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MALDIVES

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**Statement by
His Excellency Mr. Ahmed Khaleel
Permanent Representative of the Republic of Maldives to the
United Nations at the UN Conference on Financial and Economic Crisis and
Its Impact on Development**

**United Nations Headquarters, New York
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Mr. President, Excellencies, Distinguished Delegates, Ladies and Gentlemen,

Allow me at the outset to congratulate you, Mr. President, for your initiative to convene this important conference. In our view the conference is relevant, timely and necessary. As the most representative and universal international body, the United Nations has an important role to play as we embark to address and remedy the flaws in the international economic and financial architecture that had contributed to the present crisis.

Allow me also to express my delegations gratitude to the two Co-Facilitators, the Permanent Representatives of the St. Vincent & Grenadines and the Netherlands for their hard work in crafting the delicate consensus of the outcome document of the conference.

Mr. President,

The Maldives belongs to two of the three most vulnerable groups identified by the United Nations - the group of Least Developed Countries (LDC) and Small Island Developing States (SIDS). As such, the impact of the economic and financial crisis has been tremendous and unimaginable on our fragile economy.

The current crisis is already stretching the limited resources that we have and challenging our efforts to implement change at a time when change is necessary in all aspects of Maldivian life. The Maldives is currently faced with a myriad of challenges that include serious social challenges such as inadequate housing, lack of modern transportation systems, substance abuse and unprecedented fiscal challenges.

Although a comprehensive study on the impact of the economic and financial crisis has not yet been done, the impact of multiple challenges over the past few years starting from the devastation caused by the Asian Tsunami, food and fuel crisis, and now the economic and financial crisis, has resulted in the shortage of foreign currency, price hikes in the primary commodities and the withdrawal of private capital flows and foreign investments.

The tourism sector which is the largest contributor to the GDP of the country, amounting to 30 % over the past decade, has observed a decline of 11 % over the first four months of this year. It is anticipated that the decline would continue over the coming months before it is expected to recover early next year. The fluctuations in the oil prices and the falling tuna prices in the international market has also had a considerable affect on the fishing industry, which employs more than half of our work force. The contraction of the tourism, trade and construction sector have very real and direct impact on the human security of our people and far reaching implications on the economy as a whole.

Mr. President,

The Maldives like other LDCs and SIDS does not have the necessary fiscal capacity and institutional arrangements to counter the fallout of the crisis. We have limited or no foreign reserves at our disposal. The only means of funding the domestic expenditures are through borrowed sources and foreign grants. The impact of the financial crisis has the potential, therefore, to further aggravate our public external debt burden. It is forecasted that by the end of 2009 public external debt would reach 45 percent of the GDP with debt service projected to increase to 10 % of total exports of goods and services. Without the appropriate immediate and long-term remedial measures in place, the economic and fiscal crisis that we face has the potential to unravel the modest achievements that we have made over the past decades and seriously compromise our development aspirations.

We need urgent assistance and support from the international community to stabilise the situation and jump start our economy. Particularly, we need assistance in the areas of maintaining the growth rate, stable employment, investments in physical and social infrastructure, as well as expansion of the social safety nets for the most needy.

Mr. President,

For the past two decades, the Maldives have had the good fortune of rapid socio-economic development. We were indeed amongst the few countries which were on track of achieving the Millennium Development Goals (MDG) on target. Our strong socio-economic performance has earned us the right to graduate from the least developed country status. We have also successfully pursued far reaching political and human rights reforms that have ushered in, for the first time in the history of our nation, the most cherished values of democracy and fundamental freedoms. Under our new Constitution, we have held the first multiparty Presidential elections that resulted in the establishment of the first democratic government which proudly stands on the pillars of good governance, human rights and democracy.

Mr. President,

This is precisely the time when we need the help and assistance of our development partners more than ever before.

The Maldives will graduate from LDC status by the end of 2010. We cannot, therefore, afford the present economic and financial crisis to derail the development trajectory that we have achieved over the past two decades through hard work of our people and valuable support from our development partners including the UN System. We need special and differentiated treatment and commitment from our partners in our efforts to ensure smooth transition from least developed country status to a middle income developing country. We need our partners by our side as we work to strengthen and consolidate democracy in our country.

Moreover, we need the understanding and cooperation of all stakeholders as we work to adapt to the changing climatic conditions that threatens the very survival of our island nation.

Mr. President,

Graduation from LDC status will not change the inherent and structural vulnerabilities of the Maldives as a Small Island Developing State. These vulnerabilities arises from the interplay of a wide range of factors including: size, geography, remoteness; isolation from markets; vulnerability to natural disasters; fragility of ecosystems; limited commodities and consequent dependence on imports; and the limited ability to reap the benefits of economies of scale.

The SIDS are recognized by the UN along with LDCs and LLDCs as the most vulnerable groups of countries. However, SIDS does not enjoy any special treatment specifically by virtue of their SIDS status. Of the three recognized categories only LDCs receive special attention on vulnerability grounds.

This situation has had two key knock-on effects. Firstly, SIDS that are classified as middle-income countries such as, for example, most of the Caribbean States, are disadvantaged by being placed in an implicit group that does not take account of vulnerability issues. SIDS that currently enjoy special benefits and concessions as LDCs are reluctant to graduate and lose LDC preferences in the absence of special treatment opportunities outside LDC status.

Therefore, the Maldives intends to work with its SIDS and AOSIS colleagues to see how the SIDS category can be improved at an operational level.

Before I conclude, allow me Mr. President, to echo what has been said by Secretary-General Mr. Ban Ki-moon, in his opening statement yesterday, on the importance of the need to commit resources to help the poorest and most vulnerable adapt to climate change and to "seal the deal" in Copenhagen. A comprehensive and a well crafted agreement in Copenhagen to address climate change and move to a more greener economy is an imperative for our future. Failure to do so will have far reaching consequences and would lead to a crisis of catastrophic proportions that will not be possible to overcome. The unconditional commitment and support of every country represented in this hall is crucial in this regard.

I thank you Mr. President.