with the tourism industry being affected by the pandemic led to the company also to face sales declines. Very few resorts needed supplies and that was also minimally to manage their employee requirements. The tourism segment is fully gone until a recovery phase arrives.

In addition to resort sales, the second segment is the domestic sales. Looking at the domestic segment, and into the Male' area, the lockdown restrictions prevented mobilization of the supply logistics and there were a lot of difficulties faced in transporting food and necessities to the customers. Furthermore, in cases where supply was made available, at shops and distribution centres, customers had difficulties in coming to these avenues to purchase goods. Even for those who have the financial capacity, there were inconveniences in physical accessibility.

With the pandemic, the community was obliged to and has become very expenditure conscious. People

are limiting their consumption to basic necessities only resulting in decline in demand for the range of products that are distributed by the company. This is because the main target clientele for the product range were resorts and high-end markets. Therefore, when the customers opted to buy only the basic requirements, the sales growth and existing sales declined in that consumer segment.

From a sales perspective, or warehouse and distribution perspective, a huge component have been lost. With it, the company streamlined all the operations to transform to online services and as a distribution company. Even though it is ideal to work from home during this pandemic, this industry requires a lot of physical work and interaction, there is a need for certain staff to carry the goods, thus the work from home model was not practical for the company and this was also another challenge that was faced. Overall, there is a business disruption of 50%.

You are a founder of NFME and the President of the Restaurants Association of Maldives (RAM), an advocacy and non-profit association created for the protection of the restaurant owners and businesses in the country.

What are the actions taken by the Restaurant Association of Maldives in fighting to mitigate the challenges faced by the restaurant industry amidst the Covid crisis and post lockdown?

Based on the answer by Mr. Ibrahim Amir

As all others, RAM also suffered a huge blow and the truth is that RAM had not been functioning properly as it was supposed to, up till now. With the dawn of this pandemic, RAM had to become active again and there have been unofficial discussions with HPA to identify the best solutions for the industry. The Covid crisis was being managed very patiently and well but with ease of lockdown, cases started soaring again. The pandemic caused irreparable damage to the industry and there was a point of time that no one knew what was happening even.

With the closure of restaurants, the staff overheads and other expenditures increased. The Government established a relief package which was availed by some people. Regretfully, the amount available in the

relief package is not the most appropriate amount as MVR1Million was received per company that qualified. Through discussions with HPA and MED, some amount of relief was received.

The biggest challenge was to reduce the overheads as there were not many areas it could be done. When you consider rent, the rent reduction from privately owned spaces was not significant to cover much of the sales losses. Then to reduce staff liabilities, this was also not possible due to the borders being closed and this forced the restaurant owners to bear the food, accommodation and salary expenses for these workers who had to kept until repatriation could be arranged for them. Therefore, daily overheads increased with no sales.

During the pandemic deliveries continued to some extent. However, deliveries also did not generate enough sales. The biggest setback was having to close off the larger restaurants.

When the HPA guidelines were published, there were no discussions with the F&B industry or RAM. It could be possible that this was because they were not aware RAM is an active entity. Later, despite requests to ease

the HPA guidelines, it was understandably upheld considering the contagious nature of the virus which requires compulsory social distancing and restaurants are high-risk places where people can get exposed to physical contact.

Buruzu is one of the leading names when it comes to catering to functions and large scale catering. Even though there was the lockdown and restrictions imposed, because the country was moving forward, there would have been many occasions and opportunities to continue catering though the catering orders would have reduced.

How much did the pandemic affect the catering businesses? Did you already have proper health, hygiene and safety protocols that must be followed regardless of the pandemic?

Based on the answer by Mr. Mohamed Shujau

There has been a huge impact because of Covid and at the same time, there were opportunities to cater to Covid related events during this pandemic, such as catering for NDMA, HPA, Ministry of Gender. Buruzu Catering has been very active in the frontline during this period.

Right now, sales show a decline of around 40-80%. This is a huge loss and necessary changes required to move forward during this crisis are being

implemented. There came additional challenges with some of the company's staff getting infected and testing positive with the virus.

It is estimated that it will take at least 4-5 months to recover with these challenges.



You have been in this business for a long time, from the Raanbaa days and would have seen different periods of time. There have been times we had other tragedies earlier too.

How is the pandemic different to other tragedies and lows in business, and what did you (Mr. Nuzair and his businesses) do differently? Do you think the F&B industry in Maldives was ready for such a crisis to any extent?

Based on the answer by Mr. Nuzair Ali

This was a sudden crisis. Even though other countries in the world do suffer from various crises from time to time, Maldives face these things only rarely, Allah willing. The biggest tragedies Maldives faced was the 3rd November incident and after that the Tsunami. None of us were prepared to face such a huge crisis which made the impact worse than it would have been, had we known and prepared ahead.

We have a population of around 300,000 to 400,000 people in total across Maldives. When we look at the greater Male' region, we estimate the population to be around 150,000- 200,000 people. When we are looking at it from a food and beverage perspective, we must include the corner shops in addition to the food outlets. Each block has at least 4-5 such outlets in Male' region. Hence the F&B segment has a huge supply, which is higher than the demand. This is different to the catering segment when we refer to Mr. Amir's response later.

Mr. Nuzair's business operations, including the restaurant and kiosk counters, are established in the capital city Male' the damage suffered by businesses in Male' was higher than those in the atolls. In Male' city the rents are extremely high. Even the cheapest rent, from the spaces taken for the company's operations, is above MVR100,000 monthly, and the properties' owners manage their lives with these rent incomes so nothing much could be done on that front. As Mr. Amir also said, the rents could not be

reduced significantly on these properties. This left no choice but to compromise on the staff and reduce their salaries or hold some of them. Regardless, the food and accommodation expenses still had to be provided.

Bills 90 always estimated that takeaway service will expand in Maldives. So, there were works done to import packaging raw materials into the Maldives for onward supply to those who need it. There were lot of consideration on how to operate the businesses with as little overheads as possible. It was always evident that instead of running the huge outlets, it would be more feasible to rent a small space and manage it with minimum staff. Within the last few years, Mr. Nuzair and his family brainstormed on how to engage and encourage local youth to do businesses in small spaces. It seemed that operating small kiosk like micro businesses are very profitable and manageable, which is also seen in other countries. On this basis, Bills 90 introduced 3 kiosks and fortunately, this actually mitigated a lot of otherwise major losses that could have resulted from the pandemic. The steps taken in establishing kiosks which had reduced the operating overheads very much, enabled the business to make reasonable profits also.

In this industry, it is crucial to figure out ways to move forward with reduced overheads and businesses that are in line with the Maldivian population.

The outbreak of Covid has been impacting all the businesses, including all the hard-working owners and employees of restaurants. Governments and social responses are also changing rapidly.

How has Covid 19 impacted the Retreat chain during the lockdown and what are your plans for the post Covid transition period and beyond?

Based on the answer by Mr. Hussain Ismail

The business is aimed for 3 segments, which are in house dining, catering services and delivery service. With Covid, it was observed that none of the delivery service providers were ready to give the required delivery services. Hence, moving forward, better systems for delivery services must be established.

When the lockdown was enforced there were some orders for deliveries but there were various setbacks faced such as lack of public's trust in the delivered food and the hesitance from the delivery people.

The reality is that Covid has impacted everyone including all businesses and industries. Mr. Hussain stated that to give a number, around 90% of business sales has decreased which is not picking up even post lockdown. Planning ahead, ways to reduce the costs must be figured. As Mr. Nuzair mentioned, creating business out of small outlets rather than

huge restaurant spaces is important. It is expected that there will always be demand for takeaway in the Maldivian community as a lot of them depend on takeaway meals, but when you consider the net profit, which you get after deducting rent, equipment expenses, goods costs, salaries and so on, the income is not significant. Therefore, to make it more profitable and feasible, the existing large restaurants must be reduced and downsized and smaller operations must be considered.

Again, the rent is a critical issue when you look at reducing costs. There are certain moratoriums granted on rents, instead of rent reductions, which should be re-negotiated as this would mean the rents will pile up in large amounts for later. And the same issue with repatriation of workers, highlighted by Mr. Amir also, causes additional costs that could be reduced.

As one of the largest importers of food and beverage into the country, how has the pandemic affected your business (Happy Market) due to the interruption to the international supply chain?

Based on the answer by Mr. Ali Ihusaan

As Happy Market was established a long time ago, God willing, the company has a very strong base, especially when you consider the procurement side, with suppliers from all over the world. Some products have been diversified region wise meaning even if something happened to one region, it would not halt operations as the product catalogue is diverse. This way, there were not much difficulty in supply availability for most of the products.

It was a blessing in disguise in terms of stock supply, that the crisis happened towards the month of Ramazan. Major importers in generally plan supplies 3-4 months ahead, so when the pandemic happened, most of the major requirements were en route. The existing stock had about 2 months capacity and with the decline in sales, the stock also prolonged ensuring there was no shortage for around 90% of the products.

However, there were some disruptions due to some state borders within certain countries being closed and due to some mismanagement amongst them. Due to this, there were disruptions to the egg supply from India. In Europe, now only is the pandemic's impact starting to show. There were plenty of difficulties faced in containers that originated from Europe returning to Europe, after it had been circulated, especially the reefer containers. One main contributor to this was

that the China borders and ports closed, preventing the empty containers from being sent back to Europe. Therefore, currently there are some delays faced in shipping due to the unavailability of reefer containers even though the products are available with the suppliers, especially the products from Germany and England.

Additionally, there are delays relating to the financial aspect of the transactions which normally had been going very smoothly. The unavailability of US Dollars, restricted banking days here and the subsequent restricted working days of intermediary banks caused certain delays in the payments being received by suppliers, that in turn affected the shipping.

All in all, these were the major difficulties that were faced in the international domain supply chain. Most of these issues have been resolved and there are smooth operations with all regions except for the European sector's container availability issue, which is anticipated to be resolved in a further 2-3 weeks.

Mr. Janah noted that is an advantage for us all that the global oil price is record low at this moment, especially at a time when there will be pressure for inflation with the additional costs and the supply chain challenges.

In these unprecedented times, the forced shutting of restaurants in most parts of Maldives and the abrupt lack of consumer demand brought by the virus has impacted the Maldivian restaurant owners' community very heavily. The real impacts would be hard to measure because the affects would not have spread out evenly.

What is the assessment of the current status of the F&B industry of the Maldives in relation to the restaurant owners' community?

Based on the answer by Mr. Ibrahim Amir

There was a small survey conducted by contacting various businesses in the F&B sector, which showed an overall decline of 70-80% in average sales. Some were affected even worse and this is an irrecoverable loss to all. This seemed to be because of the sensitivity of the industry, considering there is a contagious virus spreading and the industry deals with your direct food. Hence, that trust and confidence was very clouded. Even by abiding to HOA guidelines and other means, there were efforts to regain this confidence, but this was not so easy, and thus the sales kept declining.

To highlight the current status, as touched on earlier, the recurrent expenses and the challenges faced in reducing possible overheads such as repatriation of foreign staff, or even Maldivian staff back to their home islands, and reducing the rent significantly, is the main issue and that I what everyone is trying to do. To manage the recurring expenses.

As Mr. Nuzair mentioned, the sales for these kiosks were good and the time this trend began intercepted this crisis and therefore, the sales for these kiosks got even better.

For the larger restaurant owners, the business model now is to provide more catering services. Again, echoing what Mr. Nuzair said, for some segments, supply was more than demand. However, in catering there are about 7-8 parties. Prior to the pandemic, there was a high demand for catering such as for weddings, seminars and so on and the demand was higher than the supply for this segment and the pricing was maintained. Sadly, as the pandemic got worse and gatherings were prohibited, catering reduced drastically as there was not possibility to hold gatherings and parties.

The loss of 80% or more is irrecoverable in a long time and businesses are forced to restart from scratch

and work on recovering the losses incurred during this period. It is expected to take at least a year or even more to be able to bring the industry back on its feet. It will also be highly dependent on the tourist arrivals. There is a huge demand for foreign currency. There is so much US Dollar scarcity that US Dollar is not available, compelling businesses to seek it from other sources that quote over MVR17 or MVR18 for

a dollar (the prevailing official rate is MVR15.42 per US Dollar). This is causing inflation causing food costs to increase, and subsequently this pushes the prices of the products and services to go higher, by around 5-6 times more. These things have to be planned now when moving forward.

According to some media such as Bloomberg, some countries have stated that 1/3rd of businesses will go out of business for good in the F&B sector of the world. Do you believe such is the case for Maldives as well?

Based on the answer by Mr. Ibrahim Amir

Mr. Amir believes these sources may have referred to large food chains such as Pizza Hut or similar ones. The chains have suffered a huge blow. For Salsa, from the 4 outlets, some may be closed to focus on the other outlets and to control the expenses but will not leave the business fully. The strategy in this crisis is to close down locations that are too expensive and move to more affordable locations, maybe within the atolls, and focus will be to pay the staff wages and send them to their home. Based on this, Mr. Amir does not believe that considering the businesses are small scaled compared to the global food chains, there is lesser risk to go into full closure. Having said that, there may be few places that may unfortunately face this situation.

For businesses that can manage to scale down, they are doing so, however, for the newly opened businesses that had not yet recovered their initial investment even when then pandemic hit, it will be impractical for them close so the only way right now will be to patiently wait and see how things unfold and work on the recovery stage strategies that will be in few months

Based on comments by Mr. Nuzair Ali.

Mr. Nuzair agreed with Mr. Amir's response and he stated that there is a need to bring a huge modification to the operations at his outlets. There must be plans done on moving to another model where high rents can be avoided. From a financial perspective, 2020 is over. There is not much income that can be generated for the rest of the year.

To add to Mr. Amir's point on tourism being open now, there is uncertainty in the arrival numbers. This is an international crisis where globally people have suffered and lost their employments and income, which will restrict their travels substantially, especially to Maldives where the prices are much more expensive than so many other tourism destinations that also provide sunny beaches. Around 10-20% of tourists who come to Maldives are retirees, who are at a

higher risk to contract the virus and also will not have the financial means to travel now depending on their government's policies. This makes it seem difficult to pick up tourist numbers even if the borders are open. Mr. Nuzair believes that 1/3rd of restaurants, the bigger outlets, would close in the Maldives as well. Even now, there are some changes in businesses where food items are sold in clothing stores, cafés are selling groceries from their counters and so on. Such modifications are much needed to maintain the businesses now.

Based on comments from Mr. Hussain Ismail during another question.

Mr. Hussain also believes that around 30% will be forced to shut down. When you consider some of the small outlets that are very privileged businesses where they have routed excess funds from another venture to open up and these outlets can close down. For the chains with more than 1 or 2 outlets will choose to close down some of the outlets and manage with the minimum. This will be seen in the coming days, as right now, certain expenses could have been managed and held back, but once operations resume, these will pile up and add to the already accumulated debts and expenses that were on hold. In fact, the magnitude of the impact on the industry can be understood once a month or so passes after reopening. Hence, a lot of businesses are expected to close down and for those who manage to survive, it would be amongst some of the most successful models in the country.

Do you have enough PPE to continue the business operations? Even though there would have been safety procedures in place earlier, the level of these procedures and the PPE being used would have increased costs in operations.

How did you manage the price of your products with the increase in costs, for additional health and safety procedures and use of PPE, and decline in business?

Based on the answer by Mr. Mohamed Shujau

There are enough PPE for the operations requirement at the moment and there are sources to get it from the market. Even before the pandemic, there are certain rules to abide by from the HPA and other relevant authorities, to get the required permits and licenses to operate in this business, which are all valid for the company, meaning the required guidelines are met.

The cost has significantly increased but there is no plan to increase the prices of the products and services unless the current US Dollar exchange rate does not spike and remains at a reachable level. This is not the right time to raise your prices to generate better income. Up to today (15 July 2020), there has been no price hikes in any of the Buruzu products and rather some of the products have been made cheaper to cater to the people.

As other panelists also talked about, the biggest issue is the high rent which is more problematic than food costs even. The rent is too high and to work on recovery, this has to be solved. The Government must

take some initiatives to control the rents as these are beyond people's reach. Some outlets have rents over MVR100,000.00 monthly.

Mr. Janah commented that the rent rates have always been extremely high in Maldives, even when compared to global rates. In this situation, with the market forces coming in to play and major players being unable to afford the high rents, it could affect the demand of the rents. On this note, he posed to Mr. Shujau if he believes that this can happen even if Government does not intervene.

Mr. Shujau insisted that without the Government's intervention, the rents will not decrease. There are discounts offered of around 5-10% for this period, which can be the level of reduction that market players can bring. The current rates that are advertised are also very high, there does not seem to be any decline in demand. With the uncertainty in the upcoming months, there can be no assumption, unless there is a huge recession, then the rents can reduce.

The restaurant community is one of the hardest hit and the industry with one of the most dramatic decline in sales, which would have affected your cash flow, your day to day operations, including payment of staff wages.

Have you sought support from any government or financial institute, or are you able to survive independently? (Posed to Mr. Hussain Ismail)

Based on the answer by Mr. Hussain Ismail

The Government had approved the loan application within 7 days of submission, which shows that they are supporting businesses during the pandemic. However, the package is comparatively small, of MVR1 Million per qualifying company, and this is not enough to even cover the wages and rents for the outlets with this amount. This amount was kept as a back up in case things reach to such a point and fortunately there was no need to avail it so far. Hence, it can be assumed that the loans were arranged for the applicants who met the criteria. Even though it is not enough, as the value depends on the Government's capacity also, it is still some relief to many businesses.

To prepare for the pandemic, from the discovery of the virus and the news of a possible global spread, the company's finance department initiated mitigating measures such as cutting costs and halting new investments since January 2020. This enabled to have a better cash flow and also it made it possible to retain all the staff, which is over 100, except only 2 foreigners who opted by themselves to leave. There has been only few salary revisions for some foreign staff only and wages being paid even without any work due to the circumstances.

The only thing that can be right now is to reduce costs, so out of the 5 outlets managed under the companies, 3 outlets are currently active. The 2 outlets that were closed are located in government buildings. Though the rent in these buildings are lesser than the private properties and there is a moratorium granted on the rents, it will be difficult when it is time to pay it later. Hence, it has been requested from the Government to reduce the rents on these plots. If the government takes the initiative, others are bound to follow. These rentals are different to normal households as huge investments have been made for these spaces. That makes it difficult to leave the property and leave behind the investment to move to another affordable place, where again a significant investment would be required. Hence, to manage at this point, the rents have to be controlled and everyone must work together for this.

Happy Market's main distribution center is in Male' / the Greater Male' region. With the current experience, do you believe that decentralization of your business would help better manage your business?

Based on the answer by Mr. Ali Ihusaan

The company is centralized in Male' and Hulhumale' but if anything happens in Male', it affects the whole operation including the Hulhumale outlets.

Prior to the pandemic 2 landing crafts were allocated to cater to both the Southern and Northern regions. These landing crafts have reefer containers and they can travel to the ends of Maldives in less than 2 days. This way, the supply chain within Maldives was already established, although 2 trips a month were needed to cater to the storage space limitations. Hence, to make this more sustainable, by setting up additional storage arrangements in those areas, it can be possible to fully decentralize.

Everyone has learnt a bitter lesson during the pandemic on the importance of decentralization in Maldives considering how the islands are dispersed. Even without the possibility of any pandemic, decentralization of services must be considered in a country with such geographical features, with access to storage spaces in all the regions so that operations can go on without any interruptions no matter the crisis faced and even with possible lockdowns.

It did make things easier to reach out to the customers in the Southern and Northern regions of the Maldives to have had these vessels arranged. However, it has not been possible to reach some regions in the central region and some areas of the North as well. This is due to the lack of storage facilities that prevents goods to be stored and distributed. Hence, even with vessels available to make the trips, without the proper storage and access, certain areas of Maldives could not be reached. Restriction of access, for example even in Male' due to the lockdown, prevented local supply vessels to come to Male' which led to a disruption of supply chain for about a week. By the time this was resolved by the Government and confidence built by the boat crews to do these trips, immense loss had already been incurred.

Due to the low number of operative vessels the demand for the vessels went up, and also with the increase in the risk factors, the prices of the trips increased so much where in some cases it led to the cost for import and distribution of some of the products to go up to unmanageable prices, which is a loss to the company in the long term where the consumers lose confidence in these products.

Overall, just like everyone else, the cost structure of the company has been inflated very much as there

have been several expenses that were not anticipated before. To give one case, the accommodation of over 150 staff, who worked in the various distribution centres, were managed by paying them an allowance and they will seek accommodation in different places as they deem fit. This was acceptable before, but now this is very risky and cannot be allowed as those accommodations are shared with different people from many different places and this raise their points of contact with others. This increased their risks of contracting the virus through many possible carriers which in turn will pose a huge threat to the company's operations. Therefore, to mitigate these risks, it was necessary to rent separate accommodation facilities for these staff who worked in certain sectors and manage the situation. On top of these additional expenses, it was also required to continue paying them their allowances as they needed to manage their meals and other expenses.

Additionally, the maintenance channels for the vehicles are also very down, with the garages not functioning as before. The vehicles could not be serviced as per the earlier norm and with the unavailability of certain spare parts in Male' and the limitations in importing from abroad as fast as it is needed, essential repair of vehicles were not possible compelling the company to hire some vehicles as well. So the whole cost structure inflated extremely. To counter these costs increases there is not much that can be done. It is not even considered to lay off staff as it there is a huge social cost involved and the people are also suffering along with the businesses. It can be said, even from conversations with other businessmen, everyone's strategy is to refrain from furloughing staff and resort to it as the last option. Even though everyone is looking at other areas to reduce their costs, but there will be a limit they can also manage.

People's Majlis is also working to find better solutions such as bringing changes to duty and increasing storage capacity in certain ports and regions, which can be maximized by companies like yours.

If you are able to get such incentives, such as exemption of duty and increased storage in other regions, are you (Happy Market) ready to establish even more distribution centers?

Based on the answer by Mr. Ali Ihusaan

The company believes that the long-term plan should be to operate with as much outreach to the people of Maldives everywhere, as possible. Hence, if such opportunities are made available, whether it be from the Government or the private sector, it will be embraced with open arms.

Along with this, there should also be a lucrative back end logistics such as activating international ports at both ends of Maldives that can prevent containers

having to be discharged at Male' port before it can be transported elsewhere in another region. Even right now, the duty charge is minimal on the F&B industry and thus to make it attractive there must be some more incentives in addition to duty exemption, such as integrating the logistics chain with warehouse costing, then this will be a very attractive model.

Food delivery service and food choice in general are becoming a whole new world in front of our eyes. Safety during delivery, standard and quality assurance are far more important than it has ever been before, especially now when you enter this transformation period to post lockdown and recovery.

How will you ensure assurance of safety, standard and quality in the deliveries? Are you working with HPA on this? Are there any guidelines from HPA for this?

Based on the answer by Mr. Ibrahim Amir

Mr. Amir is certain that all delivery services in Male' use disposable and hygienic items. He has immense trust in these products and services. The current practice we see in general now is that the delivery personnel will be wearing gloves when they do deliveries and at the time of collecting the items, the customer also disinfects it. The issue right now is not to do with caterers' safety standards, but rather the customers anyway have the fear and doubt regardless so they opt to take additional precautionary measures.

It was also noted that delivery system is expanding not only in Maldives but also globally. With more online services, this system will expand further.

Mr. Janah also asked Mr. Amir if RAM plan to conduct trainings and awareness programs to improve and maintain food safety and health to which Mr. Amir that the existing board has now expired and there is an upcoming election, so things can move in full swing subsequent to the election of the new board. However, even now, it is planned to give special importance to locals and conduct training programs. Furthermore, RAM is ready to do whatever is required to expand the industry.

Supply delivery has increased due to the restrictions in going out.

Though lockdown restrictions have eased now, what were your main strategies to ensure operation of business during lockdown?

Did you shut down any operation or were you able to continue despite the restrictions?

Based on the answer by Mr. Mohamed Shujau

Firstly, the main strategy was and is to cut down costs through steps like reducing wages, which is a temporary step in order to survive right now and will be reverted once things become manageable. This is done for the mere purpose of surviving and not to generate profits.

Thereafter, to explore opening of new low operational cost outlets. As there is no hope for the businesses to be able to resume as it conducted before even in the coming 6 months or even a year, opening kiosks in the near future plans. There are opportunities in available spaces that already have the setup as some

places have decided to close. There are very skilled and competent professionals who have lost their jobs during the pandemic and there are opportunities to hire some of them for the recovery phase to which Mr. Janah supported as being the President of National Federation of Maldivian Employers, and otherwise also, he has always been lobbying to create, foster and provide jobs for the locals and the youth. This has been discussed in various episodes.

There would have been many new things learnt from the crisis, starting from health and safety aspects to proper codes of business.

What is the main take away from this crisis? What lessons would you carry forward for any future crisis and what practices would you continue even post pandemic?

Based on the answer by Mr. Nuzair Ali

The biggest take away has been to reduce cost as much as possible. Not only the expenses in business but also in daily life. Even in personal lives, people have learnt to manage with less and be content with it. For example, curries that were made with plenty of spices are now made with far less and new ways are learnt to make it work.

It seemed more serious coming from a chef and a leader in the F&B industry, but Mr. Nuzair advised that this is the time to change our lifestyles and choose to eat from home and try to cook at home, instead of eating from restaurants and cafés. This is essential to reduce your living expenses which is critical now.

What you learnt during this pandemic and the whole experience must be taken forward with you and plan in ways that will keep you ready to easily adapt your lifestyles as may be needed in the future. This

pandemic is not yet over, and there can be more in the future also. So with the experience gained now, future plans must be made. It is important to bring healthy changes to your lifestyles especially to eating habits.

Mr. Janah pointed out that even during Covid, a lot of restaurants are filled with customers and there seems to be a lot of people eating from outside. He asked Mr. Nuzair whether there is a possibility of restaurants picking up numbers once the situation improves a bit better considering people have been forced to stay home and eat at home, even if home cooked or take out. Mr. Nuzair commented that he cannot comment as to it will be filled with customers but if they choose to, the businesses will benefit the most.

Are the restaurants filled with customers in our current situation?

Based on the answer by Mr. Nuzair Ali

Even during the current situation the restaurants are full. Mr. Nuzair believes that the current period of time permitted for businesses to operate must be extended to reduce the crowding at restaurants somewhat. The current timing is from 9am to 11pm. If this can be changed to start earlier than 8am, preferably 7am, before Government offices open, it can give them a bigger opening to have their breakfasts. Now, even by the time it opens, there is a big queue waiting to be served, as they would have been waiting for some time for the outlets to open.

Additionally, by extending the time allowed for the people to be outside, it can reduce crowding on the streets as people will not be forced to go out during the same time. People can comfortably do their errands and do their shopping.

We understand that the social distancing and the strict HPA regulations would have a heavy impact on your post lockdown business. What level of impact would this have on your normal operations (Retreat Outlets)?

Based on the answer by Mr. Hussain Ismail

The guidelines are easy to follow and the staff, though they had some difficulty in the first few days, easily adjusted accordingly to work with masks, gloves and face shields. The seating capacity have now been halved. Overall, in house dining is very less and the strategy is to exit in house dining and change the direction to operating take away services and kiosks. Take away services are expanding. It can be seen on the social media also that there are a lot of new people starting this, be it opening a separate takeaway business or selling home cooked meals, take away services are trending. Hence, it is expected that in house dining will soon be taken over by take away service.

Mr. Hussain also highlighted on the fact that there are many take away services that are being provided directly from households and the importance of maintaining the required standards. Unlike businesses that comply with HPA guidelines and get the necessary permits, the household businesses will not have these

and thus HPA must establish further guidelines on these and monitor properly to ensure the standards are maintained. Unregulated takeaway services can have a huge negative impact on the F&B industry.

HPA should also give clearer instructions on the seating arrangements at outlets. Right now, there is no strict regulation and the owner can decide how many seats he would like to have regardless of the space available. There must be a proper guideline and it should be mandated as to how many seats can be allowed per sqm or so and have a certain limit.

Mr. Amir added to Mr. Hussain's point on the unregulated take away free-lance businesses. HPA needs to implement special regulations for them and maintain the hygiene of all products. Right now, we can see on the showcase of most of the corner shops that they are selling household produced food and this needs to be regulated and monitored. RAM will be raising these issues with HPA.

Questions & Answers

Will food prices go up according to the increase in dollar?

This was discussed by Mr. Ihusan and Mr. Shujau that they have not increased prices for the products and Mr. Ihusan commented on the positive hope that with the arrivals of guests, a balance can be achieved on the current challenge of getting US Dollars.

Will we get US Dollars from banks?

Mr. Janah commented that there was a statement by the Governor of MMA, that US Dollar will be supplied as per the requirement of Maldives banks. This has already been written to MMA to get further information and guidance on this. We are not in a position to comment on the bank's issuance of US Dollars.

As Mr. Ihusan said, due to timing of the impact (Ramadan), goods were brought in advance and the supply chain was not much affected costs were maintained. But if this happened at another time, what will be the impact ?

Mr. Ihusaan commented that had this impacted during another period, for sure there would have been some supply chain shortage after three months into it. And that will result in immediate increase of price. We have been immensely blessed to have had a good timing, at least.

(This question was not responded during the episode and will not be included in the episode, as this was received via the FB live comments and response was shared by Mr. Ihusaan via phone.)

Concluding Remarks by the Panelists

Mr. Ali Ihusaan

"Most of the panelists here today are our valued customers, and I am very happy that I have gained your experience and insight on your businesses and this industry so we can be certain with our future expectation and also this data would be extremely important when planning out managing supplies for the future. Thank you deeply for your insights.

Further, everyone, our panelists and our viewers should keep in mind that the days ahead are still going to be very difficult, especially as the second and third order effects of this crisis are yet to happen. Especially, as savings of our fellow Maldivians have been depleting all these days and now, it has significantly reduced. I am certain we would have lost a lot. So in the future, I believe the purchasing power of locals would be even lesser than now. Moving forward, when we are aligning the food chain and in preparations of meals, we need to look at the cheapest and most affordable ways to do this. Some of our products at this moment may not be the most suitable for our current state.

We also need to stimulate our local agricultural industry. We have a lot of local farmers across our country with varieties of products, but they do not have the necessary distribution channels. If people are able to deliver locally produced groceries with intact freshness, I am certain we would all use it. We are currently exploring the possibilities to see if there can be distribution systems established for the local producers, through the existing channels or via easily implementable links. We look forward to the day we are able to provide such services to you all.

Additionally, the foreign exchange challenges we are facing in Maldives is huge. Today, by the will of God, we have seen a very positive sign with over 100 tourists arriving even on the first flight today. We are hoping that this number grows and catches up fast, and if so, difficulty in foreign exchange will also be managed with as little impact as possible."

Mr. Ibrahim Amir

"RAM election is coming very soon, so for viewers and restaurant owners and operators, please join us and let us work collectively to make this industry better and to build it back up. Membership forms are available on our Facebook for those interested. It can be emailed, and we have a Viber group as well for our association. So, let us join forces and support each other to build our industry more resilient and more systematic than before."

Mr. Mohamed Shujau

"To conclude, I would like to state this also as an advice to others, to have a backup plan and procedure to follow if any of your key staff gets compromised. Smaller businesses need to have a backup plan more than bigger outlets, who have numerous staff and chefs so that they can manage with substitutes in such a case, and can manage multiple accommodation facilities. So it is the smaller businesses that have to be more vigilant. Everyone should have a backup plan and having accommodation in at least 2 different locations is of utmost importance. This way, if a staff of one site gets positive, you can run your operations from the next accommodation facility. If you have only one facility, your operations may stop if even one of your staff gets positive. We must remember that we are in a storm and as is with a storm, many trees would get uprooted and few would be standing, so we must try to be the trees that are left standing."

When asked if HPA has a full-fledged health and safety guideline for this industry, with all the procedures and if there are any works done to filter these and raise awareness amongst staff, Mr. Shujau confirmed that they have translated the HPA guidelines to different languages and circulated within the staff though the current guidelines are very basic and does not cover all the required areas.

Mr. Hussain Ismail

"Firstly, for all my colleagues in this industry, we must work differently than we did before. A lot of modification is required. We used to operate on very high expenses before including staff expenses and rents. We must leave this trend and work with the required amount of staff and cut down our overheads as much as possible. If we want to make it through this crisis, we must plan our works in such a way.

Next, we must all follow the HPA guidelines from A to Z. When you are following this, you may get complaints from some customers and you may face difficulties but this is for the benefit of the customers, our staff and our business so we prioritize following HPA guidelines strictly. This is our way forward.

I would also like to humbly request HPA, to properly monitor and evaluate these cafes, restaurants or hotels whether they are adhering to your guidelines and take action against those who breach them. This is for the benefit, health and safety of everyone in our country."

Mr. Nuzair Ali

"Mr. Ihusan and Mr. Hussain have highlighted 2 points I wanted to mention. What I want to say now is do not be stubborn at this time. We do not have to live a lavish or elaborate lifestyle or business at this time just because it may tarnish our names otherwise. What I mean is do not hold on to the huge spaces we have rented on high prices for our outlets just for the name it gives you. We must focus on cutting down costs as much as possible.

As Mr. Ihusan mentioned, when preparing meals we must focus on the most cheapest, affordable and sustainable meals or products rather than choosing to eat expensive or scarce food. As Mr. Ihusan also mentioned that they will support us in this, this will be a huge ease for us restaurant and café operators. I believe producing cheaper food is achievable in the future.

As Mr. Hussain mentioned, adhering to HPA guidelines is something we must do. Not only the operators of these outlets, but the general public as well. The responsibility falls on both parties. We must have the mentality that we have the disease and someone may get the disease from us, so we have to be always cautious. Neglect by even one person may cause an even further community spread."

Conclusion

The leading businessmen in the Food and Beverage industry shared insight in to their operations and the main challenges faced during the pandemic.

As expected, no one was prepared for such a crisis and the whole industry has suffered a decline of about 80% with some businesses facing irrecoverable losses. The biggest challenge is the inability to reduce overheads as the rented outlets cannot be released and foreign staff cannot be repatriated. Down scaling has been opted by many who have multiple outlets.

The future of the industry is not the big restaurants and in house dining is expected to be taken over by the now trending take away system.

The timing of the pandemic has been a blessing which allowed importers to have had stock already en route when the pandemic hit full force, allowing availability of stock for the country. Due to disruptions in Male' city, supply to the other regions were affected and decentralization is important for a country like Maldives. There is an urgent need to create more storage facilities in other regions of Maldives for distributors to be able to reach out to maximum people within the atolls.

The industry stakeholders are working hard to manage the challenges such as bringing shipments from abroad and the availability of foreign currency, not to forget the additional costs incurred, to maintain the pricing without hikes for the community.

The report covers so much more and discusses the expertise of the panelists and what they believe must be done to make the industry a better one, and how to move forward in this crisis.

As with all other episodes and reports, NFME's aim with this report is also to collate the main points discussed in the full episode and present to you so that you are also part of our dialogue.

We acknowledge and thank the panelists for sparing time from their busy schedules and sharing their valuable ideas.

The full episode is available on YouTube on National Federation of Maldivian Employers' channel:
<https://www.youtube.com/watch?v=9LphQPDrsVQ&t=1s>

For any assistance, you can reach out to our secretariat on secretariat@nfme.mv

TAILORING A NEW REALITY

Employer's Dialogue



Episode 8: 15th July 2020, Wednesday

Starting time :

1130 GMT
1630 Maldives
1700 India / Sri Lanka
1930 Singapore

Topic : Readiness and Best Practices of the Maldives
Food and Beverage Industry to Cater to the
Evolving Demands in the New Normal



Facilitated by :

Mohamed Ali Janah

President
National Federation of
Maldivian Employers (NFME)
Industry Expert / Entrepreneur

LIVE ON



Link

www.facebook.com/MVEmployers

Registration Link:

<https://tinyurl.com/yaltszqs>



SPEAKERS



Mr. Ali Ihusaan

Chief Executive Officer
Happy Market



Mr. Hussain Ismail

Managing Director
Just for Maakin Pvt Ltd
Owner
Retreat Outlets



Mr. Ahmed Shamin

Owner
Le Souq



Mr. Ibrahim Amir

Managing Director
Salsa Investments Pvt Ltd



Mr. Mohamed Shujau

Director F&B
Buruzu Catering



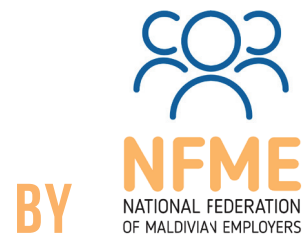
Mr. Nuzair Ali

Owner
Bills 90 and Sorso

Mr. Ahmed Shamin could not attend the session due to a personal emergency.

TAILORING A NEW REALITY

Employer's Dialogue



Report on Episode 9

“The Maldives Insurance Industry and Innovative Insurance Products for the New Business Environment”

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Executive Summary

Maldives insurance also suffered due to the pandemic but compared to the global insurance industries, the impact is less severe. The Maldivian insurance industry is worth about US Dollars 60 Million, as per 2019 published statistics and last year's year on year growth rate was 6%, comparatively lower than the three years average of 11%.

The products offered in the insurance industry can be classified in to 6 classes in general which are fire, health, miscellaneous, hull, motor and marine. On average 64% of Gross Written Premium, GWP, is paid out as reinsurance and the insurance penetration is as low as 1.1%.

This is the first time it has been encountered in the Maldives and the crisis has raised a major issue to the whole insurance industry, whether pandemics can be covered or not, in the current policies. There have been few claims, however, as these were indirect coverage of pandemic related losses through extension of the main policy, the full scale of the losses cannot be covered. The proposed solution is to have a natural disaster pool or a regional pool, to be ready for such incidents. A similar concept to the Terrorism pool which was followed by Sri Lanka during their Civil war can be applied.

Even though the impact is less comparatively, business has still gone down with only top line effects visible right now. The real magnitude of losses can be seen towards the end of the year at the earliest. MMA is closely monitoring the situation but enforcing any strict additional regulations to assist with smooth operations during this time and working on different solvency mechanisms. The main tool to regulate insurance companies is the moral switch where there is more dialogue between the companies and the regulators and lesser restrictions imposed by MMA, with trust on the companies to be responsible stakeholders and do the right thing and carry out best practices.

Even if MMA has opted for a lenient approach, the introduction of 3% Withholding Tax on insurance premiums has been a challenge to the insurer and something that cannot be managed.

It is very crucial for companies to proper risk management, strong regulations with great leadership especially at top management, to ensure smooth operations during hardships. There is a Corporate Governance Regulations being rolled out shortly that will also apply to insurance companies and thus help them operate better.

Ceylinco confirmed that they have received few claims which are in the early stages of assessment, but this will also not have full coverage as a specific cover for pandemics. However, they have partnered with Munich Re to tailor make an insurance product for the Maldives resort and hospitality industry, to cater to pandemics and epidemics, as may be required by clients.

All companies have transformed to remote working, paving way to a more digitized and automated system. The companies were already transforming to an online platform as much as possible, with possibilities of purchasing insurances and making payments online. There were also mobile applications for several insurance companies that enabled people to have access through their mobile phones which was very convenient during the pandemic.

Solarelle Insurance company also resorted to working from home with over 90% of staff working from home, with several measures taken to mitigate cyber security risks such as hacking and fraudulent claims, through usage of secure platforms, devices and secure VPNs. However, travel restrictions and practice of social distancing hindered certain services such as investigations that needed physical assessments. For these things, virtual alternatives are sought such as video calls and virtual assessments.

There is no roadmap on how to go about in such a situation but there have been communication amongst the industry companies, but not the regulator yet, to exchange ideas and best practices on how to go forward in this situation.

The pandemic has awakened the clients and people are now seeking a more holistic healthcare insurance policy and better financial protection with reduced administrative burdens.

Amana Takaful discussed about the potential for inbound travel insurance packages for the tourists which can be very useful now with the tourism restarting under careful measures. There are also additional opportunities to work on business interruption loss covers.

The industry is a lucrative industry for a lot of opportunities for the youth and especially the locals. Insurance companies require professionals under various categories such as qualified accountants, forensic experts, marine engineers, surveyors, fund managers and investment consultants. These are areas our youth can consider venturing.

We can be hopeful that some international insurance companies can set their offices in Maldives and operate as Maldives as a regional hub, similar to Dubai's DIFC zone.

Dhivehi Insurance was licensed to operate in 2016 and currently there are plenty of insurance companies to cater to the Maldives. Even with their establishment, demand forced prices of premiums to drop and from a business perspective, there is no additional room for more players in the market. However, specialized and new innovative products can be beneficial. Considering the existing companies, there is no differentiation between local and foreign companies. As long as the companies operate full-fledged in Maldives, retaining funds here, developing expertise and staff in Maldives and continuing to serve Maldives, then they are beneficial to the industry. However, operation of foreign companies as agencies with their offices based abroad, can be detrimental to the industry.

Currently only locals can be agents in the Maldives and we have around 40-50 insurance agents and about 10 insurance brokers in the Maldives. All of these are regulated under MMA. There is a lot of competition in the industry, but healthy competition and all the companies work together for the development of the industry. The companies are very flexible and have granted several leeway and discounts to policy

holders including extension of premium payment grace periods. Companies are working together with the clients to help them also navigate out of the situation.

This is a good time for the industry to invest further on IT and technology. The pandemic has also taught the importance of transforming to a digital platform and the importance of raising awareness amongst the clients on the importance of insurance and understanding the product. Clients need to be aware of the importance of getting the right cover and adequate cover to avoid losses in the future. The responsibility lies within the insurance companies to educating the clients on these critical matters.

Businesses will definitely go down and keep on reducing. Number of new policies are expected to drop as well as the values in premiums. We do not know how long this will be and no one knows when the pandemic will be over. There can be no finality assumed even and thus the only way will be to be careful and move forward without looking back.

Introduction

National Federation of Maldivian Employers, NFME, launched a Webinar Series “Tailoring a New Reality – Employer’s Dialogue” with the purpose of uniting our different industries together and establish a dialogue with the industry experts on how to navigate in the new realities that are unfolding.

The first episode was aired on 3 June 2020, Wednesday and episodes focused on a different sector weekly are planned to air every Wednesday at 16:30hrs Maldives time.

The ninth episode was aired on 22 July 2020, Wednesday on Insurance with the topic “The Maldives Insurance Industry and Innovative Insurance Products for the New Business Environment”

Panelists for the Episode:

Mr. Hassan Fiyaz
Mr. Ahmed Ameen
Mr. Abdul Wahid Thowfeeq
Mr. Deeptha Dias
Mr. Santhosh Subramaniam
Mr. Hareez Sulaiman

Facilitated by:

Mr. Mohamed Ali Janah





Mr. Hassan Fiyaz

Mr. Fiyaz is a Post Graduate in Insurance Law. He has been an insurance supervisor for the past 10 years and currently heads the insurance supervision department in MMA.



Mr. Ahmed Ameen

Mr. Ameen has a Masters of Science in Insurance and Risk Management – Cass Business School, City University, UK.

His professional qualification includes Associate of Chartered Insurance Institute (ACII), UK Associate of Malaysian Insurance Institute (AMII), Malaysia Chartered Insurer and Chartered Insurance Institute. Mr. Ameen was the face of Allied Insurance Maldives with his service to Allied starting in 1997 as an underwriting officer, moving up the ranks to become the Managing Director of Allied Insurance in 2013 until he resigned in January 2019.

He then worked as an Independent Insurance Consultant until he took up the role as the Managing Director of Dhivehi Insurance in February 2020, where he is currently serving.



Mr. Abdul Wahid Thowfeeq

Mr. Wahid is an entrepreneur and the co-owner of Ensis Group of Companies.

He is a Chartered Insurer by profession and has had a long career of 20 years at Allied Insurance and also lead the company for 6 years.

He is currently the Co-founder and Chairman of Dhivehi Insurance Company.



Mr. Deeptha Dias

Mr. Deeptha Dias is widely acknowledged as a leading figure, with over 20 years of experience, in the expanding insurance industry.

Mr. Dias started his career in one of the leading insurance companies of Sri Lanka, joining the Miscellaneous Insurance Department of Ceylinco Insurance Company in 1993.

Mr. Dias was seconded to Male' to lead the Ceylinco Insurance Maldives operations as Branch Manager in 2005. Thereafter, he served as Senior Manager in 2007 in Sri Lanka Office. Mr. Dias was the Chief Manager for Ceylinco Insurance in Maldives from 2009-2015.

Currently, Mr. Dias is the Chief Operating Officer of Solarelle Insurance in Maldives.



Mr. Santhosh Subramaniam

Mr. Santhosh is an ACIC (Associate Member of Ceylinco Insurance College, Sri Lanka) and holds an MBA in Finance from the University of Bedfordshire, UK.

He has been in the Insurance Industry for over 5 years with Ceylinco Insurance Group starting out as the Head of Central Operations and took the helm of the Maldives office in 2019.

Mr. Santhosh has 10 years of leadership experience and prior to venturing to the Insurance industry in 2015, he was working with the Top 4 retail & FMCG brands in UK.

Currently, he is the CEO of Ceylinco Insurance Company in Maldives.



Mr. Hareez Sulaiman

Mr. Hareez joined Amana Takaful PLC in 2002 and when they expanded in 2005 as a registered entity, Mr. Hareez was assigned to spearhead the Maldivian operation.

Both academically and professionally, Hareez pursued his higher studies in the field of finance. He holds an Honours Degree in Accountancy from the International Islamic University of Malaysia and is an Associate of the Chartered Institute of Management Accountants in UK. He has further enhanced his knowledge in Islamic Finance by completing the study programmes offered by CIMA, UK.

With 18 years of 'Takaful' experience to his credit, he now heads Amana Takaful (Maldives) PLC as its Chief Executive Officer cum Managing Director.

Discussions

COVID-19 crisis continues to have a significant impact on individuals, society, and businesses, and the wider economy across the globe. The insurance industry has also not escaped its impact, but research shows that insurers have responded quickly to the crisis. As the broader economy starts to recover slowly and responds to the pandemic, insurers will face a number of challenges but also see many new opportunities in the medium to long term.

What are the challenges and the opportunities for the insurance industry in the context of the Maldivian insurance industry and the opportunities in this industry for the youth of this country?

Based on the answer by Mr. Ahmed Ameen

The Maldivian insurance industry also suffered because of the pandemic, but compared to the global insurance industries, the Maldivian industry was impacted less, mainly due to our industry being almost solely dependent on the tourism industry, and resorts play a major role in the insurance companies' books. In all these years of providing insurance coverage, pandemics have not been part of any insurance coverage at all.

There are few incidents where the pandemic or infectious diseases are covered. However, considering the extent of this coverage, we are affected as bad as some of the insurance companies in Europe. It can be said that the Maldivian industry has suffered least when compared to our colleagues, but this does not stop us from exploring new opportunities in the market.

This situation has raised a major question to the whole industry whether pandemic can be covered or not. In a recent article regarding the London insurance market, the CEO of Hannover Re was asked the same and how any future pandemics can be covered. The proposed solution was that there should be a compulsory cover just like the natural disaster pool or a national scheme where similar incidents and risks can be covered.

In Maldives, this has been advocated for some time now, where a natural disaster pool or a regional pool to be ready for any incidents like the Tsunami. Similarly, any pandemic should also be a globally or regionally pooled risk to mitigate any losses due to these incidents. Currently, we can say that there is not a single company in the world, who can finance or insure pandemics unless it is made compulsory and the industry collaborates together and work on building the funds for it.

Going forward, national and regional pools will be established, covering pandemics and similar infectious diseases. However, a considerable amount of funds would need to be built for this.

The Sri Lankans had a terrorism pool during the civil war, which was a very successful one. During the long civil war in Sri Lanka, terrorism coverage was compulsory and it was covered through the pool. Such a platform must be explored for the Maldives, to set up a pool to cover for pandemics, infectious diseases and natural disasters.

We can be hopeful that the regulators will take all this into consideration as we will need to be prepared for any other pandemic or natural disaster which may happen in the future and if we are not prepared, then the consequences will be graver than this time. Hereon, it is a given that clients will seek for pandemic coverage and if the Maldivian industry does not have this available for the clients, they will seek other avenues sooner or later. There will come insurers who will take the opportunity and offer pandemic covers, over taking the existing insurers.

Therefore, if this is not considered and it is not pooled or invested properly, then any future calamities will have a negative effect on all our books.

The far-reaching impact of Covid-19 calls for sustained vigilance by both supervisors and insurers.

What are the steps, if any, taken by the Maldives Monetary Authority for the extra vigilance under the current scenario and could you explain as the regulator your interventions in terms of helping ease the functioning of the industry in the post-pandemic phase?

Are there any measures currently warranted which could be unwound through a carefully crafted exit strategy that preserves sound risk management practices and protects policyholders' interests, so that it helps both the policy holders in terms of obtaining cheaper premiums, while the insurance companies would find it easier to mitigate their losses under the pandemic phase?

Based on the answer by Mr. Hassan Fiyaz

The impact of Covid in our insurance industry is limited and different from other countries, yet with some similarities. Although the impact is lesser, the overall business is down throughout the industry and all the companies, with the effect visible mainly on the top line.

There is no increase in claims due to Covid or widespread cancellations, but there are a few and small claims especially on business interruptions. In insurance, it takes time for the effect of the top line to translate to the bottom line. Even though businesses are down now, even from the past few months, the actual impact of that downturn will come gradually throughout the year, because in insurance your bottom line gets affected from retained earned premium. Hence, there is some time for the real impact from Covid to affect the insurance industry. MMA is closely monitoring the situation and helping companies to implement their business continuity plans in this situation. All sorts of assistances are being provided by MMA, whilst managing their own daily challenges in operations, for companies to function in order to overcome difficulties, especially during the lockdown.

The most important thing for a company is to have better risk management, better regulations, better top management, and a better leadership, so that it can ensure the company operates smoothly when faced with hardships also. A corporate governance code is being rolled out shortly that will also apply to the insurance industry. These will help insurance companies operate better even if we are working on different solvency mechanisms. It will allow for monitoring more closely as a regulator.

The main tool that is used to regulate insurance companies is the moral switch. Things are not imposed

on the insurance companies, but rather dialogues are initiated with the purpose of understanding the situation. Especially at a difficult time like this, more regulatory hindrances are avoided as much as possible. Some measures that are taken in other jurisdictions such as capital preservation measures and many things targeted for Covid are not taken in Maldives. These difficult regulations were not imposed in Maldives mainly because the impact was not that high. It was actually lesser in some categories due to movement restrictions during lockdown. There have been no health claims related to Covid, as the Government takes care of the healthcare unlike other countries. Therefore, there were no health insurance claims that were related to the pandemic. Others such as motor claims and hull insurance claims also reduced. There were only few vessel insurance claims, that were not related to the pandemic but due to adverse extreme weather.

Hence, the Maldivian industry has not seen much impact yet and the real weight of this is yet to be felt. There is some improvement in the industry, which can be seen from the second quarter returns. Most of the companies, of which data has been received as of now, shows improvements in premium and the bottom line.

As stated, MMA, as regulator, is refraining from imposing strict regulations and measures at the moment, to help the industry during this time, which is being regularly monitored. Should there be a need for a drastic measure, it will be done at the correct time. Currently, the regulator has confidence in the insurance companies in Maldives, who are managing the situation very carefully.



COVID-19 pandemic has severely impacted multiple industries such as travel and transportation, retail and hospitality, and others, both locally and worldwide. Although the impact on the insurance sector is less severe, it is expected to still be significant and highly disruptive, ranging from employee and business continuity issues to client service considerations to operating profit. The immediate concern for insurers is the protection of employees, its distribution partners health and safety along with business continuity.

As Chairman of a wholly locally owned Maldivian insurance company, how have you managed your business, both on the health and safety of your own employees as well as managing your business with your clients while taking the necessary precautions under the HPA health and safety guidelines?

Based on the answer by Mr. Abdul Wahid Thowfeeq

In times of crises, these discussions are critical and very helpful in strategizing the way forward.

The health and well-being of the company's employees have been the top priority and steps were taken from day one to ensure these were not compromised. As like many other companies, Dhivehi Insurance also opted to work from home, which has proven to be very effective and taught everyone that this kind of working system is manageable and efficient too. Therefore, even in the future, different ways of combining the traditional working environment with new technology based work environment will be explored, by promoting further digitization, outsourcing certain services that are possible and having a segment of staff working remotely from home. This was mainly how the staff risks were mitigated without interrupting the services to the clients. There is also regular contact with all the customers for new businesses and renewals.

Understandably, business transactions have reduced during this pandemic due to decline in business activities. Lockdown led to closure of many businesses resulting in lesser business for the insurance companies as well. However, this industry does not face sustainability challenges similar to other industries

such as tourism, construction and others as there has not been full stoppage of businesses for insurers.

The full impact of Covid on the insurance industry will show towards the end of this year and in 2021 as the new businesses will reduce in terms of both the number and value of the transactions due to the economic recession that is yet to follow. Additionally, clients will have less liquidity and their ability to pay premiums upfront will drop for which flexible solutions will need to be provided. Therefore, a new reality of doing business and working closely with customers will need to be followed. The market size will not expand and thus the existing companies will have to work with a reduced market this year, which will be the biggest impact. The crisis has taught the importance of coverage of any risk businesses can face.

As Mr. Ameel mentioned, there are some requests for pandemic cover nowadays. Businesses are also identifying other critical risks and there are new types of insurances that are expected in the future. There are current communication regarding construction projects that have been delayed due to the pandemic also.

Recently Lloyds revealed that it will pay out in the range of \$3 Billion to \$4.3 Billion to its global customers as a result of the far-reaching impacts of COVID-19. This is on a par with 9/11 in 2001, and with many other global incidents, all of which led to similar pay outs by the Lloyds market. These losses could rise further if the current losses continue into another quarter (BBC, 2020).

Lloyds believe that once the scale and complexity of the social and economic impact of COVID-19 is fully understood, the overall cost to the global insurance non-life industry is likely to be far in excess of those historical events.

Have Ceylinco Insurance paid out any covid-19 related compensation for any businesses in the Maldives or in the region?

Based on the answer by Mr. Santhosh Subramaniam

There are few claims for some of the company's largest corporate resort clients, which are being worked out, however, any claims have not been paid out yet. Right now, there are works going on with the international re-insurers by their internationally appointed loss registers. Even though the claims are not that many, the nature of the claims are very new to the insurance industry of the Maldives. Hence, right now, the claims are being analysed and are in the very early reviewal stages. Once the loss registers finalise their investigations, it will progress, and the clients will be compensated, based on the terms and conditions of the policy.

Mr. Janah proceeded to ask whether the claims in review are pandemic related, and if so, how was it covered in the policy. Mr. Santhosh explained that pandemic related losses are covered as an indirect extension of the resort operations policies, which will cover common business losses, however, it will

not cover the full coverage of the pandemic related losses. Hence, BI losses (business interruption losses) from the date the operations closed down to until it can resume, will not be covered. The policy will cover some extent as an extension of their existing policy but not like an exclusive pandemic cover, and so there will be limitations on the compensation.

To allow for clients to have to have access to a specific pandemic cover, like terrorism or liability policies, Ceylinco has partnered with one of the largest reinsurance groups in the world who have designed a specific tailor made insurance policy, specifically for the tourism and hospitality industry for the time being, to cover business losses against future pandemics and epidemics. The product is in its initial development stages and similar products from other insurance and reinsurance companies will also be created in the future.

Insurance is a highly complex business involving multiple processes to administer existing policies, price new business, sell new business, renew policies, address customer inquiries, and process claims. Adding to this complexity is the highly intricate interplay between insurers themselves and their external networks (e.g., brokers and agents).

The COVID-19 situation poses a wide-ranging series of challenges for insurers to maintain their operations as normal ways of working become severely disrupted.

So, how are insurers faring, both locally and in the region, and what critical flashpoints and longer-term changes to operations may we see in the future as a result?

Based on the answer by Mr. Deeptha Dias

The immediate concerns were to protect the health and safety of all staff and before lockdown was implemented, systems were set in place to work remotely from home. More than about 90% of the staff are working from home now. Based on the situations in other countries and considering how infectious the virus was reported to be, there were protocols implemented such as the cross-function emergency decision making teams, like a Covid task force. With this, new safety protocols were set up to assure quicker actions in coordinating company responses and a comprehensive communication system was established. Staff are also working on shift basis so that whenever they have to come to work, there is lesser interaction between them.

Insurance industry requires a personal touch and close

collaboration with the clients. The relationships built traditionally have been based on plenty of face to face meetings and mutual trust. This has been a challenge with the pandemic to maintain this as before due to the social distancing.

We can say that the future arrived before time and we have to prepare for it. Insurers have always been known for their ability to adjust so there should not be much problem for the colleagues in the industry to change with the situation. From around early 2000, digitalization has been part of the insurance industry with almost all insurance companies transforming their services and now having online platforms for their services including payment of premiums and buying policies online.

With the implementation of the new procedures, employees were able to contact clients and ensure business continuity plans have been discussed. New cyber security protocols were also set up allowing safe exchange of confidential information amongst the staff and connecting with others outside of work. IT support team are on standby and all required steps are taken to ensure cyber safety through provision of portable devices, secure VPNs and other secure accesses. There are considerations that remote working can encourage hacking and fraudulent claims for which everyone is mindful and extra careful.

It has been a bit easier than anticipated with preplanning. However, no one was able to anticipate the quantum of the effects of the pandemic and it has been bigger than expected.

This is one of the main problems the insurers are facing as the loss or the liability depends on the quantum of the crisis. Moreover, whether these are covered in the policies or not is another major issue. Additionally, the travel restrictions are limiting the assessment of the claims as the claim investigations cannot be done properly. Remote investigation and assessment methods have been planned, however, there are certain areas where physical assessments are required, such as hull claims or larger fire claims that require forensic investigations. (This was discussed in Episode 4, where audit office discussed how they are remotely doing assessments as well, but they also have certain segments where physical checks are needed.) Regardless, best effort is put to adapt the systems to working remotely as much as possible.

When you look at the insurance market, difficulties are foreseen with drops in business premiums. Some

companies are increasing their insurance premiums whereas others are closing down or merging with other insurance or reinsurance companies to survive. The difficulties are not with insurance claims but rather due to the drop in premiums.

Covid has ignited debates on the coverage of the claims. The coverages provided are normally limited covers and coverages are usually provided as an extension to the main policies and the assessment has to be carefully done based on the policy wordings, as this has not been encountered before by anyone in Maldives. It is currently being discussed amongst reinsurers globally as they have to amend certain policy coverages and legislations.

The local insurance market, and companies are trying to establish best practices by keeping the best interest of the customers in mind. There is no real roadmap to scale on how to handle this situation. It is clear that there is no going back so everyone has to face the new normal and accept the reality with these different operation models, plans and different employee expectations.

Mr. Janah asked whether there has been any initiative with the industry stakeholders to discuss a roadmap in this situation on how to conduct business together. Mr. Deeptha confirmed that few meetings have taken place in the industry, but none with the regulator yet. There has been exchange of ideas on how to move ahead in this progressing situation as reinsurers are bound to increase their premiums and change their policies to some extent.

Maldives Insurance Industry has been showing steady growth throughout, notwithstanding the trying market conditions. Potentially the Industry will have wider scope to offer suitable products to the market.

Particularly in this post Covid-19 era what opportunities do you see where the insurance companies capitalize on?

Based on the answer by Mr. Hareez Sulaiman

Although the Maldives insurance industry is sailing towards its Golden Jubilee within the next five years, it is still relatively in a nascent stage. The present size of the industry, size is referred here as Gross Written Premium (GWP), as per 2019's published statistics, is about US Dollars 60Million, which is equivalent to about Maldivian Rufiyaa 929Million. The industry has recorded an average year-on-year growth of 11%. In 2017 and 2018, the industry recorded 14% and in 2019, it declined to 6%, further decline is expected with the current situation.

The overall gross premium in the industry can be apportioned to six main classes. Highest contribution is attributed to fire class with 32% of the industry premium mainly derived from resorts, guest houses, commercial properties and so on, followed by 25% from health class. Miscellaneous is holding 23% of the GWP which includes all the engineering related

classes, contractors all risk covers, travel insurance, personal accident, etc. Hull is in the fourth place with 13%. Motor and marine classes each are taking 3%. This is the way that industry in Maldives is spread through the mix of classes.

64% of the total GWP is paid out as reinsurance, and the insurance penetration is as low as 1.1%. Last few years it has not surpassed this 1.1% and remained between 0.9 to 1%. The average profitability of the industry is 13.3% of the average GWP of the industry.

The Covid-19 era has brought in severe imbalances to the world trade and this has impacted the local industry to a greater degree and at a faster pace than the other generally predicted trends. Companies continue to thrive through this difficult time focusing on strong infrastructure and flexible working force. The pandemic effect will have severe implications

on few business clients. One such area is health insurance. As time moves on, employees are expected to demand a more holistic health care and greater financial protection. Simultaneously, employers will focus more on how administrative burdens can be reduced and be more open to trying innovative products from service providers. There will be additional focus on serving the employees more effectively and affordably, considering possible future threats of sudden employment disruption.

We have entered into a norm where the virtual access to primary healthcare is available at the moment. The service providers have already implemented online consultations without physical presence of the patients. Facilities have been introduced to conduct relevant tests to confirm pandemic disease such as Covid-19 and this shall be very widely available amongst all levels in the health care industry. Eventually, the preventive care for the pandemic will become common, including vaccinations. Although some of these may be general exclusions under medical insurance policy, there could be a demand for comprehensive medical covers. Therefore, insurance companies have a good potential to craft niche health insurance packages for individuals and corporates

What Mr. Ameer mentioned regarding the pool option is quite interesting and is being discussed from the industry side. This could be related to the inbound travel insurance packages. This is a needed

cover, especially in a country like Maldives which is heavily depended on tourism, where there are several measures taken to revive the industry under the new normal era. Although each arriving tourist will have a travel insurance cover which is considered as an outbound travel insurance cover for them, it will be prudent for the Maldives insurance companies to offer inbound travel insurance covers, which will give comfort and reduce the burden of the government and health authorities to a greater extent. The contribution from these covers can be collected to set up the pool to address future pandemics and such risks.

As there will be additional expenses incurred by the resorts or guesthouses with certain measures taken due to the pandemic, and these new health and travel insurance covers can offer benefits to a larger extent. These products will give some peace of mind to the tour-operators as well.

These are the primary opportunities the insurance industry could immediately capitalize on. There will be certain additional opportunities to work on the Business Interruption covers, and as we are in the very early stages, in time there will be more niche products offered in the market in the future.

Does the Maldivian insurance industry offer good employment and entrepreneurial opportunities for Maldivian youth aspiring to seek new avenues to build their professional and for startup businesses?

Based on the answer by Mr. Ahmed Ameer

Mr. Ameer believes that our industry allows new talents to come up and that this is one industry where Maldivian youth can capitalize on. This is one of the few industries where you can work in, anywhere in the world, with the proper education and experience. The fact that there are young foreigners on the panel of this discussions also shows the availability of opportunities in this industry. They have good experience from their native countries and are now managing here in Maldives very successfully.

Maldivian youth can study the industry and see, they can build their future in this industry. This industry has already grown and expanded a lot and we have plenty of opportunities because Maldives is a service based country. We can be another Bermuda, Macau or Monte Carlo. Monte Carlo and Bermuda provide offshore insurances and with proper regulations and legislations, our industry can become one too. It can grow globally as we are located amongst Singapore and Dubai, who are the regional hubs for insurance. Because of our strategic location and our flexibility, we can develop the industry and market this industry to our youth. More need to be done definitely, but after about 10-15 years, there will be more insurance professionals.

The industry needs a lot of skilled professionals such as qualified accountants, professional qualified forensics experts, marine engineers, surveyors and so on. A wide range of professionals can be attached to this industry and if it expands to life insurance, then further skills such as good fund management, fund managers and investment consultants are required. These are some areas which our local youth can explore to venture in to the insurance industry.

We have a lot of regional countries and we are located in a very strategic location. However, Maldives does not have big insurance companies based here.

Are there opportunities to partner with international big players? If given the opportunity to get based in Maldives and then serve the region, will that be a possible future of the industry?

Based on the answer by Mr. Ahmed Ameen

There is no reason why it cannot be this way. With proper strategic planning, it could even be economical for them to come and set up here in Maldives and sell insurance in the region. There are various North Indian companies based in and operating from Mauritius, as well as Seychelles, and serving to this region. New India has an operation in Mauritius where they provide services to East African and Indian subcontinents.

Such opportunities are possible in Maldives also. However, there should be proper legal framework and regulations. We can have another trade free

zone like the DIFC in Dubai, which is a great success story. These financial institutions have their own set of rules and regulations where judges supervise these regulations. It is a different legal system. The pace of growth is evident from the changes we see now compared to about 10 years back. We can be like that and understand that companies like Munich Re and Swiss Re will not open their offices in Maldives, so we have to focus on the international market who will.

Do the local and foreign insurance companies in the Maldives have an equal playing field?

If yes, please elaborate the benefits of having foreign players in the local industry. If not, what are the disadvantages, or the challenges faced by the local insurance industry while competing with the international firms?

Based on the answer by Mr. Abdul Wahid Thowfeeq

The question is not about local or foreign, but rather about supporting the market and being responsible to the market. If the companies set up in Maldives keeping their funds here, keeping their expertise and servicing the market for the long term with a sense of responsibility towards the market, it is the most beneficial for the Maldivian insurance industry, be it a local or foreign company.

When the times are good, companies can stay and reap the benefits but it is during tough situations like this crisis that we see their responsibility towards the industry. In 2004, during the Tsunami crisis, one of the foreign players who were doing business in Maldives, closed their office in Maldives completely due to the incurred losses, but those are the times these companies actually need to stay and support the market for the long term.

If the companies in the market are keen to develop the market for the long term, should develop their employees and retain funds here. Some of the premium funds collection can be invested locally for the growth of other companies through financial instruments and this will result in benefits to the economy. In this sense, both foreign and local companies can benefit the market. However, what is not desired is operation of foreign companies as agencies instead of full-fledged insurance companies, where the main decision are taken from the main offshore companies, and the clients cannot have a direct relationship established with the companies. This is detrimental to the development of the market as they are not developing the expertise here and also reducing the quality of the service given to the

market.

This is applicable not only to the insurance industry, but also to the whole finance sector including the banks and other financial service providers. There are some foreign investments where the companies operate partially here unlike the Maldivian companies who are operating. Indigenous companies are the best product from Maldives as this is their home ground where they can support the market for the long term. If foreign companies are also doing the same, with long term plans and with fully functioning set ups here, it is then very good. The foreign companies have a credit point where they have experience by operating in other markets and clients, where they will have exposure to other products, that can be introduced in the Maldives market. This is a good advantage on having foreign players in the industry.

To answer Mr. Janah's question whether we have space for additional players, Mr. Abdul Wahid commented that based on the experience where in 2016, licenses to operate for 2 additional insurance companies were granted (Dhivehi Insurance and Solarelle), which led to the industry to grow by more than half and eventually leading to drops in the premium rates in the market due to the competition, there is no space for additional players from a business perspective. However, additions of specialized new products and value additions that can complement that market are very welcome as it can only better the industry.

Some countries have issued mandatory requirements for insurers to extend grace periods due to COVID-19, while other countries have urged that insurers voluntarily extend grace periods.

Is this something that the regulatory authority of Maldives would do to help the policy holders in the country, where insurance companies will be asked to provide their policyholders with at least a 60-90 day grace period to pay insurance premiums?

In order to help policy holders, will MMA as the regulatory authority intervene or speak collectively with all insurance companies to give some relief on the reduction of insurance premium amounts for an agreed period of time, as this would help several businesses under the current circumstances?

Based on the answer by Mr. Hassan Fiyaz

As Mr. Wahid also mentioned, our local insurance industry is very competitive, where everybody is competing with each other fiercely. This competition is healthy and is beneficial for the industry and the economy.

It is time for the insurers to be fairer than they already are, to the policy holders and help them in ways they can such as granting them extension on grace periods. There already are flexibilities provided of about 60-90 days grace period on premiums of general insurance and is more on life insurance premiums. We have only one life insurance provider in Maldives. We are seeing

very generous leeway and discounts being provided by the insurance companies, to help companies get over this situation.

As a regulator, MMA does not believe in micromanage the industry and get them to do these things, but rather expects the companies to provide their best solutions to the policy holders and the industry. It is more about self-regulation, and though MMA does monitor it very closely, they are not going to intervene unless there is any reason to get involved, which there is not at the moment.

Learning from the current covid-19 pandemic, what are the different tools you can offer to clients and how can insurance companies help businesses with new insurance products to mitigate losses that companies have to encounter in such a dire situation?

Based on the answer by Mr. Santhosh Subramaniam

In light of the situation, clients are more mindful about the type of coverage they choose and compare it to the contemporary fire and liability insurances, and there has been an increase in queries compared to before, on clarifying more details about the policies they purchase such as what is covered, the terms and conditions and the scope of coverage.

As said earlier, the crisis has opened up new avenues for insurance companies and reinsurance companies to come up with new products.

Ceylinco Group has partnered with Munich Reinsurance Group and have introduced a new pandemic insurance cover into the market. The product covers possible losses relating to business interruption due to any pandemics or epidemics, understandably excluding Covid19, and has already been rolled out into the market 2-3 months ago. Currently there are some discussions happening with few resort operators, developers and owners, both

local and foreign. The opportunity has allowed the product to be marketed not only in Maldives, but also Sri Lanka where the company also operates.

Going forward, new products, not only related to pandemics or economics, but on a wider range of situations which can cause business losses, will be introduced by the insurance and reinsurance companies. One such product is the epidemic risk solution. Some insurance companies are trying to expand existing terrorism policies and explore areas that can affect businesses and come up with innovative and new products. Also, the insurance industry will expand its portfolio industry, which is mainly resorts and hospitality, to covering construction, shipping and so on.

Insurance companies have become more advanced in digital underwriting, claims, and administrative processes and are in a much stronger position than others, although the processing time are slower now than in normal conditions. Those who do not have these capabilities or who rely on cruder technology workflows are likely to be struggling more. There is a risk of losing customers to more digitally-enabled competitors moving forward, particularly in personal lines where many customers' patience with non-digitized processes these days is low.

What are the steps taken by your company to further digitize your business and what would you do differently post covid-19?

Based on the answer by Mr. Deeptha Dias

As stated in the earlier response, most of the companies are already digitized and have various types of policies that can be bought online. You have automated health claims and you can also print out third party motor insurances.

The crisis has allowed an opportunity for the insurance industry to transform to digital solutions. It is evident that technology is an area for companies to invest in to ensure smoother operations as this is the new reality now and there is now no going back from this.

Claims is the most challenging area even in digitization. There are discussions with some international loss registers, as well as the locals, to convert to providing digital claim services. Using options such as photos and video call inspections, that will avoid visits and ensure safe distancing is maintained can promote this without compromising the safety of the staff and community. There are considerations to expand to digital services using new drone services, e-servers and other tools.

Because of the numerous changes in the insurance industry due to the global pandemic, many executives feel pressure to postpone strategic investments, even on transformation programmes that warrant large-scale IT and infrastructure upgrades.

Are the Maldivian insurance companies far behind our regional players in the digital transformation and does the insurance industry in the Maldives require a strategic shift to technology post Covid-19?

Based on the answer by Mr. Hareez Sulaiman

For a long time, the industry has not taken advantage of the opportunities through digitalization, ironically, the massive transformation we have witnessed in the recent years are commendable. Maldives insurance industry is moving from the traditional approach towards adapting innovative methodologies. This is quite evident in almost all the classes of insurance.

How the insurance industry heed to technological demand and its adaptability to respond to changing business environment have shifted the industry from the traditional brick and mortar to the technological age. The importance of investing on digitalization helped us during this crucial period. Many customers experienced dramatic life changing experiences in the past few months, be it loss of employment, financial stability, physical health, emotional well-being or sometimes all of these. The key to a strong customer relationship is the company's ability to effectively engage with the clients remotely to assure them that there will be uninterrupted services with limited restrictions. This can include offering multiple communication channels, flexible payment options and so on.

Maldives is far ahead in technology when compared to the other regional countries and is considered as a tech savvy nation. In today's social distancing requirements, the investment made by the insurance companies on mobile phone applications have proved very useful

and successful. It has played a vital role for the companies to operate efficiently during this period. Including additional relevant features that shall have mobile friendly websites, customer account portals and facilitating swift mobile payments are essential. We see that the importance of technology is being realized more now, with the right investments are being made in the past.

Additionally, a lot of services have now been automated. With limited access to equipment and facilities, automation has become much more than convenience during the pandemic. Then we have virtual reality that enables companies to conduct virtual site inspections, meetings and, even trainings from safe distance. All the companies have been adapting to the new trends.. Therefore, innovation and adaptability remain at the heart of the business for insurance companies.

In addition to the insurance companies, there are also brokers and agents in our industry. What are their roles in the Maldivian insurance industry? Are they regulated and are their performance satisfactory?

Based on the answer by Mr. Hassan Fiyaz

We have around 40 to 50 insurance agents and close to 10 insurance brokers in the Maldives insurance industry. Insurance agents are actually an extension of each company they represent and they provide services on behalf of that company.

On the other hand, insurance brokers act as insurance consultants so they do not work for a specific insurance company, but they provide insurance related consultancy services to potential clients and policyholders. They will explain and advise to the policyholder what is the best options available in the market, in terms of available insurance from different companies.

Both of these insurance intermediaries are also regulated under MMA. Regulating intermediaries is a growing part and is also a new phenomenon for the regulator. For about 10 years, the industry operated without these intermediaries. However, with much scrutiny, licenses have been issued for them

now. Though they are regulated, improvements are needed in the current regulations and the methods that are used to monitor them.

They are very important for policy holders to be aware and understand what the best products for them are and so far the agents and brokers have been providing excellent services. This is a lucrative businesses where individuals have the opportunity to gather certain few trainings and can work in this business. Agents have to be locals and foreigners are not permitted to carry this out in Maldives yet.

Concluding Remarks by the Panelists

Before the panelists concluded, Mr. Janah stated points that have been raised by few viewers, and panelists were requested to incorporate their responses, if they wish to, in their closing remarks.

1. Is the Maldives insurance law drafted based on the English law and do we understand how it is read?
2. In addition to the newly introduced Income Tax, there is also Withholding Tax imposed on insurance premiums now. Does this create viability issues for insurance / reinsurances?

Mr. Hassan Flyaz

All the insurance policies are based on English law, however this does not mean that you have to appear in English courts for hearing as these will be done in the Maldivian courts, but rather that the English law will be applied in interpreting the policies as the original policies will be in English.

It is a good time for the insurance companies to invest more on technology, especially on IT, in a cost-effective way. It has been observed in some countries that they sold more products than before once they shifted to IT based sales because clients can purchase the policies more easily. Hence, this is an area for companies to invest further on, especially on the sales area.

Mr. Hareez Sulaiman

Covid has actually taught us a lot of important lessons for the insurance industry, as to how we should change ourselves and the operations compared to how it was done in the past. We have been able to sail the ship during this tough period in the right way, and this transition has been an interesting one for all of us. There are more lessons that can be learnt and by doing so, it can be managed even better than now.

Another interesting development is the corporate governance regulation that has been published which can help the companies by being focused on the right regulations. There is much anticipation for the insurance regulations or the Act to be published soon so that it can strengthen the companies further and ensure progress towards the same direction. There is a lot of potential in the market.

Mr. Santhosh Subramaniam

This pandemic situation has taught us one crucial thing. That insurance companies should play a vital role in educating the general public on the necessity and importance of insurance. Moreover, the importance of understanding what you are purchasing. The insurance coverage, how is it deductible, and etc. We need to spread awareness that it is not just about the premiums, or where you could enjoy the cheapest premium, or where you could get the nicest insurance policies with the brightest colors, but rather, it is whether you are getting adequate coverage and value for money.

As insurance companies, there is a great responsibility towards the clients and each and every single policy, whether it be a third party motor policy of MVR475 or whether it is a USD500Million resort insurance with a premium of around USD500,000. Regardless, the company must ensure their responsibility in educating the customers and providing them with the right product and adequate cover necessary, whereby helping them avoid any unnecessary incident in the future where they face a loss and end up being told that they have not purchased the right cover. Hence, the responsibility of ensuring the policy holders are sold the right product lies within the insurance companies.

Mr. Deeptha Dias

There is no going back now. We have to move forward with this new normal. We still do not know the finality of the crisis, as the crisis is far from over yet. Everything is changing and we all need to get together and get out of this in unity.

Mr. Ahmed Ameen Faiz

I am very optimistic about the industry and about the future. But if we are to hand over this industry to our next generation, we have to do a lot more work legally to make it successful. The problem is that with the industry went far ahead than the regulators.

Even though MMA is working hard to make sure that the industry is regulated, MMA needs to do more to make it a profitable industry for the next generation. We do not want the next generation to come back at us and say that we did not do anything which is why the industry is falling. It is a success now and can be a game changer in the Maldivian economy provided everything is in order. Legal framework is important.

Another lesson that the pandemic has taught us is that that no one else will help us if we are not willing to help and work together to help us ourselves.

Mr. Abdul Wahid Thowfeeq

Covid is a very dramatic event. We are used to physical losses to properties in insurance but now everybody is concerned about the financial losses to the balance sheet of the companies as everything is closed down leading to major liquidity crises. In the future, the insurance industry will shape in a way where there will be covers to cover the business interruption losses and to support the liquidity of companies, such as insurance guarantees.

If we are to develop this industry, the regulators and the insurance industry have to work very closely together. Unfortunately, this year a new insurance tax was introduced, withholding tax on all insurance premiums, which is detrimental for the insurance companies to really maintain the good liquidity in the companies. 3% on premiums is quite a huge cost for all the companies.

There are discussions going on with the Government to ensure that this tax can be waived so that we are in a position to support other businesses, as other businesses are also in need of support from us in terms of liquidity and financial assistance, and thus a good solution for this is paramount.

To conclude, the lessons of this pandemic will benefit us in the future if we have a good strategy forward.

Conclusion

Maldivian industry can be said to have been impacted the least due to the pandemic, but is yet to experience the real weight of the impact towards the end of the year. Even insurance companies had not envisioned this and thus there has been no pandemic cover that can provide full coverage for the crisis.

The pandemic has paved the way for new insurance packages, for future pandemics, and the companies are working on providing the best solution to the affected businesses though business interruption losses are not covered in the current policies.

Same with other industries, insurance industry also experienced digitization and automation which has helped the companies to serve the clients without service interruptions. Working remotely has been quite effective except in cases where physical investigations are required and in such cases there are now possibilities of virtual investigations.

Insurance industry is a lucrative industry for the local youth with a lot of potential to advance and progress. With full support and lenience from the regulators, the insurers have proved to be responsible in their conduct of businesses. There is scope for additional investments on IT and technological infrastructure.

There is no going back and the industry is moving ahead in this new reality. New innovative and useful products have been introduced with additional ones in the pipeline.

The leaders from the insurance industry discussed about the different lessons learnt, possible new products and how the market future is forecasted, with a lot more exchange.

As with all other episodes and reports, NFME's aim with this report is also to collate the main points discussed in the full episode and present to you so that you are also part of our dialogue.

We acknowledge and thank the panelists for sparing time from their busy schedules and sharing their valuable ideas.

The full episode is available on YouTube on National Federation of Maldivian Employers' channel:
<https://www.youtube.com/watch?v=X-Ta2UD8KyQ&t=3s>

For any assistance, you can reach out to our secretariat on secretariat@nfme.mv

TAILORING A NEW REALITY

Employer's Dialogue



Episode 9: 22nd July 2020, Wednesday

Starting time :

1130 GMT
1630 Maldives
1700 India / Sri Lanka
1930 Singapore

Topic : The Maldives Insurance Industry and Innovative Insurance Products for the New Business Environment



Facilitated by :

Mohamed Ali Janah

President
National Federation of
Maldivian Employers (NFME)
Industry Expert / Entrepreneur

LIVE ON



Link

www.facebook.com/MVEmployers

Registration Link:

<https://tinyurl.com/yalqhw6x>



SPEAKERS



Mr. Ahmed Ameen

Former Managing Director
Allied Insurance Maldives
Managing Director
Dhivehi Insurance
Industry Expert



Mr. Abdul Wahid Thowfee

Co-founder and Chairman
Dhivehi Insurance



Mr. Hassan Fiyaz

Executive Director - Insurance Division
Maldives Monetary Authority



Mr. Deeptha Dias

Chief Operating Officer
Solarelle Insurance



Mr. Santhosh Subramaniam

Managing Director
Ceylinco Insurance Co., Pvt Ltd



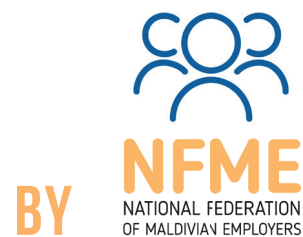
Mr. Hareez Sulaiman

Managing Director
Amana Takaful (Maldives)

Mr. Ahmed Shamin could not attend the session due to a personal emergency.

TAILORING A NEW REALITY

Employer's Dialogue



Report on Episode 10

“Road to Economic Recovery – Way Forward for a Post Covid19 Maldives”

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Executive Summary

The country has a long history of fiscal imbalances with debt ratio over 80% of GDP and deficit over 10% leading to current account deficits of over 25% of GDP (IMF, 2019). IMF predicts Maldives GDP this year to be at -8.9%. Our savings is around 8-10% of GDP and when you compare these to other similar countries, they are much higher than us, even with smaller economies comparatively.

Maldives is suffering more than others amidst this pandemic as it is suffering two concomitant crises. One is the adverse macroeconomic trends, which is the most serious threat to sustainable development and two, as we all know, are the consequences of the Coronavirus, which is affecting the health and the livelihoods of our people.

When you look at the economy of Maldives in the last 40 years, we had two distinct periods. 1980 to 1999 and 2000 to 2019, with economic growth of 11% and about 5-6% respectively. During these 40 years, Maldives experienced 15 shock waves, with the pandemic being the 16th one. Though we had tremendous development and improvements, especially in terms of human development where we are now at USD15,000 per capita, from being one of the poorest countries in the 1980s. However, we have always had deficits and tolerated it, except some rare years we had surplus revenues. Our habit has always been to impulsively do a bit of housekeeping, survive on aids and loans thereby increasing the existing debts and continuing to cruise the ship as before.

Disparity and deficit are closely related here. In 1982, Maldives embarked on a journey to eradicate regional disparity. Yet, it is only widening still. And in any tragedy, the poor gets hurt first and the most.

When we started, the economy was open with no restriction on foreign exchange which was a great advantage. There were flow of capital from development agencies for different areas of productivity. Unfortunately, these did not meet with our manpower requirement due to lack of governance and though funds were invested in other atolls, the desired progress still is not there to be seen.

Up until now, there has been no bankruptcy law in the Maldives. This must be clearly addressed, especially for private sector as they do not play on level field with state owned companies. Additionally, the Maldives Employment laws do not cover furloughing of staff, but you can have no pay leave for civil servants. These have to be addressed too.

We have been depending heavily on FDIs (Foreign Direct Investments) and in the past 5-7 years, our national foreign direct private independent investments have been at 10% of GDP. All this allowed

inflow of foreign currency and country flourished but the labour was severely mismanaged. Labour employment data is weakest in Maldives. Yet we have in record that over 45,000 workers, of which more than half are locals, have been negatively impacted by the pandemic (Ministry of Economic Development and UNDP, 2020). We have to find ways to avoid this in the future, through Corporate Social Responsibility or relevant insurances, but the workers must be protected from these implications where they have nothing to defer like the rich people and just live day by day.

Our Gini coefficient is reported to be around 0.4 which is towards the better end of the spectrum, where 0 is equal distribution of wealth and 1 is monopolization of wealth by one person. However, the disparity and the income inequality will possibly widen during this crisis, due to unemployed workers seeking jobs desperately even at reduced wages, and employers considering their bottom-line and resorting to employing less staff with reduced wages too.

To assess whether Maldives is an attractive option for foreign investors, there are tools such as international rating agencies, that ascertain the stability of the economy and the profitability on the returns on your capital. Considering our pre-existing poor health condition of our economy, Fitch and Moody's have downgraded our ratings. Fitch has dropped our stability from stable to negative and rating from B+ to a B. Our macroeconomic issues include political instabilities, weak institutions, financial corruption, high deficit to GDP, current account deficits, disparity in Male' and atolls, low reserves of the country and the list goes on.

We need to address our macroeconomic issues to attract FDIs. We have direct investment where the investors come for long term and the portfolio investments where investors invest in locals and exist the moment they sense any adverse effects on their business or investments.

Currently our foreign exchange revenue is nil due to resorts and guesthouses being closed. On top of that, the Government is facing additional expenses in terms of healthcare and societal expenses. Except for the aids received, as heard from news, from World Bank, IMF and ADB, there has not been financing of

this nature and significance yet. Right now, there is a need for financing up to 15-20% of GDP which is about USD800Million and we have no choice but to borrow and raise this. With the credit ratings downgraded, it may be tougher than before. There is possibility of untapped financing in Islamic financing where sovereign Sukook can be issued. There is an appetite in the global economy for investors with interest to invest in Shariah compliant Islamic financing tools.

Whilst we already have all this debt accumulated, let us not forget the high compensation payouts in recent years, which can be considered through anecdotal figures that is can be over 50% of 2019's total tax revenues.

The construction industry also must bring changes to solve the challenges faced now, considering they are continuing projects worth of MVR2.72Billion and the main challenge is non-payment of bills on time. The bigger portion of this can be resolved by implementing ways to ensure there are no delays in resolving disputes that in turn delay payments and to have an adjudication committee for these matters. Currently there are positive additions implemented worldwide where contractors are being given compensation for their lost time with additional time on their projects.

Additionally, we need to lobby harder to stop awarding contracts to foreign contractors. Especially now, when the locals are suffering without work. There can be no excuse that locals are not competent when most of the large buildings and resorts in Maldives are developed by Maldivian contractors. Except for construction financed and GtoG projects, there is no reason why it can be awarded to foreigners and we should not allow them to come to Maldives and compete with the locals.

This is also the time to utilize the pension system to its best. To focus the existing social programmes and target to the most vulnerable segment of the country. There were debated as to the pension funds must be accessed during the pandemic, which seemed unsustainable considering these funds are our retirement savings and withdrawing the limited savings for temporary use now will have bigger repercussions in the future.

There is a need for better legal framework and better management of macroeconomics when considering investment of pension funds as these belong to the people and the risks must be mitigated. Risks of

liquidity and risks of default or reduced yields are highly considered when discussing these options and there are works ongoing to implement certain safe plans for the people.

The current population is very young with about 5% of the population being over 65 years, thus contributing to a generous basic pension. We are currently spending 2% of our GDP on this 5%. However, this 5% is expected to increase to 16% by 2050. And the value of the basic pension value MVR5,000 may be valued less then.

To work for recovery, which is anticipated to be a slow, U shaped recovery, that can take few years at minimum, the Government and the private sector must jointly prepare an all comprehensive economic policy response and a roadmap where the roles of everyone, the Government, private sector, the citizens, are all identified clearly. We have to develop other industries parallelly such as fisheries. We can explore additional avenues of implementing ways to do more processing of products in Maldives and help the fishermen through long term loans.

We are yet to feel the true effects of the crisis. Right now, we have been living off moratoriums and savings, and towards the end of the year, reality will kick in and we must be ready to face it. Maldives is expected to be the worst hit in the region. Metaphorically, similar to the virus affecting people with existing other medical conditions more gravely than the others, the economic effects also affect countries with existing macroeconomic issues much worse too.

Therefore, we must work on reform immediately. We must not lose this opportunity for reform. We must learn from past tragedies and experiences and work on bringing change and look at low unit cost of development. Otherwise, it will be again be just business as usual, as before, and the ship will again cruise, without a sustainable future.

Introduction

National Federation of Maldivian Employers, NFME, launched a Webinar Series “Tailoring a New Reality – Employer’s Dialogue” with the purpose of uniting our different industries together and establish a dialogue with the industry experts on how to navigate in the new realities that are unfolding.

The first episode was aired on 3 June 2020, Wednesday and episodes focused on a different sector weekly are planned to air every Wednesday at 16:30hrs Maldives time.

The tenth and the final episode was aired on 23 July 2020, Thursday on the overall economy of the Maldives with the topic “Road to Economic Recovery – Way Forward for a Post Covid19 Maldives”

This report is prepared to give an idea to the readers on what was discussed during the episode. The responses may not be word to word as said by panelists as it has been slightly modified to incorporate into the report, without losing the context and message.

This episode was moderated by Mr. Mohamed Ali Janah and Mr. Ibrahim Athif Shakoor, who were both panelists for the episode as well.

Panelists for the Episode:

Mr. Mohamed Jaleel

Mr. Bandhu Ibrahim Saleem

Mr. Ahmed Naseer

Ms. Sujatha Haleem

Mr. Ibrahim Athif Shakoor (Co-Facilitator of the Episode and Panelist)

Mr. Mohamed Ali Janah (Facilitator and Panelist)

Facilitated by:

Mr. Mohamed Ali Janah



Co-Facilitator:

Mr. Ibrahim Athif Shakoor





Mr. Mohamed Jaleel

Mr. Mohamed Jaleel started as a clerk at the Ministry of Finance in 1978, and spent most of the public life as a practicing economist at the Economic Research and Statistics Division of the Maldives Monetary Authority. In the early years, worked at the Ministry of Finance in assisting in the ground works for setting up the MMA. He was also a private part time consultant several international organisations. Additionally, he represented at the Board of Governor of IMF for Maldives between 1993-2005 and the Asian Development Bank during the period 2005-2008.

In June 2000, he was appointed as the Minister of State for Finance and Treasury, and the Vice Governor of the MMA, and went on to become the Minister of Finance and Treasury, and the Governor of MMA in 2004.

In 2005 he was appointed as the Minister of Economic Development and Trade. After completing 30 years of public service, he resigned from the Ministerial Cabinet in July 2008. The most recent position was Senior Advisor to the Minister of Finance from 2014-2018.

Mr. Jaleel holds a Masters in International Economics from the University of Essex, U.K.



Mr. Bandhu Ibrahim Saleem

Mr. Bandhu Ibrahim Saleem is a former Member of Parliament from 1998-2008 and wore many hats over the past many years. He was the Vice Governor to the World Bank from 1982-1987, a director of Ministry of Finance in 1991. Mr. Bandhu Saleem has also represented various corporations as a member of their board, including Dhiraagu, Maldives Telecommunication Company, Maldives National Shipping Limited, MTCC and MFLC. He was also appointed as the Honorary Consul of Italy in Maldives in 1999.

Mr. Bandhu Saleem played a key role in the expansion of the company, Island Aviation Services during his tenure as the Managing Director from 2002-2011, in terms of fleet capacity of aircraft and passenger flows; and commencing international operations.

With over 44 years of experience in his career and holding prominent posts both in public and private institutions, he is a successful businessman and industry expert who is always available to serve the nation.

Currently he is the Chairman of Solarelle Insurance Maldives and an Executive Director of Cyprea Group of Companies.



Mr. Ahmed Naseer

Mr. Ahmed Naseer worked in the Maldives Monetary Authority from 2008 to 2011 as a Manager and later he was the Governor of Maldives Monetary Authority, from 2017-2019.

Prior to that he was the PFM Consultant at Ministry of Finance, where he joined from the Capital Marketing Development Authority (CMDA) where he was the CEO. He was also the Minister of State of the Ministry of Finance in 2011.

He was the owner of WhiteShell Hotels for 5 years and founded the Guest House Association of Maldives, GAM. He is also a founding member of Maldives Institute of Economic Research (MIER)

Currently he is the CEO of NIG Capital Pvt Ltd, a firm providing financial services, management consultancy, accounting, auditing, tax consultancy, and insurance services.

He has a Masters in Economic Policy from Williams College, Massachusetts, USA.



Ms Sujatha Haleem

Ms. Sujatha Haleem is a leading social security and financial services professional with over 16 years' experience in the industry. She is most notable for her work in spearheading the World Bank's Pension and Social Protection Administration Project which established the current pension regime in Maldives, establishing the Pension Office and the national pension scheme, the Maldives Retirement Pension Scheme (MRPS).

Ms. Sujatha is currently the Chief Operating Officer of the Pension Office and is responsible for the strategic planning, administration, and project management functions of the Institution.

She holds a Master of Business Administration specializing in Finance and Marketing and a Bachelor of Commerce, specializing in Finance from Bangalore University, India



Mr. Ibrahim Athif Shakoor

Mr. Ibrahim Athif Shakoor, has a BA in Economics, and an MBA from Monash University, Australia. He has served at senior, CEO level and Board Positions of some of the biggest and most diversified corporate entities of the Maldives.

He has been a visiting lecturer at the Maldivian National University and at Villa College. He is in a modest measure, a writer and an essayist and some of his writings are found at www.athifshakoor.com.

Mr. Athif have also been a consultant to some of the bigger corporate entities in the country and is presently employed as the Managing Director of a private firm in the food industry, United Food Suppliers Pvt Ltd.

For the past 25 years he has worked individually and with others to heighten the awareness of economic issues. He is the co-founder and co-editor of the Maldives Economic Review, www.mer.mv.



Mr. Mohamed Ali Janah

Mr. Mohamed Ali Janah is an entrepreneur, developer and contractor from the Maldives. He has served in the construction industry of the Maldives for the past 30 years with ventures in Maldives and overseas. He is the current President of Maldives National Association for Construction Industry –MNACI for the seventh term, and the current President of International Federation of Asian and Western Pacific Contractors' Associations-IFAWPCA. Additionally, he is also the President of National Federation of Maldivian Employers-NFME.

He is the owner and Chairman of Hotels and Resort Construction Pvt Ltd, currently developing several of his own resorts, and is also a partner in developing the 5-island resort of the Waldorf Astoria Maldives Ithaafushi. In addition to his advisory roles to many business entities in Maldives and overseas, he is also the CEO of Kooddoo Airport, an airport in the southern part of Maldives.

Mr. Janah has also served as the Chairman of the Maldives Building and Construction Board, and a member of the Board of Directors of the Maldives Monetary Authority, the Central Bank of Maldives from 2018-2019. In November 2017, the Government of Maldives awarded him the National Award of Recognition in the area of Architecture, Construction and Consultancy. He was also awarded the Maldives Entrepreneur of the Year 2018.

Discussions

"Maldives' fiscal position is weak, and its external reserves are critically low. The country has a long history of fiscal and external imbalances. The debt ratio is above 80% of GDP, and deficit is above 10%. This loose fiscal stance has contributed to current account deficits of over 25% of GDP and sustained pressure on reserves, which has been compounded recently by large debt repayments." (IMF, 2019)

That was before the word Covid 19 came into existence and when people in general did not believe that a pandemic can bring the global economy crashing to its knees during these days of technological innovation.

IMF predicts that our GDP this year will be at -8.9% and the World Bank (2020) predicts that Maldives will be the worst hit in the region.

So the question is, how and why did our economic outlook deteriorate so badly and when did we lose our ability to act as fiscally responsible agents?

Based on the answer by Mr. Mohamed Jaleel

We are facing an unprecedented challenge. There are very few countries in the world today, who are facing the challenge as much as the Maldives, because we are faced with two concomitant crises.

First are the adverse macroeconomic trends, which is the most serious threat to sustainable development. This has been there for quite some time and now the country is suffering from the consequences of Coronavirus, threatening the health and the livelihoods of the population, sharply reducing the economic activity and threatening future growth. These are unprecedented times for businesses and the livelihoods of the people.

The economic shock waves that are unfolding very rapidly are already fully global. When you take a look at how the economy of Maldives behaved in the last 40 years, there can be two distinct periods that can be observed. One is the period from 1980 for about 20 years. It was a rapid growth of 11% until 1999 and then slowed down to a mature growth. From 2000 for another 20 years, until 2019, it was a growth of about 5-6%.

This observation is excluding any cyclical behaviors and vulnerabilities because of external shocks. Maldives had 15 shocks during the last 40 years and the Coronavirus is the 16th one. That is about a shock in every two to three years.

The early years were actually the takeoff period and this growth had benefited the country in many ways. We have proved to the world that we are one of the successes in many ways. We must especially note the huge improvements that we have made in terms of human development, from being one of the poorest countries the world in the 1980s, to achieving US Dollars 15,000 per capita, which is as per some estimates of today. Comparing this to the few hundreds of dollars back in the 1980s, this is a significant achievement. This raises questions on how we managed it as we always had deficits except for

the rare few years that may have had surplus. We had always tolerated deficits in varying degrees.

When we had all those shocks, the ones before Coronavirus, the habit was always to do a bit of housekeeping, get foreign aid, add a bit to the debt and just start cruising again. The ship has been able to sail despite the deficits thanks to the very vibrant tourism and private sector.

Disparity and deficits are very closely related here. When you look at the historical literature, in 1982 the nation embarked on removal of regional disparity. Even today, the disparity is widening. People are coming from all of the other islands to Male'. Records show that the Government, including the regimes before, have been investing money into the atolls, but still the development has not been sufficient and thus, the flow of population to Male' has not reduced. This leads to so many kinds of social and economical problems.

Therefore, the point is, that we have created deficits, which in turn led to imbalances in the current accounts and the resulting pressure on the exchange rate is evident. However, we have been managing macroeconomic stability by restricting the budget for a while, limiting expenditures, raising the taxes slightly and then again, cruising commences. That was how it has been sustained so far.

The Coronavirus has many similarities with other shocks, and at the same time, it has been very different too. Unlike the Tsunami tragedy which took our GDP in one instance, this pandemic is stripping us off our GDP bit by bit.

Hence, to sum up the response, we have led it to this situation by allowing to create these deficits over and over again, tolerated these deficits by adding to the debts again and just moved ahead as long as tourism allowed you to.

Based on comments by Mr. Jaleel later in the session:

It is very clear from economic literature that the poor gets hurt first, and the most, and there is no denying that. Even in the most advanced countries, this is the

bitter truth, and for poorer countries, it is much worse. All this is because of macroeconomic imbalances and the pandemic came much later.

You have explained the slippery slope we, as a nation, have taken down this cliff to turbulent waters. There is no doubt that we need to climb back to safer ground. While the slide down the precipice is maybe almost automatic once the first steps are taken, the climb back is going to be arduous and time consuming.

What actions do you recommend that we take, who are actors that need to be involved and how long do you believe it will take us to get back to safer ground?

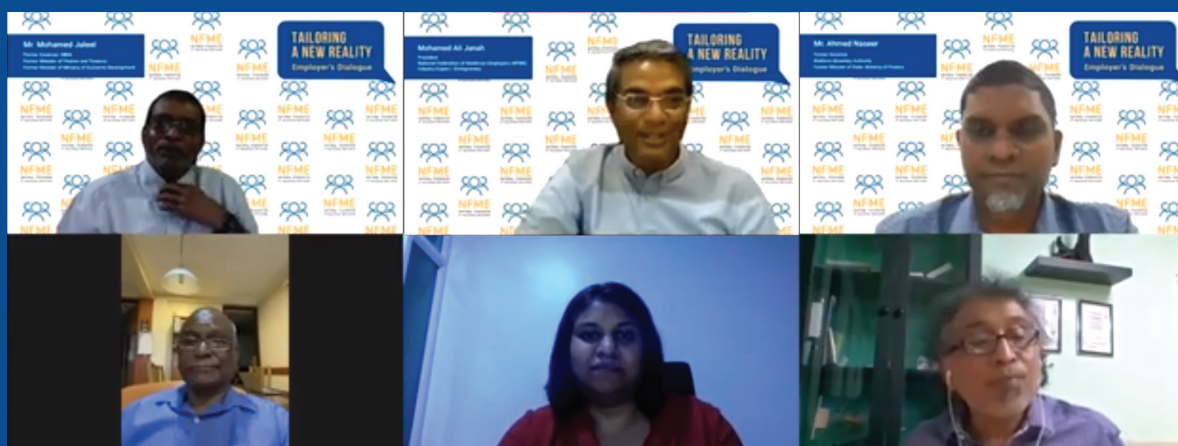
Based on the answer by Mr. Mohamed Jaleel.

The question cannot be answered in detail in such a platform but it can be briefly discussed. When we consider who needs to work for recovery, across the globe and everywhere, everyone including the Government, employers and workers, need to work together to minimize the damage from the pandemic. It calls for immediate action.

The Government and the private sector should jointly prepare an all-comprehensive economic policy response. A well-coordinated and a comprehensive strategy with a roadmap is essential to deal with the health emergency needs to support the economic activity, and to prepare the ground for recovery, and carefully identifying the roles of private sector,

the Government, the markets and the financial institutions. In moving forward, we have to work hand in hand, with very close communication, coordination and collective strategies in business development and marketing strategies.

The strategy also should combine a short-term, a medium and a long-term initiative, taking account of the spillovers and the interlinkages between our economies. Within the economy, we need to instill confidence, stability and credibility in our policies. Close monitoring is essential and this is how it can lead to a sustainable recovery.



The urgent need for economic diversification has been stated and re-stated in several state documents and recommendations of multi-lateral agencies such as the World bank, IMF, and several others, for close to 20 years now. At this juncture we know that this can no longer be delayed or postponed. As a country, we cannot find ourselves back here in the same spot when the next pandemic, or the next natural disaster strikes, or the when the world economy collapses as they cyclically do every once so often.

With the wealth of your (Mr. Bandhu Saleem) personal experience and knowledge, what are the areas that our economy can practically diversify into, which is to say, in which areas do we have competitive advantage?

Based on the answer by Mr. Bandhu Saleem

Mr. Jaleel has given a very good view of the last 40 years in a very abridged way.

When we started, we were an open economy without any restrictions on foreign exchange which was a great advantage. There were flow of capital from development agencies, and grants were received in areas of productivity, such as fisheries, infrastructure, education, telecommunication and also to build some other institutional developments.

Unfortunately, all these things did not meet with our manpower development and governance. Due to the lack of governance in the institutions and the private sector, what we had planned to achieve was not achieved. As a result, the capital was put into the atolls or islands. It was only for infrastructure and other support projects, but it did not reach deep into the atolls or islands where they should have developed and managed their own development. From dark days to electricity, from non-telecommunication days to telecommunication and today's social media platforms such as Viber and Whatsapp, and today, we have everything when we want it. Hence, the issue is the governance, both in the public sector as well as private sector.

Even today, there is no bankruptcy law in the Maldives. Right now, some bankruptcies seem likely to happen and there is no way to handle them. The Companies Act need to be very clear on bankruptcy and the governance on the public and private sectors. We may, or not, be playing on level field as state-owned enterprises play a major role and they have preferential treatment by the state, whereas the private sector has many difficulties in terms of market expansion, access to capital, access to labor, training of labor and building savings.

Going back to what Mr. Jaleel mentioned, our savings have been too low as we expanded on investments by grants and the very low interest based long term capital. Our savings is about 8-10% of GDP, whereas other island countries are much higher. There are very unusual countries such as Liberia that has -64% of GDP. (You may refer the World Bank Data for the gross savings % on GDP on <https://data.worldbank.org/indicator/NY.GNS.ICTR.ZS>)

In Maldives, the savings habit still seems to be on consumption rather than saving mainly because there is not much savings. Even though private sector has done significant savings and invested in tourism, where there has been capital raised via borrowing, the interest rates are extremely high.

Therefore, over the period of last 5-7 years, our national foreign-direct-private-independent-investments have been 10% of GDP. This was the point Mr. Jaleel was also pointing out, that the prosperity of the nation grew with foreign private sector investments, that brought foreign exchange into the country and other benefits into the economy.

Having said all these, we must note that our labor was not managed to the level of the economy, even in the tourism sector, medical sector, engineering sector and also the construction sector.

There is an imminent need for the youth to explore wider areas in terms of artificial intelligence. Simple engineering and basic computer science studies will not be enough for the level of development in this era.

The recovery is going to be a difficult task and is expected to take about 2-3 years at minimum. The only hope right now is expansion of fisheries and the markets for fisheries will remain buoyant. The way we can develop and diversify right now is by the Government authorities and the private sector investing in the fisheries industry by giving them long term credit and facilitating their businesses.

The need for quick and stable adjustments to the way that we manage our economic affairs has been discussed in this session. We have also, repeatedly heard discussions on the potential of Maldives becoming an offshore banking power.

After much sound and fury, why have we not been able to take any steps in this direction of becoming an offshore banking option? Is it too late and has the ship sailed? Are there other factors that have held us back?

Based on the answer by Mr. Ahmed Naseer

If a foreign investor is considering investing, be it offshore financing or any financial services, or even any investment in other sectors, considering so many factors about the macroeconomy of the country, they will choose the Maldives over other options available.

To determine whether or not Maldives and the macro economy is conducive, or if it is a stable economy where the investments can be recovered and profits are possible so that the capital invested can be recovered, the international arena has credit rating agencies.

The credit rating agencies assess and rate the country which reflects the health and the stability of the country. This is an important factor and area that we need to openly discuss and think about, as when we are managing our domestic matters, we tend to overlook the affect it has on the perception of our country by the world and prospective investors. By domestic matters, we are referring to the political

instabilities, weaknesses in the institution and the financial corruption within the country. All these factors contribute to the rating, the stability and also the favorability of the country for investors.

We all have to go back to the drawing board, start from the beginning and address where have we gone wrong and the inherent weaknesses in our macro economy. These include the high deficit to GDP, the high debt to GDP, the current account deficit exceeding 20% of GDP, the disparity between Male' and the atolls, the weak institutions, the environmental vulnerabilities, the low reserves of the country, and the list goes on.

We can achieve a better rating and a better outlook on our economy if all these could be improved. Hence, in brief, why financial institutions, indirect investments and other kinds of capital inflows are not been attracted to our economy rests on the answers the issues highlighted here. All these factors combined make up the country's sovereign rating.

Will the Maldives' economic recovery be shaped like a V, or a U or an L?

Based on the answer by Mr. Athif Shakoor

This is a brand-new territory and the future cannot be foretold as nobody has a playbook for this. We are all, not only here in the Maldives, but around the world and even in the international multilateral agencies, learning this as we go along. However, we can discuss a bit on the letters.

If by a V, it is referring to a sudden quick recovery, then it has to be a no. After the tsunami in 2004, our rate of our GDP growth dropped to -8.1% in the year 2005. Much like IMF is predicting for this year which is -8.9%. However, the following year, in 2006, we recovered our rate of growth and it jumped 19.9%. Though we all would like to see such kind of recovery this time as well, it is highly unlikely that this can be achieved. Therefore, it cannot be a V.

L-shaped recovery is when you come down drastically and then it flattens, in which case, there is no room to come back or go up. A period of doom and gloom where everything happens at a much lower pace for a

long and extended period of time. This is a scenario we do not want to even think about but the economy will definitely go through a structural readjustment. A structural readjustment that will be felt by everybody including the Government. The Government has to reconsider the current structure as they cannot run this number of ministries, with this number of political portfolios and the current salaries. Private enterprises and the personal attitudes on how we spend all of these things will have to change. Even so, an L-shaped curve also does not seem possible.

We are all hoping for, and it seems likely that it will be a U-shaped recovery. However, in the recovery, the right side of the U will not be as steep as the left side. The rate of recovery will not be as fast as the rate of decline. We must all be optimistic and be motivated to work on the recovery period to ensure it is a U shaped recovery, though it will take time. It will be a painful, slow U shaped recovery.

The Maldives National Association of Construction Industry, MNACI, was the first and maybe the only industry that issued an impact assessment, and the steps that need to be taken for recovery of the industry and ultimately the economy. This report has been widely circulated, including to external agencies like the World Bank and your effort in publishing the report, as the current President of MNACI has been appreciated by all.

The 26th April 2020 report, Impact of Covid-19 in the Maldives Construction Industry, among other issues highlighted the issue of many of MNACI's member contractors suffering because of non-payment of bills on time, especially from state contracts.

How big an issue is the non-payment of bills on time, for the construction industry, in order to participate meaningfully in the work of economic recovery and what are the possible avenues to solving this?

Based on the answer by Mr. Mohamed Ali Janah

When the pandemic affected Maldives, we started assessing how it was impacting the construction industry, locally and globally and initiated steps such as, writing to His Excellency President, the Governor of MMA and various other government ministries including the Ministry of Economic Development, on 16 March 2020, identifying certain areas that need to be looked at on an urgent basis.

One of the things we did were to see how much of the budgeted infrastructure projects, which totaled to MVR10Billion, was currently awarded and in progress, which was published as MVR2.72Billion. Based on this, one of the concerns that was raised to the Government was whether they would be able to continue tendering the balance projects without hindering the payments of the existing projects, and thus, it was requested to temporarily hold new projects and resume once funding is available only. This was by no means to stop local projects, but to ensure that the local contractors did not face situations where they were compelled to work and the invoices were pending due to the unavailability of funds with the Government.

The question was how they would pay to our contractors who were executing these projects worth almost three billion dollars. We observed that through April and May, payments have been released by the Government on time and when we look at the situation, the challengers are immense. The current problem is not only a matter with non-payment from the state only. There was a meeting with the Ministry of Planning and Infrastructure and members of MNACI board (on 23 July 2020), and it is evident that this is a cash crunch faced by both the Government and the private sector. There are payment delays from private clients as well. The only thing we can do right now overall is to assess the situation and identify the challenges on a periodic basis, so that we can understand how to move forward.

There have been meetings attended even in the international capacity as IFAWPCA's President, with board members of FIDIC, which is the International Federation of Consulting Engineers, who publish the FIDIC contracts that are widely followed in the construction industry worldwide. It has been discussed about a new clause that is being introduced to FIDIC contracts where they are advising governments, private sector and the contractors to appoint an adjudication committee. They already have an adjudication process, an arbitration and legal process, but now there is a new modification being brought to

the FIDIC contracts where it mandates stipulation of a clause to include an adjudication committee with members from the client's side, the contractor's side and also an independent consultant. So instead of waiting for problems to pile up or magnify, such as approval issues and payment matters, the committee must meet regularly to resolve those issues, instead of waiting months and finding out the contractor has not been able to pay their workers due to non-payment from client for several months. These matters must be addressed periodically, proposedly within a month to 45 days, instead of prolonging and stop the project if the client is unable to pay.

There could be disputes of consultants not approving the work certifications, which is widely seen in many state projects according to our members. Ministry of Finance can and is willing to pay the contractors on time, but is prevented from releasing timely payments due to non-receipt of the required certification from the clients or the line ministries. This leads to breach of the payment timelines in the contract. These delays could be because the consultants are not able to visit the sites or the islands or some other hindrance, and these issues can be raised within this adjudication committee and resolved transparently.

This can be a very critical and useful step to take, as until it is done, the contractors would be calling to the line ministries, the finance ministry and reaching out to every authority they feel may be able to assist. Hence, these things should be more systematic than it is now. Right now, when contractors submit their work progress claims or invoices to the respective department and ministries, they face a lot of struggle in obtaining updates on these submissions, forcing them to chase the departments every day. This is a very tough and frustrating situation for everyone involved.

It is a tough time for everyone, not only the Government, but the private sector also and such a step is very important to identify the representative from each party for this committee and incorporate these into the contracts so that disputes can be resolved easily, efficiently and in a timely manner.

A sustainable social safety net is seen as a must for a sustainable and productive economy, one where the unemployed and the unfortunate are held, and assistance is provided. Perhaps, in the absence of such a social security net, many had sought to avail themselves to their contribution in the retirement scheme during the course of the pandemic.

How important is it that we craft a social security system and what are the important aspects of such a system for sustainable economic recovery?

Based on the answer by Ms. Sujatha Haleem

We do have numerous social assistance programs that available in the country. However, we need to focus on exactly what we are trying to achieve from these programs, and how it can be implemented to get the best benefit out of it. For this, we will need a well-coordinated and integrated social security system. The social assistance and our welfare systems have been set very well. We also have two components of the social insurance aspect, which are the pension and the health insurance. Additionally, there are some amount of work being done on the labor market interventions such as trainings conducted through the job centre. However, these are areas that need to be improved through proper integration, so that the vulnerable people could be uplifted and assisted.

In the social assistance programmes, which are very universal and accessible to everyone, everyone is uplifted, though there are certain segments who are towards the end of the bottom spectrum and who need to be targeted specifically. Targeted social security programmes can lead to savings for the Government or whoever is funding it. There can also be contributory systems where we can take ownership of it as well, which becomes more meaningful as people would prefer to see what is happening and can see the benefits.

Looking at the current situation, there was a lot of debate as to whether the pension systems should be accessed during this crisis. One of the reasons, as highlighted by Mr. Bandhu, is that we do not have much savings. The pension funds seem like an accessible and reasonable savings for many people, though when you look at it, pension scheme is a long-term retirement plan, being saved with long term

benefits. Therefore, this will be a very poor substitute for unemployment benefits that cannot be sustained as this can provide temporary relief whilst depleting your future retirement savings. Hence, there must be careful consideration when you discuss balancing today's needs by using tomorrow's savings.

The current population is very young, and it is about 5% of our population that are over 65 years of age, which allows a generous basic pension. In the pension system, basic pension is the pillar zero where we are trying to maintain and focus on the most vulnerable part of the population. At the top, we have the contributory system that would give you the income stability at the time of your retirement.

We have a basic pension of MVR5,000, which is relatively very high. 2% of the GDP is spent on this aspect, and when you consider this 2% being spent on 5% of the population now, and having to spend on a higher percentage later (the aging population is expected to increase to about 16% by 2050), it will not be possible to increase the expenditure along with it. In 2050, this basic pension of MVR5,000 may not value as much when you consider inflation and it is very important to save and to contribute to this system in order to secure your retirement.

Similarly, the need for unemployment benefits and labor market interventions is very important. Our Government has been quite active on it and we are already working on certain projects. There are works ongoing on implementing some laws which we would like to see drafted in a way that these interventions can happen when needed, targeted for the right segment and properly monitored.

The geography of Maldives, although a huge blessing in many ways, also impose severe restrictions on the alternative roads that are available for the road to economic diversification. Yet, today's advances in technology have also opened up new paths, and opportunities that were not easily accessible in the near past.

Given the nature of leaps and bounds that technology have already taken, and indeed will take in the future, what other areas of competitive advantage can we forge for the diversification of our economy to allow for meaningful and sustainable recovery of the economy?

Based on the answer by Mr. Bandhu Saleem

As discussed earlier as well, fisheries still remain at a very traditional level. We are exporting almost same number of finished products to the rest of the world. It is not because of the catch of Skip Jack, but is also the methodology.

There is a huge demand for canned fish products and processed fish products that are not met and we must look at the option of chartering Indian Ocean tuna fleets to deliver fish to our shores, and start packing and exporting these. The reason why this may not be practical to some is that it requires capital to buy, process and export. Regardless, this is a way that we

should move ahead. At the same time, the traditional fishery who are getting whole pole and line benefits can continue to do their part.

Afterwards, it may be a good idea to see if we can rekindle some re-export business packaging, or bringing from production spaces and repacking, repackaging, re-labeling and exporting to the countries where there is as a demand. It will be worthwhile to do some exploration on whether this bundling together or bringing and then re-exporting it to our countries can be possible.

In light of the increased spending on health, and decline of Government revenues, what other options are available to bridge the financing gap, in addition to bilateral donors and multilateral donors like the World Bank, IMF, and ADB?

Based on the answer by Mr. Ahmed Naseer

We are facing a situation where the Government's foreign exchange revenue has declined and has been at zero for the past 3 months, mainly due to the resorts and guest houses being closed. On top of that, the Government is faced with increased expenditure on the health facilities, and other spending on the civil service and existing infrastructures.

We have heard and read from the news on various donors like the World Bank, the Asian Development Bank and IMF contributing almost US Dollars 30 Million to the Maldives. Except these, we have not had any financing of significant nature. As we face the current situation, there is a requirement for an estimated 15-20% of GDP financing. Even if you consider at 15%, we are talking about USD750-800 Million. USD750 Million to USD1 Billion is the total financing need of the country at this moment, with a very low track record of attracting this kind of financing. This amount is a significantly high amount considering a small economy like ours with very low reserves. Regardless, there is no other option but to raise this by borrowing from abroad right now. Otherwise, the existing external debts will

need to be financed through domestic sources, which in turn will again reduce the existing reserves, which will then put pressure on the exchange rate. Hence, there is a need for external financing.

Now the question will be if the Government can attract this kind of financing. This all comes down to the cost of borrowing with the kind of credit rating we have. With the recent downgrading by the Moody's and also the Fitch ratings, it will be difficult, or we may not be able to obtain financing at low and reasonable rates.

There is also the possibility of untapped financing which is the Islamic financing. Sovereign Sukook can be issued and there are investors in the global economy who would have an appetite in investing in Shariah compliant Islamic securities.

Therefore, these are some of the financing fronts available for us at the moment.

The construction industry was the fastest growing industry for the past 5 years with growth exceeding 25% in some years, and with an average pace of 17% in the 5-year period 2015-2019. Yet, the share of GDP remains modest at around average 5% (Shakoor, 2019).

Additionally, this spurt of extraordinary growth in the industry was accounted for by large infrastructure projects undertaken by foreign companies, using imported material, expatriate labor and finance from outside the country and with minimum or indeed no meaningful participation by local contractors. When such projects finish, the contractors depart with very little retention in the local economy.

Therefore, as President of MNACI, and as an experienced contractor, what are your thoughts about how the local contracting companies can restructure their internal processes such that there will be greater retention in the local economy?

Based on the answer by Mr. Mohamed Ali Janah

The Maldivian construction industry is divided into three major categories of projects. The Government PSIP (Public Sector Investment Programme) projects (public infrastructure projects), commercial housing and resort development projects, and private sector housing projects.

The floodgates of this country are very porous and open even for foreign contractors to come and work any time. During Mr. Jaleel's tenure as the Minister at the Ministry of Economic Development, a very good foreign contractors regulation was drafted, which has very reasonable policies for a foreign entrant to come and compete with local contractors in Maldives. However, at different stages, these policies have been bypassed and numerous foreign contractors have been allowed to move in for various reasons that are beyond our understanding.

Sometimes, it is justified to us that it is because they come with foreign finance, or contractor finance, or foreign government funded finance, which are all beneficial and reasonable. Based on this, what was

proposed at that time was, if a foreign contractor comes with construction finance then they can proceed and work in the Maldives. However, should they come to compete with the locals for Government funded, projects, which is done with the taxpayers' funds, it must mandate foreign contractors to bind with a local contractor under joint venture model with a minimum of 35% obligatory for the local contractor. There are exceptions where a foreign contractor may have a particular technology or know how that we do not possess, in which case, for the purpose of transfer of technology, they can be permitted to proceed without the JV with a local partner.

Regretfully, we see that groups of workers such as plasterers, masons, carpenters and other skilled workers from regional countries are coming and setting up businesses in Maldives and competing with the local contractors in the most critical sector of our economy which is the MSMEs (Micro, Small and Medium Enterprises). In our construction industry, even this category is conquered by small to medium scaled foreign companies, be it registered

here or unregistered, which is a serious threat to our industry and this needs to be changed. We have been lobbying and advocating for this for years, that any Government funded project should be awarded to Maldivian contractors, at least for the projects that are funded by the taxpayers' money. There is no reason why even foreign fully funded projects cannot be awarded to locals. We are reasonable and are not asking for projects with construction finance or G to G (government to government) projects. This is the way forward.

In short, we need to check from a microscopic level and carefully see what are the projects that are incoming, how they are coming and determine which ones should be allocated to the locals very transparently.

The regulations and the laws are there, and you can even register in the national contractor's registration and come and work here if you are awarded a contract. It has been said that the main reason they choose foreign contractors over locals is due to locals not having the capacity or qualifications required. (This was also discussed in episode 2, in the construction session). How can this even be true when some of the biggest buildings in Maldives and the best resorts in Maldives have been built by local contractors, and in fact the quality of local contractors is so much better in many cases. We have proven this already, and you can see even in resort construction, that locals have performed better and delivered the right product.

How do you foresee the Covid-19 crisis affecting income inequality and employment situation in the Maldives?

Based on the answer by Mr. Athif Shakoor

This will be called a googly in the cricketing world. (Googly is when the ball is thrown in what seems like a normal manner but turns back towards the batsmen, a deceptive delivery)

Employment is one of the biggest issues that we have to face, especially today. Ministry of Economic Development and the UNDP issued a report that about 45,000 workers from the resorts alone have been negatively impacted during this period. Despite the authorities urging resorts and employers not to furlough staff, and also despite these employers trying their best not to resort to austerity measures, with the resorts closing and the pandemic's effects increasing, this report in June published that 45,000 workers were affected, not fully terminated, but negatively affected. Even more would have been laid off in July also. This is the current employment issue, without taking in to account the critical issue of expatriates and other labour related issues in the employment front.

With the loss of employment or no pay leaves imposed on many people, there is a pool of workers who are desperate for employment and ways to earn income, even when the economy is slowly restarting and resorts gradually reopening. These people would have been struggling for months, with some of them losing their accommodation and other social problems. The biggest concern is that, unless our

There is a lot to discuss and in our report (the report is available under downloads section in MNACI's website, www.mnaci.org.mv), we have identified the training issues of local labor, various other major issues faced by the industry. We are trying to mitigate these issues and to encourage locals to participate. There is a large scope for local entrepreneurship in this industry, especially for small to medium scale contractors to venture. The only way to encourage them is to regularize and manage foreign contractors invading and capturing this market.

Comparing to regional countries, it will not be possible, or maybe take years to get the required permits, for a small foreigner contractor to go to and take a tiling or an interior work contract in Sri Lanka, in one of their projects such as Shangri-La or Hilton Hotel. This is how it happens in regional countries and how it should be, however, in Maldives, there will be some loophole in the regulations, and they find a way. This is in no way implying that the laws and regulations are not there or its weak. However, people find ways around it and eventually the local contractors suffer.

We need to identify which areas foreign contractors can come in and manage them, properly regulate them and that is the only way we can retain and let the Maldivian contractors grow and prosper.

regulators are aware and cognizant of what is going to happen, these workers can be compelled to seek avenues without proper PPE and adequate protection or paid adequately for their works.

To ponder on the income inequality, we know that in economic terms income inequality is measured by Gini coefficient. Gini coefficient is calculated between 0 to 1, where 0 means wealth is equally shared amongst all equally and 1 means wealth is held by one person. On this scale, it has been indicated in some reports that our Gini coefficient is at 0.33. Mr. Athif thinks it will be around 0.4 and the real figure can be ascertained only when the income tax regime matures.

Some reports indicate that around 60-65 companies paid 85% of the tax and income tax has been implemented only recently, so as stated earlier, until the income tax matures, there cannot be any idea on the income inequality.

In this situation, the inequality or the disparity will definitely widen. The potential of it becoming more unequal during this post-Covid period is definitely possible, as people will look for work at reduced wages and employers will know that work can be done at lower rates.

We have seen large pension funds elsewhere in the world investing in long term infrastructure projects and therefore contributing considerably to the recovery of the economy.

Should we, in your opinion, alter the dimensions of our retirement pension scheme to allow for such long-term investments in national infrastructure projects?

Based on the answer by Ms. Sujatha Haleem

Pension Fund investment in real investments or alternative investments are increasing in many countries, with pension funds making investments in real estate, infrastructure and in other similar investments. We have to be very mindful of the fact that pension funds are funds of individuals, and we have to be very careful when we are investing this. For which proper legal framework and adequate data is required.

The local finance market is not adequately developed yet. The information or data on alternative investments are not readily available for the research required. These are some of the concerns that we have. We have been discussing these and exploring various options but again the main concern is the legal infrastructure, where we have to ensure that our peoples' funds are protected. We also need to have enough information on the market and how the investments would yield.

In investing pensions funds, it is paramount to ensure the safety of the funds and consider the liquidity for pay outs. With these considerations there are options being explored in discussions with World Bank experts and other places, to develop these aspects even by amending laws that need to be changed to facilitate these.

Based on the comments by Mr. Mohamed Jaleel on the investment of pension funds:

There is a link between the pension funds and the macroeconomy. Even though Ms. Sujatha has highlighted a very important aspect, which is the legal aspect, another major component has not been discussed, which is the proper macroeconomic conditions. The pension funds cannot be invested successfully just with the proper system and without the proper macroeconomics required. If the interest rates are negative, if the financial conditions are deteriorating with dire constraints on the exchange markets, there is no possibility for the funds to work. What is happening right now is that these funds are invested in the Government, and the Government is an irresponsible borrower as we have seen. Unfortunately, fiscal responsibility is not practiced or instilled in Maldivians. This is the biggest issue right now and unless the Parliamentarians and the Government understand and appreciate the importance of fiscal responsibility, there will not be much progress on the income inequity, which in turn will affect the progress of pension reform. Even if foreign direct investments, it will not be able to perform better with these issues. (FDIs are discussed in the next question.)

FDI is one of the most important source of private external finance for developing countries like us. FDIs are significant as we need funding in infrastructure, energy, water and more, which are key drivers for the economy.

What can Maldives do better to attract more FDIs post-Covid 19?

Based on the answer by Mr. Mohamed Jaleel

There is a link between financial discipline, fiscal responsibility with everything that is being discussed.

Even though we have a fiscal responsibility bill, over the last 10 - 12 years debt has been accumulating over and over. It has been debt on debt on debt. No one has been responsible. There has not been any document encountered that states that we are going to reach debt at 60% of GDP or whether we are going to revert to 60% of GDP in 5 years' time. These are very essential for an economy in terms of foreign direct investment. Let us not forget the huge compensations pay outs in the recent years with anecdotal numbers, these amounts can go over 50-60% of 2019's total tax revenues. More than half of the tax revenues, being paid in compensation only, which is totally unbelievable.

Foreign Direct Investments, FDIs have mainly two types. The first is the direct investment, where we have seen a bit of foreign direct investment in the tourism sector, and the other is portfolio investment, which is

also a very important type of foreign direct investment. In portfolio investments, foreigners come and invest in local companies with the option of existing when they wish, if they feel the return on capital investment is not enough. This is not promoted much because of our macroeconomic condition.

The biggest hurdles even during Mr. Jaleel's term in office was promoting financial sector performance and deepening the financial sector. Whatever we wanted to do in the financial sector was constrained by weak macroeconomic performance and weak financial conditions.

If you want to promote greater foreign direct investment into this country, and enjoy positive benefits of the investments, keeping aside the negative impacts of FDIs which are also there, we need to first address macroeconomic stability, which is already too late, without which we will not be able to move forward in any front.

It is possible to get out of this, the country has the potential to move out of this, even to a better position than pre-Covid. Oftentimes, when we recover from a shock, we tend to forget and fail to understand how much was lost. As mentioned before, we are having the 16th shock in 40 years' time, and if somebody had done the back of the envelope calculation and did not lose all that, this country would have been far higher than where we are today.

We do need a lot of FDIs, especially selective FDIs where the foreign investors have synergies to the rest of the development components or sectors in our economy which our people could not compete at. With these considerations we can invite these investors but for that we need to have political stability and unity.

Foreign direct investors come here to stay. They do not come here to leave the next day, whereas portfolio investors disappear the moment they sense something that can adversely affect them. You must have heard about the South East Asian financial crisis, where money vanished with the blink of an eye. Maldives cannot afford that as our financial condition is so poor and we need greater financial resilience. Maldives is the country that had the least reserves, from a list of 11 countries, with the highest reserve being for only 4 months in months of imports. Most other countries and even countries smaller than us

have at least double that. Countries like Barbados, Mauritius, Bhutan, Samoa and Seychelles have in excess of 8 months of reserves in months of imports. We have overlooked sustainability and always focused on managing today. We do not want to secure the future and understand how important insurance is as long as we can cruise today.

This time Coronavirus has tested to the limit about Corporate Social Responsibilities. Labour employment data is the weakest in this country but as Mr. Athif said based on the published report, over 40,000's employment have been affected by the pandemic. How it has happened is not right and in the future there must be ways established to protect our workers. We have to protect our labour and some sort of insurance have to come in to protect our labour. Unlike the rich who have savings and defer their payments, there is nothing to defer for the common workers as they just live by the day and we have conveniently thrown them out, which is not right. The Government also does not have the ability to support this even if they may say otherwise.

The bottom-line is that we have to link all of this together. Income inequality issues, the shocks of poverty, and pension funds and its use. All of these things are key for macroeconomic stability and put our economy back into a stronger, more sustainable foundation and footing.

In the first phase of the report on the rapid livelihood assessment done by the Ministry of Economic Development and the UNDP reveals that by June 2020, 45,000 employees in tourist resorts were directly affected due to Covid 19 pandemic, including approximately 22000 local employees in the payroll of the resorts getting affected in various forms.

What are the challenges and opportunities for hiring back and retaining more locals in our post Covid-19 economy?

Based on the answer by Mr. Bandhu Saleem

The Maldivian labor law, from the inception, does not recognize and address the furlough or laying of labor, but the Government employers can take no pay leave, which is a very difficult situation.

Furlough or laying of staff, is something any industrial country or any organized labor will have to face when there is a hardship. For the first time, we are no exemption to this.

To address this the Government released some funds to the tourism industry and instructed them not to lay off staff, and manage for 6 months. This is not a long-term solution but an immediate one, and even to say whether this is a short term solution, no one knows how long the effects are going to run. We anticipate recovery to be slow and take about 3-4 years to revert to pre-Covid levels. Even with this, we will see low income to resorts compared to before, reduction of base wages, deferment of loans and interest payments. Moreover, there is the big question of who will fund the working capital of the closed resorts also. The working capital requirement can be within the range of US Dollars 75-80Million to kickstart the

industry. If the industry manages to raise this, then there is possibility to re-hire the previous staff. But in doing so, they will reconsider their bottom line again which means they will hire less labour, at lower wages and everybody will have to share the burden to live with what can be given at best. This may not have happened yet, but it can be the norm after November or so.

We have to have concrete discussions amongst the industry, amongst the government authorities, and the general public, to create awareness that difficult times are starting, and it is not going to be over soon. We have to have a dialogue across the board including professionals, medical professionals, engineers, construction industry, and other on how the living is going to change. Already it has changed but people are yet to experience the magnitude of it. We might seem to think we still have some savings, there could have been due to places being closed down for the past few months, but these savings will deplete when you venture into the new normal. By December we can assess where we stand, how our industry is and what will be the yield, as even if there are numbers,

but without enough yield then the issue has not been addressed.

Hence, it seems that they will gradually let go off Maldivians, and at the same time they will also start laying off foreign labor.

Mr. Janah added that it can be said that currently we are living in an artificial situation where we are living off credit, held off rents and payments, eventually in few months, reality will hit everyone which will be difficult to manage unless urgent interventions are done.

Fitch ratings has downgraded Maldives' long term foreign currency and local currency Issuer Default Ratings (IDR) to 'B' from 'B+', and they have also revised the outlook to negative from stable (Fitch Ratings, 2020). This is understood considering how hard the economy is hit and the deep recession which we are going through especially with tourism hit so hard.

How important is it for us to keep a stable credit rating for us and what steps do we need to take for us to keep the rating stable under the circumstances?

Based on the answer by Mr. Ahmed Naseer

We have to understand that it is not only the Maldives who is in the pandemic situation. Almost all the countries in the world are facing it and some countries are in more dire circumstances.

We very often hear from the medical experts that the most vulnerable to the Covid 19 virus are patients with existing health conditions regardless of your age. Metaphorically, this can be said about our economy as well.

As we have highlighted earlier, when the pandemic hit the country, we already had pre-existing health issues, in the sense, we already had a lot of problems in the economy, which has been comprehensibly stated by Mr. Jaleel already, which is why we have been downgraded by Fitch and Moody's. As Mr. Jaleel mentioned that Seychelles has much higher reserves than us, who are a much smaller economy than ours.

Our pre-existing health conditions included relatively low reserves, high debt to GDP ratio, high fiscal deficit, very weak institutions and weak public finance management systems. Due to this, even though not

all countries have been downgraded, when the pandemic hit us, we were affected more, and we got downgraded.

In the near future, it does not seem possible to improve our rating, but we can work on preventing further downgrades. To ensure that, there must be more serious dialogues including the politicians, the tactical people in the country, that business cannot go on as usual. To recover, return back better and stronger, there must be changes implemented. This is the perfect opportunity to bring about these changes, and if we fail to do that now during this pandemic, we will not get another perfect chance like this to put our house in order, restructure debt and strengthen our public finance management systems and our institutions.

Therefore, the answer lies within how well we can come up with these reforms. At least start work now and work on improving our institutions and building the reserves.

Will Covid-19 pandemic be the cause of major delays in the completion of both the public and private projects. If so, how do contractors claim for extension of time under the current scenario?

Based on the answer by Mr. Mohamed Ali Janah

The pandemic locked down several countries and the supply chain were heavily affected. The lockdown also interrupted the local transportation, resulting in the movement being completely stopped for a period of time.

The question is how do the state sector or the private clients apply these loss times. After discussions with heads of regional federations and the FIDIC CEO to understand how they apply this, and how the numbers of days lost are determined, it can be seen that some countries are applying the announced lockdown periods, or they are stipulating the official days that can be legally qualified as public holidays due to the pandemic and that can be proven this way, be it 3 months or even more. Determining the number of days for compensation was the most important factor in addressing this. Some countries are facing this challenge as they have not declared the lockdown period as public holidays and categorizing them as

work from home period or something but does not qualify as legal public holidays.

In Maldives, it was announced by the Ministry of Tourism in June 2020, that they will award an allowance to the local on-going resort development projects for the loss time endured during the pandemic, based on submitted applications and verification. This is a benchmark and a very good initiative by the Government. Clients and consultants should follow suit and FIDIC also has allowances to address this. This is very crucial as contractors have been forced to have idle time with no choice and the contractors are not keen on asking for compensation in monetary terms, but rather they seek additional time without repercussions. Therefore, the least the Government and the clients could do is for the contractors is to reward them with equivalent time to the lost time.

Could social distancing and stay at home measures change the economic behaviors of Maldivians permanently?

Based on the answer by Mr.Athif Shakoor

We see that it has already changed. We have seen that the state has operated and run online, even the businesses and shops. The number of customers who can walk into shops and restaurants are few. The requirements for office spaces by the Government and the private sector will change. We now know that gathering at one place in the morning is not necessary to run the state or the economy. We have found different way to manage, by working from home and through digitization. With the new lessons learnt and the social distancing, how we run the economy and the society will transform. Some of the bigger companies

are managing remotely by having they staff abroad and minimizing their costs.

However, as human beings are social animals, ultimately when we feel it is safer to hang out with out friends, we will start socializing again. But we can hope that this will be done in a safer manner.

Even so, how we run the economy will definitely change.

How did the pension fund prepare for the Covid-19 pandemic to protect investments and what is your overall experience?

Based on the answer by Ms.Sujatha Haleem

The Pension office was very prudent in the way forward and risks were addressed immediately, such as liquidity risks because pension payouts are done even now, and the possibility of a significant decline in the returns and defaults of investments. These were the main risks that were identified and immediately addressed by maintaining about three months liquidity to mitigate the liquidity risk, and by implementing a very thorough investment monitoring program, where active dialogue was maintained with the investors.

Most of our funds are invested in the financial sector, with a lot of it invested with the T bills and the Government. These were regularly followed up to ensure there are no defaults and timely payments were being received.

For the next year, some decline in dividends can be forecasted though right now it cannot be ascertained as to how much. However, the invested companies are fundamentally strong, and this gives optimism to the situation. With the pandemic and its effect on the labor market initially there was reduction of contribution upto 20-25%. We observed this in March and April contributions, how ever it is stabilizing now. It would be an interesting study to see how the contribution stabilized and whether this will remain as is or whether there will be a reduction later.

Concluding Remarks by the Panelists

Mr. Ahmed Naseer

"Let this pandemic or let this crisis be an opportunity for us to think back and take our economy back from the ventilator, and then build it better by bringing about the required structural reforms in our economy, in the public finance management, in the governance, financial corruption, and all other factors that we need to reform in the economy in order for us to not continue business as usual. If we decide not to, and if we decide to ignore all these factors as soon as we get our resorts filled with guests and tourists, then we would have not learnt at all and we would be in this situation very quickly again. So, let us hope that we would be able to all work together and bring these changes."

Ms. Sujatha Haleem

"We see a lot of numbers happening now, such as the pension numbers and how is this labor market reaction, and so this is going to be a very interesting learning experience for us to work. I totally agree to build back better and look at where the wastage is happening, or where the gaps are, and fill those gaps. Have a proper social security network where we can bring the more vulnerable people up and let them not fall through the gaps. I think this is the time we need to think of a holistic approach to social security and the financial sector of the nation."

Mr. Ibrahim Athif Shakoor

"We cannot lose this opportunity. It is a pandemic, it is a disaster, but it is also an opportunity. We have to build back better. We have to come back better, and as Ms. Sujatha has mentioned, with a better social security net, because there is no point in looking after our economy without looking after our people."

Mr. Bandhu Ibrahim Saleem

"Firstly, I think from the discussions it appears to me that fiscal imbalances continued for quite some time in this country and will continue unless quick actions have been taken. Secondly, the weak reserve position of the corporate sector is a concern. Thirdly, the wage sector, for which we have had inadequate data for very long time, needs to be adjusted and people have to be educated about how this wage sector is going to adjust itself from the corporate sector or from the tourism sector.

So, what is the shining star? Undoubtedly, the shining star is fisheries sector, where they have been earning and they have been doing good landings. So, we have to expand on the fisheries sector by giving long-term credit to invest in fishermen's boats and shore facilities. If all of us get together with the Government, public, and investor, and have a dialogue, I am sure we can overcome this more smoothly in the future."

Mr. Mohamed Jaleel

"What I have to say first, second and the last, is do not lose this opportunity again. This is a great opportunity. Oftentimes when you are in the valley you get the best time to do things. Do not lose this opportunity and take those extraordinary measures, bold measures, work together and try to learn from the lessons of experience. On the lessons of experience, I would like to highlight that building better was what I heard after Tsunami so much. Let us not just say this word but also try to live up to this word. Building better, building better, and all of that was written in so much of literature in 2004, which I still vividly remember. So, this time, what we should be definitely doing is, when we build better try to find low unit cost of development. Bring in lower unit cost of development. That is the only thing that can sustain our economy. If we cannot do this, I am sorry, but this will be business as usual."

Conclusion

With years of collecting debt and fiscal mismanagement, (IMF, 2019) Maldives has been hit hard with the affects of the pandemic which made all these macroeconomic issues worse for us. We have been downgraded by international rating agencies such as Fitch (Fitch Ratings, 2020) and Moody's and must work collectively to prevent further downgrades.

We must take the expertise shared by the very knowledgeable panelists, who each have years of practical experience in their respective fields, and work on putting our economy back on our feet. We need to seek the opportunities in this adversity and ensure we do not go back to how we did things when we faced shocks in the past where slogans were thrown around, but nothing was done for the future and we carried on cruising.

This is the time to bring reforms on many fronts and this session has touched on critical matters that we all must consider. Delicate matters and long-standing problems have been discussed and the ways forward in our economic recovery.

We must all work in unity to have our U shaped recovery and speed it up where possible.

As with all other episodes and reports, NFME's aim with this report is also to collate the main points discussed in the full episode and present to you so that you are also part of our dialogue. This will be the last report, which will be part of the main report that is compiled based on the whole webinar series.

We acknowledge and thank the panelists for sparing time from their busy schedules and sharing their valuable ideas.

The full episode is available on YouTube on National Federation of Maldivian Employers' channel:

<https://www.youtube.com/watch?v=9LphQPDrsVQ&t=1s>

For any assistance, you can reach out to our secretariat on secretariat@nfme.mv

TAILORING A NEW REALITY Employer's Dialogue



Episode 10: The Final Episode of the Webinar Series

23rd July 2020, Thursday

Starting time :

1100 GMT
1600 Maldives
1630 India / Sri Lanka
1900 Singapore

Topic : Road to Economic Recovery-Way Forward for
a Post Covid19 Maldives



Facilitated by :

Mohamed Ali Janah

President
National Federation of
Maldivian Employers (NFME)
Industry Expert / Entrepreneur

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Link

www.facebook.com/MVEmployers

Registration Link:

<https://tinyurl.com/y49ltfw2>



SPEAKERS



Mr. Mohamed Jaleel

Former Governor- MMA
Former Minister of Finance and Treasury
Former Minister of Ministry of Economic Development



Mr. Bandhu Ibrahim Saleem

Chairman - Solarelle Insurance Co
Executive Director - Cyprea Group
Entrepreneur



Mr. Ibrahim Athif Shakoor

Co-Founder and Co-Editor
Maldives Economic Review
Managing Director - United Food Suppliers Pvt Ltd



Ms. Sujatha Haleem

Chief Operating Officer
Maldives Pension Administration Office



Mr. Ahmed Naseer

Former Governor
Maldives Monetary Authority
Former Minister of State- Ministry of Finance

Observations by the Federation

SEGMENT 1: TOURISM

- There is need to strategise how to fill our bed inventories, as even last year less than 60% of tourism inventory was utilised.
- Staggered re-opening of resorts, where incentives are allowed for the ones opening later, can help fill inventories better during the recommencement period.
- In addition to Velana International Airport, there are other airports that already have the required infrastructure and can be set up easily to service international flights, such as Dhaalu Airport and Maamigili Airport, and there are other airports that are already considered as international airports such as Gan International Airport and Maafaru International Airport, which can be used to spread the international tourist arrivals so that we can reduce congestion at the Velana International Airport.
- Bilateral discussions by the Government with the governments of other critical markets are important to find ways to reduce constraints on travelers. The top 6 markets are China, India, Russia, UK, Germany and Italy.
- Additional funding is required to promote Maldives, especially at this time as building arrival numbers is important.
- Maldives has the competitive advantage of having islands scattered allowing a sense of safe feeling for the guests who can have their stay in an isolated island.
- Maldives tourism industry has suffered the most with borders fully closing and resorts having operational costs despite having no arrivals, compelling almost all resorts to furlough employees.

SEGMENT 2: CONSTRUCTION

- The biggest challenges for the construction industry are the issues with illegal immigrations and the demand for these workers, due to lack of repercussions for them and their enablers.
- Other industries also employ foreigners and the number of workers in the open have soared with the resorts sending off their workers after they closed.
- Construction industry is looking after over 40,000 foreign workers even now, by providing food and accommodation.
- Disruption to supply chain hindering the procurement of building material, including logistical constraints have contributed to severe delays in construction projects resulting in major losses for contractors.
- The delays result in extra costs for the management of workers also who have to be looked after regardless of the stoppage of works.
- Contractors are in dire need for the Government to release payments promptly for the projects that are continuing.
- Several construction projects of necessary infrastructure and health care facilities are on-going.
- There is a misconception on how built up area and tenants' registered area is calculated.
- The floor area is how much that will be registered for the tenant. Not the constructed area by the contractor that can include corridors and other common areas.
- Government has 42 projects in 36 islands under MTCC.
- MTCC has visions of transforming their ferry system, Mahaajarraaf, to a fully local operation.
- It is vital to train the local youth and make them aware of the benefits of the industry and to train workers without fear of them leaving to work for another company. The trainings will eventually benefit the nation by enriching its people.
- Construction companies need additional financial assistance, either through soft loans with grace periods for repayments or other stimulus packages, to enable them to bridge their finance so that they can manage their cashflow and ensure staff salaries are paid, and other expenses such as rents and bills are paid on time.

SEGMENT 3: FISHERIES

- Fishing is the only industry that continued during the pandemic without interruption.
- Due to the operation of cargo flights even during lockdown, it enabled some export of fish products to continue.
- Demand for canned fish increased, mainly due to its longer shelf life, and due to limitations in storing raw fish, the demand for raw fish declined.
- Maldivian fishermen earn about MVR1.8Billion annually, even when based on only the tuna sales.
- Right now, the processing is done at Thailand processing factories and it is important to establish systems in Maldives where processing can be done locally.
- Additional storage and collection facilities are critically needed.
- Bilateral discussions with the European countries are required to work on exempting Maldives from the current duty of 24% on the Maldivian products that are imported to Europe.
- Bait fishing must be regulated. It can also be established as a separate semi-industry supporting the main fishing industry.
- It is essential to raise awareness amongst the local youth on the lucrativeness of the industry.
- Other industries also need to recognise fishermen as professionals, so that they can also qualify for bank loans, pension schemes and other such benefits.
- A FairTrade model would work well in the Maldives, which would support livelihoods and ensure the quality of products.
- The focus must be shifted to stock management instead of maximum exploitation.
- The fishing industry needs a masterplan established at the earliest.

SEGMENT 4: FINANCE

- The finance sector has been surviving on digitization and there is additional scope for further use of technology and IT.
- With this, there is additional need to be vigilant and mindful of cyber attacked and ensure cyber security is considered seriously.
- Islamic finance is gaining prominence with several of their benefits being recognised by the people.
- There are options of using Islamic finance tools such as zakat, Waqf and Sadaqaat to relieve people from the predicaments faced now.
- Government has taken plenty of measures to handle the situation in different stages and the moratoriums, subsidiaries on utilities and stimulus packages are the major steps.
- Maldives is receiving foreign aid from around the globe with additional aid expected.
- Additional taxes are required and expected in the future. However, this should be executed in a considerable manner that is transparent and possible by the taxpayers.
- Similar to the Swedish Tax Agency, Maldives must also transform from a feared tax collector to a popular service agency.
- It is vital to further reduce costs and expenses.
- In April, Maldives had about 1.4 months' worth of reserves, in months of imports.
- It is imperative to work harder in shifting the country's dependency from foreigners to locals.

SEGMENT 5: MICRO, SMALL AND MEDIUM ENTERPRISES

- MSME are misunderstood as spillover economy, whereas they are the actual backbone of the economy.
- There are various stimulus packages and relief packages, but many companies are unable to avail these due to disorganization of their businesses.
- There is a need for decentralization and deregulation.
- There is a need to improve the country's import substitution.
- Land valuation policies, especially in the atolls, need to be updated.
- Once companies are registered, the respective ministries / authorities pertaining to these companies must ensure proper monitoring of their codes of business operations.
- Mismanagement of expatriates affects MSMEs also and need to be addressed.
- Overcharging by vessels from the consignees in Maldives is a critical issue raised, however, has now been addressed by the Transport Authority of Maldives as stated in the segment 7.

SEGMENT 6: AIRLINES AND AVIATION

- MACL has been giving incentives through waivers of charges and discounts to airlines, however, Manta Air expressed that they have not received them, where as Sri Lankan confirmed they did, suggesting all international airlines have been given these incentives so far.
- There are works on-going to upgrade Dhaalu Airport and Maamigili Airport to international airports.
- Sri Lankan Airlines will operate daily twice and increase to thrice daily operations.
- Maldivian is in discussion with other airlines for alliances for certain routes.
- Airlines are open to and exploring additional markets and routes.
- Sri Lankan is working on enhancing their digitized service where the online issued boarding passes can be accepted at Male' airports.
- Maafaru and Dhaalu airports need to be equipped with full-fledged facilities to enable private jets to land, so that these are viable options for private jet operators

SEGMENT 7: SHIPPING AND LOGISTICS

- There are historical changes being brought to Maldives Customs Service to allow for a more transparent, efficient and corruption free environment.
- Companies are adapting to digitization.
- There have been unethical charges taken by intermediary players, especially unregulated foreign parties, which was one of the biggest threats to the industry. However, the Transport Authority has now regulated this and a new law was announced on 16 July 2020.
- With limited facilities and congested ports, there is no room for additional players in the market.
- Maldives State Shipping has a promising future with possible opportunities for local youth once it takes off.
- Maldives need to work on improving the logistics industry and gap the bridge between neighboring countries on the World Bank's Ease of Doing Business Index.
- Gulhifalhu is the best option for the relocation of the port according to majority.
- Going public can help strengthen the company, especially internationally.

SEGMENT 8: FOOD AND BEVERAGE

- 1/3 of the F&B industry can be expected to go out of business during this situation.
- The industry has more supply than demand except in catering segment.
- The best option to move ahead is to switch to smaller business operations such as kiosks than operating bigger restaurants.
- Takeaway services is trending.
- Rents are exorbitant, even in this industry.
- The unavailability of US Dollars is affecting the market and can result in price hikes if not controlled soon.
- Clearer and specific guidelines are required for the industry, such as specific guidelines on seating capacity per area, and more.
- It is important to regulate small businesses that have sprouted from homes especially during the pandemic.
- There is necessity to decentralize.

SEGMENT 9: INSURANCE

- Insurance industry is the least affected yet, but more impact is yet to be seen towards the end of the year.
- Current covers do not cover pandemics, but certain losses are covered through indirect coverage from main cover and these do not cover business interruption losses.
- New products are emerging in the market, including pandemic covers for any future ones.
- There is a need to create a natural disaster or regional pool to cater to future pandemics and natural disasters.
- The newly introduced 3% Withholding Tax on insurance premiums is too high for the insurance companies to manage during this period.
- The new normal requires extra vigilance in cyber security.
- Policyholders must learn about the products / covers they are buying to avoid situations in future where they are told that they do not have the proper / adequate cover for your specific situation.
- Currently only locals can be insurance agents, which will hopefully remain as so.

SEGMENT 10: OVERALL ECONOMY OF MALDIVES

- Maldives need to increase the savings % GDP, which is currently not exceeding 10%.
- Maldives is suffering two crises. The macroeconomic issues and the Coronavirus.
- Due to the poor health of the macroeconomy, the pandemic's effect on the Maldives economy was greater than on others.
- There is severe disparity between Male' and the atolls.
- The Maldives' Gini coefficient is a bit below half and can worsen with the pandemic's effects. Income inequality is expected to worsen too.
- There is no bankruptcy law in Maldives and this has to be considered as private companies cannot play on level field with the SOEs.
- The Maldives Employment Act does not cover furloughing of staff, but allows no pay leave for civil workers. The Act can be enhanced to elaborate on these for future situations.
- Maldives has been downgraded by Fitch and Moody's.
- Contractors who are continuing projects should be compensated for the lost time due to the pandemic and the contracts could use adjudication clauses, to create adjudication committees that can resolve dispute efficiently and in a timely manner.
- Foreign Direct Investments are needed and except for GtoG and construction finance projects, there should not be room for foreign companies to work in Maldives, taking opportunities which would otherwise be of locals.
- The Government and the private sector must jointly prepare an all comprehensive economic policy response and a roadmap where the roles of everyone, the Government, private sector, the citizens, are all identified clearly.
- Better legal frameworks are required to ensure pension system investments are secured properly.
- There have been high compensation payouts recently, with anecdotal figures suggesting the value to be over 50% of 2019's tax revenue.

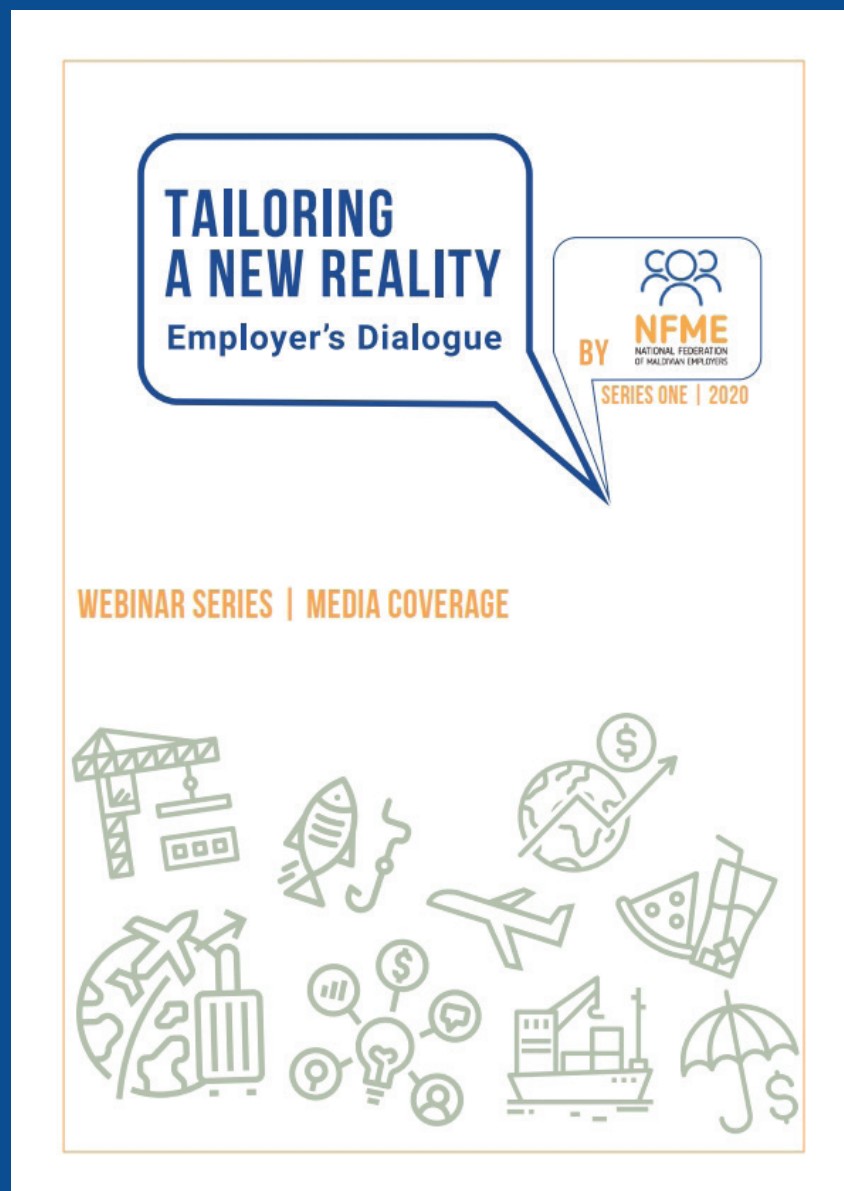
News Articles Related to the Webinar Series

This section is a compilation of the articles covered by various media for the whole webinar series.

This will show the link and the respective headlines. We have compiled a full media report, with the full articles and images, for your easy reference. You can access the articles compilation on the Federation's website, www.nfme.mv.

The full compilation will have the details of the writer for each article and credits for these go to their respective writers. NFME only collated and compiled a collection for records. We thank all the media for the coverage.

The link for the media compilation is: <http://nfme.mv/downloads/category/7-webinar>



Episode 1 – Tourism

<https://avas.mv/83386>

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زمرہٴ صحیحہ و مستقیمہ جلد ۱-۹۱ اور صحیحہ و مستقیمہ جلد ۱-۹۱: زمرہٴ صحیحہ و مستقیمہ

<https://psmnews.mv/69386>

١٠ ١١ ١٢ ١٣ ١٤ ١٥ ١٦ ١٧ ١٨ ١٩ ٢٠ ٢١ ٢٢ ٢٣ ٢٤ ٢٥ ٢٦ ٢٧ ٢٨ ٢٩ ٣٠ ٣١ ٣٢ ٣٣ ٣٤ ٣٥ ٣٦ ٣٧ ٣٨ ٣٩ ٤٠ ٤١ ٤٢ ٤٣ ٤٤ ٤٥ ٤٦ ٤٧ ٤٨ ٤٩ ٥٠ ٥١ ٥٢ ٥٣ ٥٤ ٥٥ ٥٦ ٥٧ ٥٨ ٥٩ ٦٠ ٦١ ٦٢ ٦٣ ٦٤ ٦٥ ٦٦ ٦٧ ٦٨ ٦٩ ٧٠ ٧١ ٧٢ ٧٣ ٧٤ ٧٥ ٧٦ ٧٧ ٧٨ ٧٩ ٨٠ ٨١ ٨٢ ٨٣ ٨٤ ٨٥ ٨٦ ٨٧ ٨٨ ٨٩ ٩٠ ٩١ ٩٢ ٩٣ ٩٤ ٩٥ ٩٦ ٩٧ ٩٨ ٩٩ ١٠٠

<https://avas.mv/83621>

دندونو واراړه سره اړخه: ستر

Episode 2 – Construction

<https://mihaaru.com/business/75524>

دَاجِ اَمَرَقِي دَا مَعْمَد دَا قَزَرْ دَسَوْنَام نَغْسَر دُوسرُو وَ مَرُورِس

<https://oneonline.mv/29185>

دَرَجَاتٍ مِّنْ قَوْلِهِ رَمَدٌ وَرَسْدٌ وَسَكِينٌ وَمِغْسِدٌ وَمَا مِنْهُنَّ نَارَةٌ

<https://vaguthu.mv/viyafaari/378064>

دَدَئُخْ قَرَوَسْ زِوَرِسْ د رَنَج سَرْ وَرَسْ

<https://mihaaru.com/business/75521>

کَافِرًا کَرِهَ رَحْمَتُ رَبِّكَ اِنَّ رَحْمَتَ رَبِّكَ لَکَ لَکَافٍ

<https://avas.mv/83994>

دَدَدَدُ قَرَوَسَرِ مَرْوَرِسَرِ دَ اِرَرَمَرِ هَسَرِ فَوَرَسَرِ

<https://corporatemaldives.com/mahaajaraf-to-only-employ-maldivian-employees/>
Mahaajjahraaf to Only Employ Maldivian Employees

<https://oneonline.mv/en/29186>

Azim: Only locals will be working on Mahajarraaf after five months

<https://psmnews.mv/en/69758>

Hopper dredger to employ 100% Maldivians in 4 months: MTCC

Episode 3 – Fishing

<https://psmnews.mv/70064>

މަރުކަޢާތުގެ ދަށުން ފަރުދާ ދަތުރު ފަދަ ގޮތްތަކަށް ފޯމު ދެއްވާ ފަރާތްތަކުގެ ތެރެއިން ބަލާލާށެވެ.

<https://psmnews.mv/70077>

މަދަރުސާތަކުން ފަރުދާ ދަތުރު ފަދަ ގޮތްތަކަށް ފޯމު ދެއްވާ ފަރާތްތަކުގެ ތެރެއިން ބަލާލާށެވެ.

<https://psmnews.mv/70073>

މަދަރުސާތަކުން ފަރުދާ ދަތުރު ފަދަ ގޮތްތަކަށް ފޯމު ދެއްވާ ފަރާތްތަކުގެ ތެރެއިން ބަލާލާށެވެ.

<https://theislandchief.com/post/?id=52238NFME#.XvDUq49OtUU.twitter>

NFME Successfully Hosts The 2nd and 3rd Episodes of ‘Tailoring A New Reality – Employer’s Dialogue’

<https://avas.mv/84378>

މަދަރުސާތަކުން ފަރުދާ ދަތުރު ފަދަ ގޮތްތަކަށް ފޯމު ދެއްވާ ފަރާތްތަކުގެ ތެރެއިން ބަލާލާށެވެ.

Episode 4 – Finance

<https://sun.mv/139017>

މަދަރުސާތަކުން ފަރުދާ ދަތުރު ފަދަ ގޮތްތަކަށް ފޯމު ދެއްވާ ފަރާތްތަކުގެ ތެރެއިން ބަލާލާށެވެ.

<https://dhiyares.com/business/7092>

މަދަރުސާތަކުން ފަރުދާ ދަތުރު ފަދަ ގޮތްތަކަށް ފޯމު ދެއްވާ ފަރާތްތަކުގެ ތެރެއިން ބަލާލާށެވެ.

<https://psmnews.mv/70399>

މަދަރުސާތަކުން ފަރުދާ ދަތުރު ފަދަ ގޮތްތަކަށް ފޯމު ދެއްވާ ފަރާތްތަކުގެ ތެރެއިން ބަލާލާށެވެ.

Episode 5 – MSME

<https://avas.mv/84839>

މަދަރުސާތަކުން ފަރުދާ ދަތުރު ފަދަ ގޮތްތަކަށް ފޯމު ދެއްވާ ފަރާތްތަކުގެ ތެރެއިން ބަލާލާށެވެ.

<https://avas.mv/84850>

މަދަރުސާތަކުން ފަރުދާ ދަތުރު ފަދަ ގޮތްތަކަށް ފޯމު ދެއްވާ ފަރާތްތަކުގެ ތެރެއިން ބަލާލާށެވެ.

<https://psmnews.mv/70548>

މަދަރުސާތަކުން ފަރުދާ ދަތުރު ފަދަ ގޮތްތަކަށް ފޯމު ދެއްވާ ފަރާތްތަކުގެ ތެރެއިން ބަލާލާށެވެ.

Episode 6 – Airlines and Aviation

<https://psmnews.mv/70752>

١٤٢٠ هـ / ١٩٩٩ م

<https://psmnews.mv/70751>

تقریریں ۲۰۲۳ء - ۲۰۲۲ء

<https://psmnews.mv/70763>

38 اِنْرُوْهُنَّ يَسَّرَ مَخْرَجَهُنَّ اُنْسُوْهُنَّ اِنْ وُجِدَ فِيْكُمْ عَدُوٌّ لِّلْعَدُوِّ فَهُنَّ اَشَدُّ حَرَجًا مِّنْكُمْ

<https://avas.mv/85114>

سَمْعُكُمْ سَمْعُكُمْ سَمْعُكُمْ سَمْعُكُمْ سَمْعُكُمْ سَمْعُكُمْ سَمْعُكُمْ سَمْعُكُمْ سَمْعُكُمْ سَمْعُكُمْ

<https://psmnews.mv/70752>

لَا إِلَهَ إِلَّا اللَّهُ مُحَمَّدٌ عَبْدُهُ وَرَسُولُهُ

<https://vaguthu.mv/news/391186>

سَمْعًا ۚ وَنَسُوا ۖ قُلُوبَهُمْ فَسَوُوا ۖ حِجَابًا ۖ رَحِيلًا ۚ وَهُمْ يَسْمَعُونَ ۚ قُلُوبُهُمْ مُسَمَّنَةٌ ۚ أَلَيْسَ لَهَا عَذَابٌ شَدِيدٌ ۚ

Episode 7 – Shipping and Logistics

<https://avas.mv/85926>

[illegible]

<https://psmnews.mv/71181>

[illegible]

Episode 8 – F&B

<https://psmnews.mv/71578>

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ، اَللّٰهُمَّ صَلِّ وَسَلِّمْ عَلٰى سَيِّدِنَا مُحَمَّدٍ وَآلِهِ الطَّيِّبِيْنَ

Episode 9 – Insurance

<https://psmnews.mv/72060>

١٩-٤: سَوَّاهُ مَرْحَلَتِي اَمْرًا مَشْرُوعًا لِمَنْ يَسْتَعِينُ رَافِعًا رُكُوعًا مَرْحَلَتِي

Episode 10 – Overall Economy of Maldives

<https://avas.mv/86559>

ދިވެހިސަރުކާރުގެ ގެޒެޓްގައި ބަޔާންކުރި ސަރުކާރުގެ ބޭނުންތަކާ ބެހޭ ގޮތުން

<https://avas.mv/85510>

މާލެއިން ބޭރުގެ ސަރުކާރުގެ ބޭނުންތަކާ ބެހޭ ގޮތުން

<https://avas.mv/86303>

ދިވެހިސަރުކާރުގެ ގެޒެޓްގައި ބަޔާންކުރި ސަރުކާރުގެ ބޭނުންތަކާ ބެހޭ ގޮތުން

<https://mihaaru.com/business/77848>

މާލެއިން ބޭރުގެ ސަރުކާރުގެ ބޭނުންތަކާ ބެހޭ ގޮތުން

<https://mihaaru.com/business/77849>

މާލެއިން ބޭރުގެ ސަރުކާރުގެ ބޭނުންތަކާ ބެހޭ ގޮތުން

<http://sangu.mv/5624>

ދިވެހިސަރުކާރުގެ ގެޒެޓްގައި ބަޔާންކުރި ސަރުކާރުގެ ބޭނުންތަކާ ބެހޭ ގޮތުން



Credits & Acknowledgements

The webinar series was a huge success, with a lot of positive feedback by various participants and media. It was a lot of work by the organisers and we wish to acknowledge the contribution of every single person who has supported us in any way. We have highlighted some of the contributors we wish to thank from the bottom of our hearts!

Mr. Mohamed Ali Janah

Our Federation President and a Founding Member, Mr. Mohamed Ali Janah contributed as our series' facilitator and as a panelist on our last episode. His support and dedication in ensuring the episodes were successful is deeply valued. He was committed to researching by himself to ensure we had the right set of pool of questions for our panelists and had a close communication with all the panelists. His enthusiasm to publish a beneficial report and to share knowledge is reflected in the report.

Ms. Aminath Suzan

An executive board member of NFME, Ms. Aminath Suzan coordinated all the episodes, starting from invitations, coordination with all panelists to technical rehearsal to the final execution of the episodes. She also wrote the full report, including the individual chapters, based on the panelists' discussions, under the guidance of the Federation's President, Mr. Mohamed Ali Janah.

Ms. Aminath Shimna

Ms. Aminath Shimna, who is an Executive Assistant at Hotels and Resort Construction Pvt Ltd, assisted in retrieving the English transcripts and translating all the episodes that were conducted in Dhivehi.

Mr. Ahmed Mauzoon Abdullah

Mr. Ahmed Mauzoon Abdullah, who is the Marketing Executive at Hotels and Resort Construction Pvt Ltd, assisted with the editing of the reports, ensured all the reports were incorporated into the right template and the aesthetics of the reports were maintained.

Ms. Mariyam Shahida Mohamed

Vice President – International Affairs of NFME, Ms. Mariyam Shahida Mohamed, contributed to the team by assisting with the preparation of majority of the questions pool, with careful research done for each question to ensure accuracy and reliability. She also assisted in coordination of various episodes.

Mr. Ismail Hameed

Vice President – Public Relations and a Founding Member of NFME, Mr. Ismail Hameed and his private company, Highrise Pvt Ltd, and his team, Mr. Shamin, Ms. Maaisha and Mr. Naafee, are appreciated for their valuable contribution in assisting with the artwork of the webinar series and the template for the report. Mr. Ismail was actively involved in the coordination and closely worked with the team to ensure a successful series.

Mr. Adnan Haleem

Secretary General of NFME, Mr. Adnan Haleem is appreciated for his valuable support and efforts in promoting the series and assisting the team with administrative tasks.

Mr. Ibrahim Athif Shakoor

A special thanks to Mr. Athif Shakoor for co-facilitating the 10th Episode of the series and also for creating the questions for the episode's panelists, except of course the questions for himself, which were prepared by Mr. Janah. Mr. Athif's contribution and timely assistance, and his availability and eagerness to answer our queries are highly appreciated.

Dr. Aishath Muneeza

Dr. Aishath Muneeza contributed not only as a panelist, but she also went out of her way to share her advice and guide the author in the finalization of the report.

NFME Executive Board

In addition to the members mentioned here, we thank all the members of the board for their support. Mr. Abdulla Salih, Vice President- Administration, actively engaged in the coordination and arrangements of the last episode of the series. We also recognise several members who participated in the series as panelists, Mr. Waseem Ismail (Founder Member and Vice President- Finance) and Mr. Ibrahim Amir (Founder Member and Vice President – Membership).

All Our Panelists

We cannot thank our panelists enough, for not only taking time off their busy schedules, but also for sharing such valuable expertise that they have gained over years, and for sharing their knowledge with all of us. Moreover, for the additional effort they offered to review their responses in the respective chapters related to their episodes, thereby ensuring the reports are accurate.

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Our episodes were aired by VTV free of charge and we are so thankful for their assistance in broadening our audience. Online news media such as Avas, PSM, Mihaaru, Corporate Maldives, Island Chief, RaajjeMV, Sun Online, One Online and other media who had been covering the episodes diligently. This is evident on our previous chapter on the related media coverage.

Attendees

We had regular attendees and we thank each and everyone who took part in the webinars, be it on any platform and we hope they benefited from the episodes. We also take this opportunity to appreciate the readers who are ensuring this report has not been in vain.

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