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MALDIVES

Country Snapshot

The World Bank Group



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COUNTRY SNAPSHOT

Maldives was one of the world's 20 poorest countries in the early 1980s. Three decades later, its inhabitants enjoy the same levels of gross domestic product (GDP) per capita and human development outcomes as a middle-income country. Over the past 30 years, Maldives has successfully built on its extraordinary natural assets to promote growth and socio-economic development. Maldives shares many of the development challenges of other Small Island Developing States (SIDS), such as: a small domestic market; a narrow and fragile resource base; a shortage of skilled manpower; difficult inter-island transport and communication; high cost of social and economic infrastructure provision; heavy dependence on external trade; and vulnerability to external shocks and natural disasters. These challenges are compounded, in the case of Maldives, by the country's high geographic dispersion, with 1,190 coral islands (199 of which are inhabited) grouped in 26 atolls, spread over roughly 90,000 square kilometers. With more territorial sea than land, marine resources have played a vital role shap-

ing the contours of economic development, with nature-based tourism being the key driver of economic growth and fisheries an important sector of employment for the local population. The development of a profitable high-end tourism sector has fueled sustained growth rates and supported public investments in health and education.

Maldives' model of economic development has, however, not been inclusive and its future sustainability is at stake. Although this economic model based on tourism-led growth and redistribution of tourism-generated revenues has contributed to improving the well-being of the Maldivian population, poverty reduction has been below potential and the level of inequality -- and lack of shared prosperity -- remain a major challenge. Recent political and socio-economic developments have, moreover, brought to evidence the inherent vulnerability of Maldives' development and raise concerns about its fiscal, environmental and social sustainability.

ECONOMIC OVERVIEW

MALDIVES	
	2014
Population(1)	341,256
GDP (USD mn)	3,032
GDP per capita (USD PPP)	14,774
GDP per capita (USD)	8,625

Sources: World Bank, WDI
Notes: (1) Excluding expatriate workers (58,683)
Sources: Ministry of Finance and Treasury, National Bureau of Statistics, Maldives Monetary Authority, WDI, staff calculations

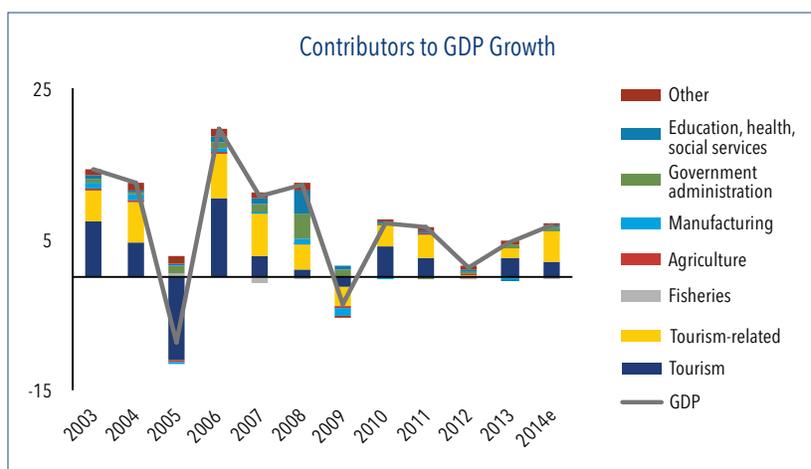
Economic growth continued its recovery from the 2012 dip, while inflation has slowed down, although recent political developments present a downside risk. The dominant tourism industry is operating on an enclave model of development, while the fisheries sector, with the largest share of employment, is only weakly linked to this sector. The challenges are fiscal

and external imbalances driven by large and rising public spending leading to high debt, limited fiscal space and depleted reserves, and an undiversified economy, which primarily depends on tourism and fisheries.

Recent Developments

The arrest and trial of former President Nasheed and other politicians in February 2015 and subsequent political developments have sparked domestic protests and criticism from international bodies and local independent commissions, and have led to negative travel advisories, which might affect tourism.

Growth in 2014 (estimated by Bank staff at 5 percent), continued its recovery from the dip of 1.3 percent in 2012. This was driven by tourism and related sectors, which maintained an upward trend in 2014, albeit at a slower pace, while the public sector and social sectors showed improvement



over last year as well. The expansion of the industrial sector was caused by the significant increase in construction activity—which grew at 20.6 percent in 2014—while manufacturing contributed marginally. The agriculture and fisheries sector is the only sector to have contracted in 2014 owing to a decline in activity of fisheries output. This is significant as the fisheries sector has traditionally played a large role in employment generation, especially among poorest Maldivians. Tourism and related activities account for two-thirds of GDP, but provide employment to only 22 percent of the labor force.

Following the global decline in commodity prices, annual average consumer price index inflation slowed down sharply to 2.4 percent in 2014 and reached 1.6 percent in July 2015.

Fiscal policy in Maldives focuses on redistribution of tourism-related revenue through food and electricity subsidies, health insurance and public sector jobs. Despite high revenue of 32.4 percent of GDP, spending reached 44 percent of GDP, leading to a fiscal deficit estimated at 11.6 percent of GDP in 2014. Tourism-related earnings have driven the increase in total revenue, but not enough to prevent a widening of the deficit.

Persistent primary fiscal deficits have led to a high and increasing level of public debt. Although the country's risk of external debt distress is moderate, overall public debt is high at 74.6 percent of GDP in 2014, and subject to vulnerabilities.

The recently revised balance of payments numbers show that goods imports and tourism services exports nearly balance each other out, but substan-

tial outflows through interest payments, dividends and remittances kept the current account in a deficit at 6.3 percent of GDP. The current account is more than fully financed by foreign direct investment (FDI), mainly into the tourism sector.

As a result of the reduced goods imports and a large improvement in net capital inflows, gross official reserves have increased from \$368 million at the end of 2013 to \$693

million at the end of July 2015, but usable reserves (net of short-term foreign liabilities) remained low at only \$214 million, covering about 1.3 months of imports of goods and services. However, the stable exchange rate of MVR 15.4 per US dollar and the parallel market premium do not signal any shortages, and in practice the tourism industry appears to supply sufficient quantities of foreign exchange at a stable premium over the official exchange rate.

Outlook

The government estimates growth in 2015 to reach 6.3 percent, but this appears unrealistic with the growth in key tourism indicators, such as arrivals and bed nights, well below the rates seen in 2014.

The 2015 budget foresees an ambitious fiscal consolidation mostly by increasing one-off revenue and planning a fiscal consolidation. The full impact of the increase in the Tourism Goods and Service Tax rate will be felt in 2015, while the recently abolished tourism bed tax of \$8 per night will be replaced by a “green tax” on the same base later in 2015.

Inflation is projected to remain subdued as long as global commodity prices are expected to remain low, which will also benefit the current and fiscal accounts.

Challenges

The immediate macroeconomic challenge is the fiscal and external imbalances driven by high and rising public spending. The projected fiscal

(annual percent change unless indicated otherwise)

	2011	2012	2013	2014e
Real GDP growth, at constant market prices	6.5	1.3	4.7	5.0
Private Consumption	...	...	...	...
Government Consumption	...	...	...	...
Gross Fixed Capital Investment	...	...	...	...
Exports, Goods and Services	...	...	...	...
Imports, Goods and Services	...	...	...	...
Real GDP growth, at constant factor prices	6.5	1.3	4.7	5.0
Agriculture	1.1	0.0	5.1	...
Industry	3.0	0.5	2.4	...
Services	-1.1	-0.7	8.2	...
Prices				
Inflation (Consumer Price Index)	11.3	10.9	4.0	2.4
Current Account Balance (% of GDP)	-16.0	-7.4	-4.4	-6.3
Fiscal Balance (% of GDP)	-6.6	-7.6	-7.8	-11.6

Sources: Maldives Monetary Authority, Ministry of Finance and Treasury, staff forecasts

consolidation is not enough to bring public debt-to-GDP on a declining path and fiscal consolidation by raising revenue and reducing expenditure will be needed. Limited reserves, a high level of public debt and the short maturity of domestic debt adds additional vulnerability.

Meanwhile, continued domestic political unrest and a slowdown in major tourism-providing countries (China and European countries) might lead to reductions in tourism visits, which could put pressure on growth, revenue and the balance of payments.

There are limited investment opportunities in the private sector outside tourism, and banks prefer to park their available assets at the central bank and abroad.

The World Bank has been providing technical assistance in support of efforts to increase efficiency in public spending and bolster fiscal prudence. Technical assistance has aimed at building capacity in public expenditure analysis in the

Ministry of Finance and Treasury (MoFT) as well as in government budget preparation. Additional technical assistance has informed government efforts to reform its two major assistance schemes -- the universal health insurance scheme and electricity subsidies -- with particular focus on the social and economic impacts of reforms. This work has complemented ongoing policy dialogue on fiscal sustainability and enabled the government to better assess its options to limit current expenditures in these areas while guaranteeing equity of reforms. The broader dialogue on fiscal sustainability has aimed at shedding light on policy options to support fiscal consolidation efforts and address macroeconomic vulnerabilities. In particular, the emphasis has been on the need to contain and rationalize public spending, improve the efficiency and equity of social spending and service delivery, and address issues pertaining to the commercial banking sector. The World Bank continues to coordinate closely with the International Monetary Fund (IMF). A joint Debt Sustainability Analysis was undertaken earlier in 2015.

RECENT SECTOR DEVELOPMENTS

Public Financial Management

Institutional weaknesses in public financial management have undermined the government's capacity to undertake necessary fiscal adjustments in an efficient manner. A Public Expenditure and Financial Accountability (PEFA) assessment carried out by the IMF jointly with the World Bank and the government in early 2014 underscored the need for significant improvements in the country's public financial management systems -- notably in the areas of budget credibility and predictability as well as control in budget execution, accounting and reporting. A comprehensive legislative framework and robust organizational structures for public financial management institutions also are lacking in the country. State oversight of state-owned enterprises is particularly problematic insofar as there is no systematic financial reporting, auditing, or accounting for de facto transfers made under several budget categories.

The government requested World Bank support to strengthen its public financial management systems. Building on the PEFA assessment, a project was prepared and approved in June 2014 designed to enhance budget credibility, transparency, and financial reporting of central government finances. The project also supports greater and more efficient usage of the existing Public Accounting System as a tool for better budget execution, internal control, cash management, accounting, and fiscal reporting in addition to supporting the National Tender Division by benchmarking and strengthening procurement functions. The external audit function is being supported under a parallel Institutional Development Fund grant to build the capacity of the Auditor General's Office with a view to enhancing the scope and impact of audit services it provides.

Growth Prospects

Tourism is the most important industry in Maldives, but the linkages with the local economy are limited. Tourism constitutes by far the biggest

contributor to GDP at 28 percent, and is the greatest generator of foreign exchange earnings at more than 60 percent in 2014. Revenue from the sector accounts for 38 percent of government revenue, derived from various taxes and lease of islands.¹ Although Maldives has managed to position itself as a high-end destination, the sustainability of such premium cannot be taken for granted. Governance shortcomings in the current model for allocation of resort leases may be hampering the development of tourism and preventing the country from maximizing benefits and enhancing inclusive growth, while concerns over the investment climate and political risk may undermine the ability of Maldives to attract reputable investors in the future. The industry has developed as an enclave, with limited positive spillovers to the local communities.

A more inclusive tourism industry may hold the key to shared prosperity in the country. Better linkages between the resorts and local enterprises may help to leverage tourism growth for development of other tradable sectors. Tourism is a large and rapidly growing source of jobs, but most of them are not taken up by the local population due to such factors as: a reservation wage that is too high for unskilled jobs; lack of skills for technical and managerial jobs; social norms; and the lack of adequate transport. A nascent segment of community-based tourism, such as locally owned guesthouses, may represent a valuable option for diversification and inclusive growth through integration with local communities. Growth in this segment has some limitations and risks. There are still unrealized opportunities for linkages between tourism and local providers of fish and agriculture products. Opportunities for service-provision linkages are more limited, as many resorts already own and operate their support services and ancillary functions.

The fisheries sector is a critical contributing sector for the country's national economy and forms the most important primary economic activity in almost all of the country's inhabited islands. Before the development of tourism, fisheries was the most important industry and source of

1 This includes all tourism-related taxes: (part of) import duty, Tourism tax, GST on Tourism, Airport Service Charge, Royalties, land and resort rent, Business Profit Tax.

growth for Maldives. Although the relative importance of the fisheries sector has declined since the late 1970s (due mainly to the rapid growth of tourism), its role in the Maldivian economy (and culture) remains significant. Fisheries remain a large source of employment, the largest source of physical exports, one of the few local industries supplying the touristic resorts, and a major source of food supply for the local market. In 2011, it accounted directly for 1.4 percent of GDP and, and currently generates \$110 million in export revenue.

The sustainability of fisheries is, however, jeopardized by inadequate fisheries management and overfishing. The industry is experiencing a declining trend, with both catch and employment falling. Employment of women in the downstream fish processing industry has been reduced to practically nil. Maldives' fisheries sector benefits from high value stocks, but its recent trends highlight vulnerability to a mix of factors, including overfishing, higher fuel costs, temperature rise leading to change in schools aggregation, and lack of more effective regional eco-systemic management of the shared skipjack tuna stock. Governance deficiencies (limited number of skipjack tuna processing licenses) appear to have hampered the development of fisheries and the value they bring to the economy. Overfishing of reef fish and climate change present risks to the sustainability of the tuna fisheries as well as tourism. Threats to the health of the coral reefs that are significant to the fishery sector also come from habitat degradation and loss due to pollution, harbor construction and reclamation.

Maldives has the opportunity to further develop its fisheries sector, and to capitalize on the potential benefits to enhance economic growth and sustainable development at a national level. As sustainable and inclusive growth of the fisheries sector will likely not be based on increasing the volume of catch, a transition to a wealth-based fisheries management system may hold promise for the future. There are a range of targeted options for exploiting the opportunities presented to Maldives fisheries sector at present, but effective strategies and plans will need to be developed to identify not only economic potential, but also environmental impact. The World Bank is assisting the government in this connection, helping in the first instance to identify the opportunities for sustainable and inclusive growth of the fisheries sector.

Food security concerns have revitalized interest in the development of local agriculture production. Maldives produces less than an estimated 10 percent of its food requirements, reaching self-sufficiency in fish only. Except for coconut and fresh tuna, 90 percent of all food items are imported. Food imports are required not only to meet domestic food demand for the Maldivian people but are also essential to cater to the tourism industry in Maldives. Import dependency, limited storage facilities and ad hoc distribution pose food security risks. In response to the recent food and fuel crises, Maldives has integrated food security considerations into national planning. It has removed tariffs on imported food items, agricultural inputs and fuel, and is looking for ways to intensify and diversify agriculture and fisheries. The government is working with international agencies and private-sector partners to develop agriculture by introducing new and innovative techniques and technology to strengthen the contribution of farming to rural development. Agriculture is a relatively minor activity in Maldives and has contributed only marginally to long-term growth. Potential for agriculture is limited due to the scarcity and dispersion of arable land and high cost of fresh water for irrigation, and the country will remain dependent on imported food into the future.

There are a number of opportunities to capitalize on agriculture for local income growth. While no official data exists, the linkages between local agricultural production and the tourism industry are still limited. Anecdotal evidence suggests that concerns about the volume, quality, and reliability of local production significantly reduce the incentives for resorts to source agricultural produce locally, in favor of imports. Despite that, market participants from both supply and demand consider that there may be potential to further and more systematically exploit comparative local advantage in the production of various fruits and vegetables to cater to the resorts. Such an emphasis may have the added benefit of increasing women's employment, since agriculture has a predominantly female labor force (women represent 60 percent of total employment in agriculture). Currently, mostly bananas, melons and papaya are produced locally for resorts but it may be worthwhile to analyze more systematically what other high-value fruits and vegetables are suitable for cultivation. In addition to broadening production choices and testing

cultivation feasibility of a larger pool of fruits and vegetables, the feasibility of low-cost smallholder greenhouse technologies combined with household based-irrigation/ 'fertigation'² systems could be explored.

Poverty and Shared Prosperity

Poverty incidence in Maldives is substantially in line with that of an upper middle-income country. According to the latest available Household Income and Expenditure Survey (HIES) collected in 2009/10, the share of population living with less than \$1.25 a day in 2005 purchasing power parity terms was 4.9 percent, whereas the corresponding share using the \$2.00-a-day poverty line was 17.02 percent. These figures are very similar to the average poverty outcomes of upper middle-income countries, two of the small Pacific islands, and neighboring Sri Lanka.

Poverty declined nationwide between 2003 and 2010, although not uniformly across Maldives' territory. Poverty declined in the atolls while it remained stable in the capital area Malé. The poverty rate is the highest in the Central North and Southern Atolls, while the capital area Malé is home to the largest share of poor individuals. Sustained migration from the atolls to the capital accounts for most of the diverging poverty trends at the subnational level.

Despite progress, the pace of poverty reduction has been below potential when considering the fast GDP growth of the Maldivian economy between 2003 and 2010. The growth elasticity of poverty reduction in Maldives of about 1.2 percent is relatively low by international standards. This is evident in comparison to other countries. For example, while Maldives and Sri Lanka shared the same growth rate (approximately 4.8 percent a year over the period), poverty reduction in Maldives was one-third less than experienced in Sri Lanka.³ Given the slow pace of poverty reduction, Maldives will be able to reduce extreme poverty under 1 percent by 2040, a much longer period

than upper middle-income countries, and other countries in South Asia. The lack of shared prosperity in Maldives is the main determinant of the limited impact of growth on poverty reduction. The unequal impact of growth is further reflected by an increase in the gap between the poorest and richest segments of the population.

Limited job opportunities, especially for low-skilled labor may have played an important role in limiting the contribution of growth to poverty reduction. The lack of growth in fisheries is a particularly important determinant of the limited contribution of growth to poverty reduction, especially in the atolls. As labor income is the main source of household income for the poor, an inclusive development of the labor market is key for reducing poverty and boosting shared prosperity.

Maldives performs better than the other countries in South Asia with respect to various socio-economic indicators and gender equality. Compared to other countries in South Asia, Maldives ranks first in terms of per-capita GDP and is second only to Sri Lanka based on the Human Development Index ranking. In 2010, life expectancy at birth was 76.8, three years higher than both the average for upper middle-income countries and Sri Lanka, the second best of the South Asia region. Maldives' performance is also better than the average upper middle-income country with respect to infant mortality rate, although it is second to Sri Lanka in the South Asia region. Maldives fares significantly better than many countries when it comes to gender equality, ranking 49th on the Gender Inequality Index in the 2014 Global Human Development Report of the United Nations Development Programme. The island nation has the fewest disparities between men and women, when compared with other so-called medium human development countries as well as its South Asian neighbors. The country has attained gender parity in primary and secondary enrollment, and the number of Maldivian women attaining university degrees is at par with that of men. Gains in gender equality observed in education, health, and other developmental outcomes do, however, run the risk of being tempered by increasingly conservative social and cultural norms.

Analytical work supported by the World Bank is shedding further light on the constraints to and

2 Fertigation is the combined application of water and nutrients to a crop – a mix of fertilizer and irrigation.

3 Poverty decreased at about 0.5 percent per year in Maldives as opposed to 1.6 percent in Sri Lanka.

opportunities for reducing poverty and boosting shared prosperity in the Maldives. The Systematic Country Diagnostic undertaken over the past year offers insights in this connection and will serve to inform the World Bank Group's forthcoming Country Partnership Framework and strategy for engagement in the Maldives. Knowledge has also been deepened through recent analytical work undertaken on gender and youth in the Maldives. Further analysis is underway this fiscal year on labor market dynamics, with a specific focus on women and youth, using the soon-to-be-released 2015 census data.

Social Protection

Notwithstanding the significant achievement in reducing poverty, it remains a concern in some atolls and vulnerability continues to be high. The World Bank has been assisting the government in the design and implementation of social protection reforms that aim to strengthen the effectiveness of pensions and social assistance programs to help households mitigate and cope with risks and to provide income support to poor households. In collaboration with the government, the World Bank prepared an analytical report titled "Social Protection in the Maldives: Options for Reforming Social Assistance and Pensions" that outlined major strategic directions for reform. Building on this analytical work, a World Bank project has supported the establishment of a fiscally sustainable pension system and a strong pension administration agency. The newly introduced defined contributory pension scheme has expanded the coverage beyond public employees to include all formal sector workers and is being rolled out to self-employed workers. Additional technical and financial support has been provided to build institutional capacity to effectively deliver all social safety net benefits, including development of an integrated Social Protection Information System with a targeting module. While progress has been made in recent years to expand safety net coverage and build the benefits delivery system, several important challenges remain.

The financial sustainability of several untargeted social protection programs is a fundamental challenge. That is particularly the case for the near universal electricity subsidy program, the overly generous universal health insurance scheme, and

the expensive Senior Citizen Allowance, the latter of which comes on top of the old-age pension benefit. World Bank technical assistance has supported the design of a new targeting mechanism, which combines a proxy means-testing approach and cross-validation of self-reported information with existing administrative databases. The government has piloted this targeting mechanism and plans to apply the mechanism in the electricity subsidy program shortly. The World Bank project has supported the development of a social registry of all households that have re-applied for the electricity subsidy. The World Bank will continue to support the implementation of the targeted electricity subsidy program.

Environment, Climate Change and Energy

Environmental sustainability is the fundamental development challenge in the country. Biodiversity-based sectors contribute more than 70 percent of national employment, over half of public revenues, almost all exports, and close to 80 percent of GDP. Indeed, the new constitution mandates the protection of the environment as a key citizen's right, demonstrating its importance to the future development and prosperity of the country. From an economic growth and development standpoint, the management of the country's natural resources and complex ecosystems will continue to determine the Maldives' comparative advantage and growth prospects into the future. Both the government and its development partners realize the importance of environmental sustainability and are placing a high priority on work in this regard.

Environmental management is a national priority that has underscored successive national development and tourism plans. Environmental pressures stem from the country's fragile geography, compounded by rising population densities, increased tourism and changing consumption patterns. The Maldives faces growing problems with solid waste management and pollution from sewage and other effluents emanating from urban settlements, hotels, fish-processing plants, ships and other sources. The quantities of solid waste generated exceed disposal and treatment capacity. Most wastes are dumped onto the island foreshore and burned at low combustion temperatures. Uncontrolled waste disposal and floating debris at tourist resorts are the most visible threats to the country's

reputation as a pristine high-end tourist destination. Habitat degradation threatens marine assets. Coral mining for construction and dredging of lagoons for reclamation is the most prevalent cause of reef destruction. Other pressures include damage caused by divers, illegal collection of corals, and unsustainable exploitation of high-value reef resources. Terrestrial threats include timber harvesting and destruction of mangroves, while pollutants from numerous sources lead to coral reef damage. These environmental challenges could hamper the country's economic growth, especially if they undermine tourism.

Environmental management is constrained by the lack of technical and managerial capacity to deliver the required infrastructure to monitor and control environmental impacts. The World Bank-supported Maldives Environmental Management Project is addressing these constraints, developing an integrated solid waste management system in the North Central Region. The project has already built capacity for environmental management through the creation of a cadre of trained civil servants, introduction of a degree program at the Maldives National University, and enhanced monitoring and stewardship of terrestrial and marine resources. With financing from the Maldives Climate Change Trust Fund, the World Bank also recently supported the Ari Atoll Solid Waste Management Pilot Project to demonstrate an island-level integrated solid waste management system in selected inhabited islands of the Ari Atoll and built the capacity of the island councils and communities to manage solid waste. The government has begun making significant changes to waste management regulations and has set up a dedicated department for waste management under the Ministry of Environment and Energy. It has also taken steps and secured additional resources to replicate and scale up in the country's Upper North and South Regions the integrated solid waste management system developed under the Maldives Environmental Management Project.

With some 200 inhabited islands spread over a widely dispersed area, water resource management and the provision of water and sanitation services are expensive and complex. Changing environmental conditions and urbanizing populations are placing even more pressure on the sector. Increasing salinity of island freshwater lenses im-

mediately following the 2004 tsunami and pollution of aquifers by human waste have reduced use of historically important groundwater as a potable water source in the islands. The low-lying land areas of the Maldives make it particularly vulnerable to rising sea levels -- with associated saltwater intrusion and flooding problems. Limited rainwater harvesting capacity, the high cost of desalination, and financial and institutional capacity constraints have made progress in improving water management in the nation's inhabited islands difficult.

The unique geographic attributes of the Maldives make its water resource situation both complex and diverse. With populations on the islands ranging from 55 to 120,000 inhabitants, even basic water and sanitation service must be tailored to local resources and population needs. Management of the limited water resources is complicated due to the small catchment areas for rainfall, limited rainwater and groundwater storage capacity, long dry seasons, and the susceptibility of groundwater aquifers to pollution from poor sanitation and salinity intrusion. As an indication of both water scarcity and low island-level water self-sufficiency, more than 100 islands have requested shipments of "emergency water" to be delivered from Male during the annual dry season since 2005. The limited ability of the islands to supply sufficient water for residents is in large part due to underutilization of existing infrastructure and lack of knowledge about the quality and safety of island groundwater sources. With a projected 60 percent increase in the number of households by 2033, the next 20 years will be critical for water and sanitation sector development.

Integrated approaches to water resource management are needed to ensure sustainable outcomes from expenditures and to foster increased island-level water self-sufficiency. Efforts by the government, multilateral development banks and nongovernmental organizations to improve the water and sanitation sector over the past nine years have been fragmented, and have yet to result in achieving water security in the outer islands. The World Bank undertook analytical work on the current and projected trends in water supply and demand, providing guidance on appropriate interventions to enhance water security, with emphasis on economic efficiency, environmental sustainability and equity.

The Maldives is one of the world's most vulnerable countries to climate change, particularly with regard to rising sea levels. With 96 percent of the islands occupying less than 1 km² in area and over 80 percent of the Maldives less than 1 meter above sea level, the country is particularly exposed to the risks of intensifying weather events. Over the next 20 years, dry seasons are expected to be drier and longer, and wet seasons more wet, which has serious ramifications for water supply and sanitation systems. The safe yield levels of groundwater for islands are expected to decrease with rising sea levels; the minimum projected sea level rise of 1mm per year portends a decrease in the safe yield of groundwater of at least 3 percent between 2012 and 2030. Extreme rainfall events are likely to occur at twice the current frequency by 2050. Higher ocean temperatures increase the rate of coral bleaching and increase the risk of massive coral die-off during the local ocean temperature spikes that occur during El Niño events (the severe 1998 El Niño raised sea surface temperatures around the Maldives by as much as 5°C).

Successive governments have placed climate change issues high on the development agenda. One of the principle engagements of the World Bank on this front was the establishment of the multi-donor Climate Change Trust Fund in 2009 to support adaptation and mitigation measures to combat climate change. With funding from the European Union and the Australian government, projects under the trust fund have provided crucial support to the government to effectively monitor and manage environmental risks to fragile coral reefs and other wetland habitats, and have demonstrated island level integrated solid waste management, climate-resilient drinking water solutions and renewable energy development. A second phase of the Climate Change Trust Fund is now under implementation.

While the Maldives is not a major emitter of greenhouse gases, it is highly impacted by the effects of climate change attributed to global greenhouse gas emissions. In 2011, total carbon emissions in the Maldives were 1.1 million tons of carbon dioxide equivalent, contributing a mere 0.003 percent of global carbon emissions. Under business as usual conditions, greenhouse gas emissions could double by 2020, although this would still be much lower than other emitters in Asia or

elsewhere.⁴ On a per capita basis, however, greenhouse gas emissions in the Maldives are the highest in the South Asia region.

The complete reliance on fossil fuels for electricity generation places a significant economic burden on the national economy. Imports of fossil fuels currently cost the Maldives more than 20 percent of its GDP each year. Furthermore, due to the high costs of domestic electricity production and distribution -- the highest in the South Asia region -- the country has a long history of subsidized energy prices. These universal subsidies represent a fiscally significant burden, and improving their equity and financial sustainability is high on the government's agenda. Greater independence from carbon-based fuels, if achieved through energy efficiency improvements and use of indigenous renewable energy resources, would provide energy security and avoid the costly imports of fossil fuels. The Maldives is working towards increasing the use of renewables as a means for achieving energy security and following a low carbon development path for climate change mitigation. Success in this endeavor will serve as an example to other developing nations, and will be of particular interest to small island developing states that come under the SIDS DOCK⁵ umbrella. The chairmanship of this group currently lies with the Maldives.

The World Bank is supporting the government's efforts to move towards a low carbon development path. Emphasis is being placed on shifting away from diesel as the primary fuel for electricity generation and on acquiring the necessary technical and institutional capacity in renewable energy technologies and operations in order to make a seamless transition in this respect. The Clean Energy for Climate Mitigation Project under the Maldives Climate Change Trust Fund program demonstrated the techno-economic viability of integrating renewable energy technologies into the power mix in island communities. The project has

4 Total carbon emissions in Sri Lanka are 12.3 million tons of CO₂ (tCO₂); in India 1,600 million tCO₂; in Germany 787 million tCO₂; and in the USA 5,800 million tCO₂.

5 SIDS DOCK is an initiative among member countries of the Alliance of Small Island States (AOSIS) to provide the SIDS with collective institutional mechanisms to transform their national energy sectors for sustainable economic development and help SIDS address adaptation to climate change.

provided a successful model for future interventions in carbon mitigation in the Maldives.

The Maldives is a participating nation in the Scaling-Up Renewable Energy Program (SREP) for low-income countries. As the only small island state that is part of this program that sits under the global Climate Investment Funds, the Maldives is able to tap into significant grant and concessional financing to support its renewable energy development agenda. These funds are, in turn, expected to leverage additional resources, notably from the private sector, as well as from the World Bank Group, the Asian Development Bank (ADB), and other bilateral financiers and donors. A strong partnership between The World Bank Group and the ADB has facilitated a transformation in the sector and its economics, and developed innovative financing schemes through the scale-up of renewable energy technologies in the country. The government completed a comprehensive investment plan, which was approved by the SREP sub-committee.

As part of the SREP Investment Plan, the government requested World Bank support for Accelerating Sustainable Private Investments in Renewable Energy (ASPIRE). The ASPIRE program, approved in June 2014, has been designed to leverage International Development Association (IDA) and SREP funds to attract other donors and private-sector investments for the development of renewable energy projects. It combines technical assistance, concessional financing and innovative risk-mitigation instruments to provide confidence to private-sector investors in a nascent market. The project, designed as a partial risk guarantee supporting standardized project contracts in the photovoltaic (PV) sector, has just completed the bidding process for its first sub-project for rooftop solar in the Greater Male Region. The government has drawn on support from the World Bank and SREP to address several key barriers in the renewable energy sector, including the challenges of a small market size, lack of track record for private investments in this sector, currency and payment risks, and still evolving regulatory frameworks. The ASPIRE initiative seeks to move the sector towards increasing financial sustainability in a phased manner. Over the program life, ASPIRE seeks not only to install between 20-35 megawatts (MW) of solar photovoltaic based generation, but also enhance local knowledge and expertise in this area through targeted technical assistance.

Health

While sustained investment in the health sector has enabled Maldives to make remarkable progress in its health-related Millennium Development Goals (MDGs), new challenges have emerged. Maldives achieved substantial progress in health-related MDGs, well ahead of the 2015 deadline. Infant mortality rates dropped to nine deaths per 1,000 live births in 2011 compared to 20 deaths in 1999.⁶ There is near-universal (99 percent) immunization coverage, and immunization has been consistently above 96 percent since 1999. Maternal mortality decreased to 57 deaths per 100,000 live births in 2008 and further to 31 per 100,000 live births in 2013⁷ from 115 deaths in 1999. Maldives maintains its sustained control over communicable diseases, keeping the regional record of malaria-free zone since 1984 and with no cases of such vaccine-preventable diseases as measles, rubella, neonatal tetanus, pertussis and diphtheria registered since 2010. HIV prevalence continues to be low, even among the most-at-risk population. Current estimated HIV prevalence is less than 30 per 100,000 population.⁸

While these indicators are impressive when compared to other countries in the region, they compare less favorably to other nations with equal levels of income or with the same levels of per capita health expenditure. Several other challenges have also emerged, often at a magnitude not seen elsewhere in South Asia. Non-communicable diseases account for 81 percent of total deaths in Maldives, the main killers being cardiovascular diseases (39 percent of all deaths), chronic lower respiratory diseases (7 percent), cancers (6.9 percent), and diabetes (3.2 percent)⁹. Maldives has a very high prevalence of people who are overweight (53 percent of females and 30 percent of males) and of obesity (abdominal obesity rates are 25 percent among men and 54 percent among women). With a carrier rate of 18 percent of the population,

6 Maldives Health Profile, Ministry of Health, 2012.

7 Trends in Maternal Mortality: 1990-2013. Estimates by WHO, UNICEF, UNFPA, the WB and UN Population Division, WHO 2014.

8 WHO and UNAIDS Estimates 2013.

9 WHO Annual Report 2014.

Maldives has the highest prevalence of thalassemia in the world. Disability is of particular concern in the Maldives: people with severe permanent functional limitations or disabilities have increased since 1980 from approximately 1 percent to 4.7 percent of the total population in 2009.¹⁰

In recent years, Maldives has witnessed major changes in the way health services are financed.

One of the most significant changes was the introduction of *Aasandha*, a universal health insurance program, on January 1, 2012. The program was expanded in February 2014 as *Husnuvaa Aasandha* (Unlimited Aasandha). *Aasandha* benefits are comprehensive, covering most inpatient and outpatient treatment including drugs and diagnostics. Its main challenge, however, is fiscal sustainability. Analysis of expenditure data from the HIES reveals a 42 percent increase in the real health per capita expenditure over the period 2003/04 to 2009/10. This increase occurred before the introduction of *Aasandha* and right at the onset of its predecessor, *Madhana*. The announcement of unlimited health insurance could potentially escalate health costs rapidly, while more cost-effective primary care and other intervention investments are on the decline. Measures to contain the total health expenditure and to improve financial protection of households against health episodes are the twin policy objectives that face Maldives' policymakers. This also creates a strong case for system-wide reform in the health sector, rather than piecemeal, short-term solutions. The recent history of a runaway rise in the country's total health expenditure -- both government and household -- continues to risk further exacerbation by a health insurance program that does not make adequate efforts toward cost containment. Focus on adequate financial protection for households, especially in the atolls (where health expenditure has risen steeply as a share of total household spending) needs to be coupled with innovative purchasing of health services and improving the cost efficiency of the health system.

Operational savings in *Aasandha* could cut its cost significantly, while preserving the principle of universal health insurance. The World Bank has worked closely with the Ministry of Health and the National Social Protection Agency (NSPA) to compile and analyze the necessary evidence to

inform ongoing reforms to the country's universal health insurance scheme, *Aasandha*, and its predecessor, *Madhana*. These savings could be achieved mainly through three channels: (i) by reducing the cost of medicines through the bulk procurement of essential and generic drugs; (ii) by reducing expenditure on overseas treatment through negotiation of close-ended package rates with providers; and (iii) through improved attention to early detection and secondary prevention of chronic diseases at the primary care level, which will be helpful in slowing down disease progress and delaying the occurrence of complications. Substantial capacity building of the NSPA would also be needed to plan, implement and monitor these reforms. All these measures, while improving the scheme's long-run fiscal sustainability, will also have positive distributional implications. In particular, the decrease in the cost of drugs would help the poorest segments of the population. The government has requested continued World Bank technical assistance with the ongoing reform process, with the objective of improving the efficiency and sustainability of the program and sustained financial protection for program beneficiaries.

Education

Maldives has performed well in providing access to primary and lower secondary education, but lags sharply behind in education attainment at the upper secondary level. While the gross primary and lower secondary enrollment rates have reached 104 percent and 117 percent, respectively, net rates are much lower, indicating considerable grade repetition or early school entries. Furthermore, higher secondary gross enrollment is only about 35 percent, which is very low by international standards. The average higher secondary gross enrollment rate for middle-income countries is 61 percent, and for upper middle-income countries 84 percent. The main reason for the low enrollment in higher secondary education in Maldives has been the limited number of schools offering grades 11-12. The government has expanded this number to 51 schools: three in the capital Male and 48 in the atolls. Many of these schools, however, are over-crowded and require more facilities and equipment, stronger leadership and management, and teacher development. Higher education participation is also low for a middle-income country. The gross higher education enrollment

10 MHRC: Disability Report, 2010.

rate is only 6 percent. The main reasons for the low enrollment in higher education are the small flow of students completing higher secondary education and moving onto higher education, and the limited provision of higher education in the country. There is one public university, the Maldives National University, and about seven private education institutions. However, over 95 percent of enrollment in these private education institutions is in pre-degree level diploma and certificate programs.

Increasing the quality of service provision to a standard commensurate with the country's income levels is a challenge. Learning outcomes in both primary and secondary education are modest, with substantial regional disparities. National assessments of learning outcomes at grades four and eight have identified unsatisfactory levels of learning. At grade four, the average score of students in the English language is 32 percent and in mathematics 38 percent. In grade eight, student scores in English and mathematics average 29 percent and 30 percent, respectively. The performance of students at national examinations has been rising over time, but is still inadequate. Only 47 percent of students passed the General Certificate of Examination (Ordinary Level) and 39 percent the General Certificate of Examination (Advanced Level) in 2014.

Increasing the number of well-educated and qualified Maldivians is extremely important for the country's continued growth. At present, the country depends heavily on expensive overseas labor for technical, administrative and managerial jobs, as there are insufficient Maldivians with higher secondary and tertiary level qualifications to take up these positions. Increasing the number of educated and highly skilled Maldivians would boost the domestic labor market and reduce the reliance on expensive expatriate labor. The World Bank is supporting government efforts to expand higher secondary education and improve the quality of primary and secondary education. Building on recent World Bank analytical work and earlier lending operations in the education sector, the Enhancing Education Development project approved in April 2013 is focusing on education access and quality, particularly for primary and secondary education. The project covers the entire country, including the outer atolls, in an effort to promote equitable growth and development.

WORLD BANK GROUP PROGRAM IN MALDIVES

The World Bank Group Interim Strategy Note for FY2014-FY2016 was presented to the Board in June 2014, setting out a selective program to support Maldives during a period of transition and uncertainty and laying the foundations for the resumption of a full country program. In light of the macroeconomic challenges facing Maldives and drawing on lessons learned from the FY2008-FY2012 Country Assistance Strategy¹¹, the World Bank Group engagement during this transitional period aims primarily to deepen dialogue and support on macro-fiscal issues while strengthening the analytical foundations that would underpin a future program. Given the uncertainty of the environment, the World Bank Group engagement has been managed flexibly to respond to evolving government needs and priorities. A new Country Partnership Framework is under preparation, to take effect from FY2017.

The World Bank lending envelope in the Maldives has traditionally been limited. The IDA allocation for the Maldives is partially provided in grants, given the country's debt dynamics. At the end of August 2015, the portfolio comprised three IDA projects and one guarantee operation with a combined net commitment value of \$49 million supporting education, environmental management, renewable energy, and public financial management. A significant body of analytical work and non-lending technical assistance has underpinned the World Bank program over the past few years, including on human capital development, gender, youth, water security, tourism, the national health insurance scheme, and targeting the poor. Responding to the government's interest in targeted and timely advisory support, the World Bank's non-lending program has also been extending both "just in time" support and programmatic analytic and advisory activities offering focused intermediate outputs.

11 The last Country Assistance Strategy, discussed by the Board on January 8, 2008, covered the period FY08-12 and focused on economic governance and investment, human development and environmental management and climate adaptation.

Given the size of the lending envelope, trust fund resources continue to serve as a vital complement to the World Bank Group's program, supporting lending activities, technical assistance and analytical work. As of the end of August 2015, trust-funded activities totaled close to \$16 million, benefiting energy and climate change activities in particular. The Maldives Climate Change Trust Fund (CCTF) has supplemented the World Bank's Environmental Management Project, addressing clean energy, solid waste management, wetland conservation and coral reef monitoring. Trust funds have also been supporting analytical efforts on a host of critical issues, from youth development to fiscal sustainability, and also are currently affording support for the Auditor General's Office as well as for statistical capacity building.

Limited local implementation capacity and a distant and dispersed population increase the challenge of delivering timely and quality support, especially when the program is small. Distance increases delivery costs and weak implementation capacity often means limited progress between missions, as local implementing agencies may lack expertise and support to address the challenges that emerge. These factors become even more constraining when authorities face a serious fiscal crisis or a difficult political environment. Capacity constraints are usually reflected in the project designs, and technical assistance to address capacity weaknesses will continue to remain important.

INTERNATIONAL FINANCE CORPORATION (IFC)

Maldives became an IFC member country in 1983. Since then, IFC has invested \$157 million, including \$8.5 million mobilized from other institu-

tions. IFC's committed and outstanding investment portfolio stood at \$11 million at the end of July 2015, supporting tourism and housing finance. IFC has recently completed an advisory project that assists with the development of a new act to regulate non-bank financial institutions. IFC's operations in the Maldives are overseen by its Colombo office in Sri Lanka.

IFC's support in Maldives has centered on two pillars: (i) inclusive growth, including increasing access to finance for micro, small and medium enterprises and improving infrastructure; and (ii) sustainable growth, including promoting energy efficiency and renewable energy.

IFC's operations have focused on four areas: tourism, the financial sector, infrastructure, and climate change mitigation. IFC has invested in a number of businesses, including a leading hotel operator in Maldives and a Maldivian sponsor's South-South investment in Seychelles. IFC's advisory projects have included support for the Maldives Monetary Authority on a credit bureau, and drafting the Non-Banking Financial Institutions Act. IFC also has completed projects promoting green growth, such as advising on resort island energy efficiency and on solid waste management for Male.

MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA)

MIGA supports the World Bank Group strategy for the Maldives and stands ready to facilitate productive projects across sectors in the country. Maldives provides a challenging environment for foreign investors. However, MIGA remains engaged and is looking to provide support where it can do so on a sustainable basis.

MALDIVES: ENVIRONMENTAL MANAGEMENT PROJECT

KEY DATES:

Approved: June 10, 2008
Effective: December 5, 2008
Closing: December 31, 2015

FINANCING IN MILLION US DOLLARS*:

Financier	Financing	Disbursed	Undisbursed
IBRD			
IDA	16.45**	12.27	3.35
Govt. of Maldives	1.33		
Other			
Total Project Cost	16.95		

*As of August 31, 2015; Includes Additional Financing of \$3.3m, approved April 22, 2015.

BACKGROUND AND OBJECTIVES:

Environmental pressures in the Maldives stem from its fragile geography, coupled with rising population densities, increased tourism, and changing consumption patterns. The country faces growing problems with solid waste management and pollution from sewage and other effluents emanating from urban settlements, hotels, fish-processing plants, ships, and other sources. The quantities of solid waste generated exceed disposal and treatment capacity. In addition, habitat degradation threatens marine assets such as coral reefs, while terrestrial threats include timber harvesting and destruction of mangroves. These environmental challenges could hamper the country's economic growth especially if they undermine tourism.

This project aims to establish a solid waste management system to reduce the risks of contamination associated with accumulated wastes and sea dumping. It also seeks to build human and technical capacity for environmental management. The four components of the project are: (i) a regional solid waste management program in the North Province, which is under-served by waste management facilities; (ii) capacity building for the country's environmental agencies and regulators to manage the needs of a fragile environment; (iii) technical assistance for strengthened environmental management and monitoring to expand the knowledge base regarding critical natural resources; and (iv) project management and communications.

In February 2014, the Bank approved the government's request for a one-year extension of the project closing date to end-June 2015, a reallocation of project funds among existing disbursement categories and related revisions to certain project aspects. The Board approved additional financing of \$3.3 million in April 2015 to support some cost overruns and allow the project to meet its objective of establishing and utilizing an integrated regional solid waste management system, with a six-month extension to the project closing date. Some of the cost overruns are being borne by the government of Maldives.

KEY RESULTS ACHIEVED AND EXPECTED:

Components 2 and 3 were completed in 2013, including the creation of a cadre of trained civil servants, enhanced access to information from environmental monitoring and research to support planning processes, and community participation in environmental management in 100 percent of the targeted islands to exceed the project target of 50 percent.

A waste incinerator has been built on the designated uninhabited island, and the residual waste transfer vessels are expected to be completed by November 2015. A consultant to provide hands-on training to Fenaka Corporation, the state-owned entity responsible for managing and operating the regional solid waste management system, is expected to be on board by early October 2015.

The project's final target for the user fee collection in 50 percent of the participating islands under the original credit was achieved 1.5 years ahead of schedule. Overall, 62 percent of households in the participating islands are anticipated to pay user fees by end of the project period. Forty percent of the islands are carrying out waste segregation and composting.

KEY DEVELOPMENT PARTNERS:

The Ministry of Environment and Energy and the island councils of the North Province.

MALDIVES: CLIMATE CHANGE ADAPTATION PROJECT (CLIMATE CHANGE TRUST FUND)

KEY DATES:

Administrative Agreement (between World Bank and European Union signed: December 24, 2014)
End Disbursement Date: June 30, 2018

FINANCING IN MILLION US DOLLARS:

Financier	Contribution (US\$ million equivalent)
EU	4.21
Govt. of Maldives	.10
Total	4.31

BACKGROUND AND OBJECTIVES:

This project is being implemented under the multi-donor Maldives CCTF that was established in 2009 to support a climate-resilient economy and society in the Maldives through adaptation, mitigation, and low-carbon development. The first phase of the CCTF was funded by the European Union (EU) and the Government of Australia, with a total allocation of \$10.3 million. Three projects have been implemented under the CCTF to date, all completed on November 30, 2014:

- The Wetlands Conservation and Coral Reef Monitoring for Adaptation to Climate Change Project (\$3.8m) supported community-based wetland management including ecotourism and drainage management on Hithadhoo island (Addu/Seenu Atoll) and Fuvahmulah island (Gnaviyani Atoll), rainwater harvesting on Ukulhas island (North Ari Atoll), coral reef monitoring (North and South Male Atolls), and capacity building for the local government.
- The Clean Energy for Climate Mitigation Project (\$2.53m) supported solar energy generation, energy conservation and efficiency improvements, and technical assistance on G.Dh. Thinadhoo island.
- The Ari Atoll Solid Waste Management Pilot Project (\$1.33m) supported the development of an island-level integrated solid waste management system in five pilot islands of the Ari Atoll and a residual waste transfer system for off-island disposal.

With a supplemental EU contribution of €3.85m, a second phase of the CCTF (CCTF-II) is supporting the Climate Change Adaptation Project, aimed at helping the government to further implement activities undertaken under the Wetlands Conservation and Ari Atoll projects in the country's southern-most atolls (Addu and Gnaviyani). The project aims, more specifically, to: (i) strengthen community wetland advisory boards in terms of formal recognition and institutional consolidation, and provide a mechanism for their continued involvement and improved capacity; (ii) strengthen the web-enabled database system developed under the first phase of the CCTF to ensure continued uptake, sustain confidence of tourist resorts in the National Coral Reef Monitoring Framework, and supplement it with a support facility for resorts; (iii) expand the involvement of tourist resorts beyond coral reef monitoring to mainstreaming climate change into resort management; and (iv) set up a system for waste management that is locally acceptable and operationally viable.

KEY RESULTS ACHIEVED AND EXPECTED:

Interventions in wetland management and solid waste management in the Addu and Gnaviyani Atolls are expected to benefit more than 4,800 households through enhanced tourism, livelihood opportunities, and ecosystem conservation. The coral reef monitoring intervention will directly benefit at least 10 private tourism operators. Through interventions in capacity building for mainstreaming of climate adaptation in island level planning, the project is expected to benefit all the 20 atoll councils and 66 island councils in the country and the communities serviced by these councils.

KEY DEVELOPMENT PARTNERS:

The Ministry of Environment and Energy, the Ministry of Fisheries and Agriculture, Ministry of Tourism, the Environmental Protection Agency, the Marine Research Center, Maldives National University, and atoll and island councils.

MALDIVES: ENHANCING EDUCATION DEVELOPMENT PROJECT

KEY DATES:

Approved: April 30, 2013
Effective: July 26, 2013
Closing: June 30, 2018

FINANCING IN MILLION US DOLLARS*:

Financier	Financing	Disbursed	Undisbursed
IBRD			
IDA	10	2.43	7.09
Govt. of the Maldives	1		
Other			
Total Project Cost	11		

**As of August 31, 2015*

BACKGROUND AND OBJECTIVES:

The project supports the government of Maldives to develop the education sector, with special focus on primary and secondary education. The operation was prepared through a process of consultation and collaboration with a broad range of stakeholders: the Ministry of Education (MoE), MoFT, the atoll education agencies, public and private employers, public and private education institutions, academics, and school principals, teachers, parents, and students. Prior to this project, the Bank had undertaken rigorous policy and technical analysis through a programmatic series of education-sector reports, whose findings and recommendations were incorporated into the project's design. The project includes three components: (i) national-level education development; (ii) school-level education development; and (iii) project management, monitoring and evaluation, and program development.

It is assisting the government in developing a system of national assessments of learning outcomes to inform education policy, and also conducting regular school-level quality assurance reviews to feed into school improvement activities. In addition, the project supports government efforts to develop a network of good quality secondary and higher secondary schools, and strengthen the human resource capabilities of education officials in the country's atolls and the capital, Male'. The project is also helping the MOE prepare a master plan for the development of higher education.

KEY RESULTS ACHIEVED AND EXPECTED:

- The survival rate through higher secondary education has achieved the 2015 end target rate (20 percent).
- Eighty percent of schools in 42 percent of atolls have been trained and are currently engaged in quality assurance school self-evaluation and school-based professional development activities.
- There are 45 MoE staff members who have completed certificate level short-term training courses, and 10 MoE staff who have commenced masters or bachelor degrees in education. The MoE has also commenced a set of degree, associate degree and diploma programs for school principals, deputy principals, and leading teachers, with 82 candidates currently enrolled in these programs.
- The enrichment of physical learning environments of secondary schools has made substantial progress, with 23 secondary schools (out of 37 in the country) receiving information and communications technology equipment and associated material and software to date.
- The MoE is scheduled to conduct the national assessment of learning outcomes in September-October 2015.

KEY DEVELOPMENT PARTNERS:

MOE, UNESCO, UNICEF

MALDIVES: PUBLIC FINANCIAL MANAGEMENT (PFM) SYSTEMS STRENGTHENING PROJECT

KEY DATES:

Approved: June 26, 2014

Effective: October 2, 2015

Closing: July 31, 2019

FINANCING IN MILLION US DOLLARS*:

Financier	Financing	Disbursed	Undisbursed
IBRD			
IDA	6.5	2.20	3.85
Government of Maldives			
Other			
Total Project Cost	6.5		

**As of August 31, 2015*

BACKGROUND AND OBJECTIVES:

The project aims to enhance budget credibility, transparency, and financial reporting of central government finances. It will support three activities: (i) strengthening the public financial management environment by enhancing the legislative and institutional framework, the fiscal framework, and debt and cash management; (ii) strengthening the public accounting system to improve financial reporting practices and decision-making, as well as internal financial controls, internal auditing, and procurement management practices; and (iii) providing support for project management within the MoFT.

KEY RESULTS ACHIEVED AND EXPECTED:

The expected outcomes of the project are: (i) reduced deviation between actual expenditures and the original budget; (ii) increased and timely public access to key fiscal information; (iii) improved quality of debt data recording and reporting; and (iv) enhanced coverage and quality of the internal audit function.

To date the project has:

- Completed an analysis of the legislative framework relevant to PFM, and identified a sequenced plan of revising/amending the laws.
- Upgraded the debt recording and reporting system, with the data reconciled; prepared a framework to issue sovereign guarantees, reviewed the draft National Debt Strategy with an aim to improving it; designed monthly and annual debt reports and conducted an assessment of the debt division's internal organization structure and made recommendations to strengthen it.
- Trained MoFT staff on how to formulate a Medium-Term Macro-Fiscal Framework. Basic training has been delivered on macro-fiscal modeling to officers within and outside the MoFT, and a new Macroeconomic Policy Coordinating Committee has been established and an early draft macro-fiscal statement prepared.
- Prepared a business blue print on budgeting and a new budget calendar. Budget ceilings have been established for the FY 2016 budget based on the initial macro fiscal statement.
- Carried out urgent technical and functional upgrades in the public accounting system to closely monitor budget execution. System-generated budget execution reports comparing budgets with actual expenditures are being used, and commitments are gradually being captured in the system.

KEY DEVELOPMENT PARTNERS:

MoFT

MALDIVES: ACCELERATING SUSTAINABLE PRIVATE INVESTMENTS IN RENEWABLE ENERGY (ASPIRE) PROGRAM

KEY DATES:

Approved: June 26, 2014
Closing: July 31, 2019

FINANCING IN MILLION US DOLLARS*:

Financier	Financing	Disbursed	Undisbursed
IBRD			
IDA Guarantee**	16.00		16.00
SREP Grant	11.68	0.39	11.29
Other			
Total Project Cost	27.68	0.39	27.29

*As of August 31, 2015

**\$4 million of IDA funds are being leveraged to provide \$16 million of risk exposure in the form of a guarantee

BACKGROUND AND OBJECTIVES:

The ASPIRE program aims to increase solar photovoltaic generation in the Maldives through private-sector investment. The program will use a combination of grant funds from SREP and a series of IDA guarantees to attract private-sector investments and build capacity within the country to receive such investments.

Its components are: (i) technical assistance to the government to enable private investing and strengthen institutional capacity building and knowledge sharing; (ii) a series of IDA guarantees to provide confidence to private investors; and (iii) tariff buy-down to ensure that tariffs obtained are within an acceptable range for utility and customer acceptance.

KEY RESULTS ACHIEVED AND EXPECTED:

About 20 MW of new power generation over the life of the program, beginning with four MW bid out for rooftop solar energy in the greater Male' area. Results to be monitored will include the cumulative MW capacity installed as well as private capital mobilized in the country's PV sector.

KEY DEVELOPMENT PARTNERS:

Ministry of Energy and Environment, MoFT, state-owned utilities STELCO and FENEKA, ADB.

