

PPIAF Assistance in the Republic of Maldives

The Republic of Maldives (Maldives), a country of 192 inhabited islands with a population of 395,000, has made considerable progress in its macroeconomic development. Sound macroeconomic management, combined with favorable external conditions and strong development assistance support, led to an average GDP growth over 6% over the past 10 years. Despite the sound macroeconomic development, significant income disparities, as well as differences in the provision of basic infrastructure services between Malé, the capital of Maldives, and other islands or atolls is increasing. Tourism, Maldives' largest economic activity, accounts for 28% of GDP and more than 60% of foreign exchange receipts. Over 90% of government tax revenue comes from import duties and tourism-related taxes. Fishing is the second leading sector. In this context, tourism-, transport-, and trade-related infrastructure are critical to ensure economic growth and reduce regional income disparities among islands. The government of the Maldives recognized that the private sector should play an important role in infrastructure financing and service delivery and requested PPIAF's technical assistance for the first time in 2006.

Technical Assistance for Maldives' Port Sector

In May 2006 the government requested PPIAF's assistance to consider options to develop a new port in Malé with private sector participation.

The port of Malé is the major hub in the national network of maritime services. The vast majority of the country's imports pass through this port. As the country develops, the volume of imports is rapidly increasing and will shortly overwhelm the existing very restricted port facility. Without additional port capacity in Malé, growth of the national economy is likely to be constrained, and poverty alleviation will slow down.

PPIAF support was provided to assist the government of the Maldives in selecting the location for a new port in Malé and the most appropriate forms of public-private partnerships (PPPs) to implement the project.

PPIAF technical assistance:

- Provided a thorough analysis of strengths and weaknesses of alternative locations for the new port through an assessment of the physical constraints of each presented site, an assessment of their suitability for use as a port facility, an estimate of the capital costs for the construction of the new facility, expected traffic volumes, operating costs, and economic and financial assessments
- Recommended alternative forms of PPPs that could be used in the Maldives based on a review of legislation and regulations and the identification of the gaps in the existing legal framework and institutional structures
- Provided an assessment of the viability of the alternative PPP structures and the necessary legislative and institutional changes required for each, and prepared a clear implementation timetable

Following PPIAF technical assistance, the government opted for developing the new port in one of the recommended sites, Thilafushi, on a build-operate-transfer basis. The bidding process was put in place by the government and is expected to take place in the coming year. Once constructed, the new international port is expected to have a strong positive impact on trade and economic growth.

Results of PPIAF's Activity in Maldives' Port Sector

Category	Outputs
Project cycle-related assistance	
<i>Transaction support</i>	<ul style="list-style-type: none"> Assessment and recommendations on new international port location and PPP structure, 2007

Category	Outcomes
Project cycle-related assistance	
<i>Transactions facilitated or implemented</i>	<ul style="list-style-type: none"> The government opted for developing the new port in one of the recommended sites, Thilafushi, on a build-operate-transfer basis. The bidding process is expected to take place in the coming year, 2012

Technical Assistance for Maldives' Solid Waste Sector

Maldives is known for its white-sand beaches, pristine environment, and thriving marine ecosystem. But its poor waste management practices were threatening both the environment and its tourism industry. To address this problem, the government of Maldives turned to PPIAF in 2009 to review options to introduce best practices in solid waste management through private sector participation in conjunction with the International Finance Corporation (IFC)'s mandate as lead transaction advisor to implement a waste management PPP project.

At the time, waste was collected in an ad-hoc manner and dumped at the shore, disposed of in the ocean, or transported to Thilafushi Island, where it was burnt openly. This combination of dumping and open burning destroyed the marine environment, polluted the air, and put the health of the country's 395,000 people at risk.

PPIAF technical assistance consisted of carrying out detailed due diligence on the technical aspects of the waste management project such as waste generated, waste characterization, suitable treatment and disposal technologies, waste transfer logistics, and development of PPP options.

Specifically, PPIAF technical assistance recommended an institutional and regulatory framework to promote PPPs; an optimal collection, segregation, treatment, and disposal technology; measures to enhance the project's financial viability; and PPP options for the management of the solid waste services. The due diligence work also included drafting technical sections and performance obligations for the bidding, pre-qualification, and evaluation of the waste management PPP award.

Following PPIAF's recommendations, the government—with the help of IFC as lead transaction advisor—awarded a solid waste management PPP in May 2011 to Tatva Global Renewable Energy (Maldives) Private Limited, an Indo-German consortium. The transaction was structured as a 20-year concession to build, operate, and transfer an integrated waste management system. However, the transaction was later cancelled by the government in 2012.

Results of PPIAF's Activity in Maldives' Solid Waste Sector

Category	Outputs
Project cycle-related assistance	
<i>Transaction support</i>	<ul style="list-style-type: none"> Detailed due diligence on the technical aspects of the solid waste management project such as waste generated, waste characterization, suitable treatment and disposal technologies, waste transfer logistics, and development of PPP options, 2010

Category	Outcomes
Project cycle-related assistance	
<i>Transactions facilitated or implemented</i>	<ul style="list-style-type: none"> A 20-year build-operate-transfer contract awarded to Tatva Global Renewable Energy (Maldives) Private Limited, an Indo-German consortium in May 2011 but was later cancelled in 2012

Looking Ahead: Moving the PPP Agenda in Maldives Forward

Committed to further helping the government of Maldives to reduce greenhouse gas emission, PPIAF is providing technical assistance to the Malé City Council to manage the newly implemented solid waste management contract. PPIAF's on-going support consists of helping the local government structure and implement a viable tariff structure for waste management services, to develop a mechanism for tariff collection, to develop an information system to maintain waste user data, and to monitor the performance of the concessionaire.