

Report No: FIN-2023-23(E)

9th May 2023

# Statement of Government Guarantees Financial Year 2021



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## AUDITOR GENERAL'S REPORT

## TO THE PRESIDENT, THE PEOPLE'S MAJLIS, AND THE MINISTER OF FINANCE, ON THE STATEMEMNT OF GOVERNMENT GUARANTEES AS AT 31 DECEMBER 2021

### **Opinion on statement of government guarantees**

We have audited the accompanying Statement of Government Guarantees of the Government of Maldives as at 31<sup>st</sup> December 2021. The Statement Comprises of the Statement of Government Guarantees and Notes to the Statement, which comprise of the significant accounting policies and other explanatory information.

In our opinion, the Statement of Government Guarantees as at 31<sup>st</sup> December 2021 presents fairly, in all material respects, the financial position of the Government Guarantees issued as at 31<sup>st</sup> December 2021 in accordance with the encouraged additional disclosure requirements of International Public Sector Accounting Standards (IPSAS) Financial Reporting Under the Cash Basis Accounting principles.

#### **Opinion on Regulatory Compliance**

In our opinion, the statement of Government Guarantees as at 31<sup>st</sup> December 2021 were translated by the Ministry of Finance, in all material respects, in accordance with the Public Finance Act (3/2006) and Public Finance Regulation (2017/R-20).

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Responsibility of the Ministry for the Statement of Government Guarantees**

The Ministry is responsible for (1) preparing Consolidated Financial Statement of the GoM as per Section 38 of the Public Finance Act (3/2006). As an additional disclosure to the Consolidated Financial Statement of GoM, the Statement of Government Guarantees is prepared, in accordance with the encouraged additional disclosure requirements of International Public Sector Accounting Standards (IPSAS) cash basis accounting principles; and (2) complying with Public Finance Act



and Public Finance Regulations with regard to the issuances of Guarantees on behalf of the Government of Maldives. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Statement of Government Guarantees that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Statement of Government Guarantees provides the details and status of Guarantees provided by the Ministry on behalf of the Government including the outstanding commitments of those guarantees as at 31<sup>st</sup> December 2021.

## Auditor General's Responsibility

We are responsible for planning and performing the audit to obtain reasonable assurance and provide our opinion about whether (1) the Statement of Government Guarantees is presented fairly, in all material respects, in accordance with the encouraged additional disclosure requirements of International Public Sector Accounting Standards (IPSAS) Financial Reporting Under the Cash Basis Accounting principles and in accordance with section 38 of the Public Finance Act (3/2006); and (2) Ministry maintained, in all material respects, effective internal control over financial reporting relevant to the Statements of Government Guarantees as at 31 December 2021. We are also responsible for testing compliance with selected provisions of the Public Finance Act and Public Finance Regulations that have a direct and material effect on the Statement of Government Guarantees.

In order to fulfill these responsibilities, we examined, on a test basis, evidence supporting the amounts and disclosures in the Statement of Government Guarantees; evaluated the overall presentation of the Statement of Government Guarantees; obtained an understanding of the entity and its operations, including its internal control over financial reporting relevant to the Statement of Government Guarantees; compared against balances obtained from State Owned Enterprises (SOEs) and lending institutions to verify Ministry guarantee records; and performed such other procedures as we considered necessary in the circumstances.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

09<sup>th</sup> May 2023

H. Niclassich

Hussain Niyazy Auditor General



## **Statement of Government Guarantee for the Year Ended 31 December 2021**

		Balance	Loans		New Borrowings /	Balance 31st December 2021		
DOMESTIC DEBT	Currency	1st January 2021 Repaid		Disbursements	Net Issuance	Instrument Currency	Local Currency	
TOTAL GUARANTEED DEBT							14,560,633,369	
TOTAL DOMESTIC GUARANTEED DEBT		<u> </u>			· · ·		1,013,558,295	
Domestic USD		56,442,179	21,866,088	31,282,147	-	65,858,239	1,013,558,295	
State Bank of India	USD	6,083,060	6,538,307	2,934,497	-	2,479,251	38,155,666	
Habib Bank Limited	USD	4,292,834	2,798,768	1,510,459	-	3,004,526	46,239,647	
Hongkong and Shanghai Banking Corporation	USD	13,183,285	1,747,390	654,483	-	12,090,378	186,070,910	
Bank of Maldives	USD	14,496,310	2,609,761	1,182,709	-	13,069,258	201,135,876	
Bondholders	USD	18,386,690	8,171,862	-	-	10,214,828	157,206,195	
HSBC Male' Branch	USD	-	-	25,000,000	-	25,000,000	384,750,000	
TOTAL EXTERNAL GUARANTEED DEBT		1,238,058,142	595,284,313	233,547,268	-	880,251,792	13,547,075,074	
Bank of China, London	USD	19,985,550	6,635,203	-		13,350,347	205,461,846	
Browns - CMEC	USD	-	-	5,131,221	-	5,131,221	78,969,488	
China Development Bank	USD	108,819,513	12,470,000	45,577,809		141,927,322	2,184,261,484	
Credit Suisse, Singapore	USD	54,254,340	21,691,320	-		32,563,020	501,144,878	
Dongfang Electric Corporation	USD	29,767,907	6,021,791	2,909,735	-	26,655,852	410,233,555	
Exoport Import Bank of China	USD	190,237,290	1,884,881	-		192,283,105	2,959,236,981	
Export Import Bank of India	USD	27,656,617	3,269,524	40,278,686		64,665,778	995,206,330	
Industrial Commercial Bank of China	USD	377,065,499	16,682,983	-		360,382,517	5,546,286,932	
International Trade Finance Corporation	USD	15,000,000	118,823,854	139,649,817	-	35,825,964	551,361,580	
Reserve Bank of India	USD	400,000,000	400,000,000	-		-	-	
Seylan Bank Plc	USD	15,271,425	7,804,758	-	-	7,466,667	114,912,001	





## Notes:

- 1. Exchange rate applied at at Dec 31, 2021 USD 15.39 MVR 1.00
- 2. Data Sources: Debt Management Department, Ministry of Finance

The Statement of Government Guarantee for the year ended 31 December 2021 was approved on 7th May 2023

Approved by:

Prepared by:

Maryam Abdul Nasir Chief Debt Management Executive



Fathimath Mohamed Didi Debt Management Executive



## Notes to the Statement of Government Guarantees

## 1. Accounting policies

As per Section 38 of the Public Finance Act (law no. 3/2006), the Ministry of Finance (MOF) is responsible for the preparation of the accounts for the whole of Government of Maldives including contingent liabilities. The Statement of Government Guarantees reflects all Sovereign Guarantees (SG) issued by the Ministry of Finance (MOF) on behalf of the Government of Maldives and presents the year-end financial position of such Guarantees which reflects the financial exposure of the Government of Maldives as at 31<sup>st</sup> December 2021.

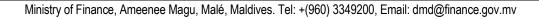
## **1.1 Definition of Government Guarantees**

Government Guarantees are obligations of the government to repay any outstanding amount that arises in the event of default of a loan or other payment obligation by the beneficiary of a Sovereign Guarantee.

## 1.2 Suspension of debt service payments under some Sovereign Guaranteed loans

As part of the G-20 Debt service suspension Initiative (DSSI), some of the official creditors provided suspension on debt service payments payable during 2021. Suspended debt services are to be repaid as per the terms agreed with creditors.







## 2. Domestic USD Guarantees

Loans in USD	Beneficiary	Creditor	Currency	Balance 1st Jan 2021	Repayments	Disbursements	New Borrowings	Balance 31st Dec 2021
Letter of Credit Facility	MIFCO	State Bank of India	USD	-	-	-	-	-
Overdraft Facility	MIFCO	State Bank of India	USD	-	-	-	-	-
Working Capital	STO	State Bank of India	USD	6,083,060	6,538,307	2,934,497	-	2,479,251
Working Capital	STO	Habib Bank Limited	USD	3,333,259	2,013,771	1,086,143	-	2,405,631
Working Capital	STO	Hongkong and Shanghai Banking Corporation	USD	9,757,041	1,222,296	244,805	-	8,779,550
Working Capital	MIFCO	Habib Bank Limited	USD	959,576	784,997	424,316	-	598,895
Revolving Import Loan	STO	Hongkong and Shanghai Banking Corporation	USD	3,426,244	525,095	409,678	-	3,310,827
Development of Gan International Airport project	AIA	Bank of Maldives	USD	14,496,310	2,609,761	1,182,709	-	13,069,258
Funadhoo Expansion Project	STO	Bondholders	USD	18,386,690	8,171,862	-	-	10,214,828
Refinancing the Medical Essentials and Staple Food Imports	STO	HSBC Male' Branch	USD	-	-	25,000,000	-	25,000,000
TOTAL			USD	56,442,179	21,866,088	31,282,147	-	65,858,239





## 3. External USD Guarantees

Loans in USD	Beneficiary	Creditor	Currency	Balance 1st Jan 2021	Repayments	Disbursements	New Borrowings	Balance 31st Dec 2021
Purchase of Refined Petrolium Products	STO	Emirates National Oil Company	USD	-	-	-	-	-
Hulhumale' Phase II Road Development	HDC	Export Import Bank of India	USD	27,656,617	3,269,524	-	-	24,387,093
STELCO 5th Power Project	STELCO	Exoport Import Bank of China	USD	69,112,290	1,884,881	-	-	67,227,410
Construction of 7000 Housing Units in Hulhumalé' Phase II	HDC	Industrial Commercial Bank of China	USD	354,711,539	14,820,153	-	-	339,891,386
Housing Project Phase III - Development of 1530 Housing Units in Hulhumalé'	HDC	China Development Bank	USD	61,649,513	9,670,000	45,577,809	-	97,557,322
Construction of 1530 Housing Units in Hulhumale Phase II	HDC	Seylan Bank Plc	USD	4,071,425	4,071,425	-	-	-
Irufen island Resort Project	Ahmed Siyam Holdings Pvt Ltd	Exoport Import Bank of China	USD	121,125,000	-	-	-	125,055,695
Construction of 7000 Housing Units in Hulhumale' Phase II	HDC	Credit Suisse, Singapore	USD	54,254,340	21,691,320	-	-	32,563,020
Design and Construction of Link Road Connecting Hulhule and Hulhunale'	HDC	Industrial Commercial Bank of China	USD	22,353,961	1,862,830	-	-	20,491,131
Construction and Development of the Seaplane Facilities at the VIA	MACL	China Development Bank	USD	47,170,000	2,800,000	-	-	44,370,000
Design and Construction of Electricity System and Open Access Network in Hulhumale' Phase II	HDC	Browns - CMEC	USD	-	-	5,131,221	-	5,131,221
Greater Male Grid Connection Phase I	STELCO	Dongfang Electric Corporation	USD	29,767,907	6,021,791	2,909,735	-	26,655,852





2500 Social Housing Units Project	HDC	Bank of China, London	USD	19,985,550	6,635,203	-	-	13,350,347
Design and Construction of Electricity System and Open Access Network of Hulhumalé' Phase II	HDC	Seylan Bank Plc	USD	11,200,000	3,733,333	-	-	7,466,667
Purchase of Refined Petrolium Products	STO	International Trade Finance Corporation	USD	-	118,823,854	139,649,817	-	20,825,964
USD Swap Arrangement 2019	MMA	Reserve Bank of India	USD	400,000,000	400,000,000	-	-	-
The Purchase of Staple Food, Medicine and Medical Equipments	STO	International Trade Finance Corporation	USD	15,000,000	-	-	-	15,000,000
Development of Hulhumale' Phase I remianing roads and Phase II stage 2 roads	HDC	Export Import Bank of India	USD	-	-	6,236,186	-	6,236,186
Design and Construction of 2000 Social Housing Units in Hulhumale'	FDC	Export Import Bank of India	USD	-	-	17,467,500	-	17,467,500
Design and Construction of 2000 Social Housing Units in Hulhumale'	FDC	Export Import Bank of India	USD	-	-	16,575,000	-	16,575,000
TOTAL			USD	1,238,058,142	595,284,313	233,547,268	-	880,251,792





## STAR CLOUDS

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