

## DEVELOPMENT COORDINATION

### A. Major Development Partners: Strategic Focus and Key Activities

1. The development partners play a critical role in strengthening public financial management (PFM) in Maldives. Those currently active in the PFM area include the Asian Development Bank (ADB), the World Bank, the International Monetary Fund (IMF), and the United States Agency for International Development (USAID). The Japan International Cooperation Agency (JICA) also contributed technical assistance (TA) to PFM efforts in Maldives in recent years. ADB supports PFM through TA for Enhancing Debt Sustainability,<sup>1</sup> particularly domestic revenue mobilization, public investment management, fiscal and debt management, and the implementation of the goals of the Sustainable Development Finance Policy. In addition, output 2 of ADB's Strengthening Gender Inclusive Initiatives Project aims to integrate gender-responsive budgeting into government systems.<sup>2</sup> ADB coordinated the implementation of the sustainable development finance goals with the World Bank.

2. The World Bank completed the PFM Systems Strengthening Project to enhance budget credibility, transparency, and financial reporting of central government finances on 31 July 2022 and has a PFM project in the pipeline for 2024. The IMF supports revenue administration, taxation, national accounts, subsidy reforms, and debt management through various regional TA programs. USAID's PFM program supports the establishment and implementation of a transparent and accountable budget system, the identification and implementation of efficient public investments, and the mobilization of sufficient revenue from public investments. The Country Engagement Plan of the Tax for Sustainable Development Goals program of the United Nations Development Programme (UNDP) helps Maldives increase tax efficiency and digitalization and build equitable tax systems. The PFM operations of major development partners are in Tables 1 and 2.

**Table 1: Major Development Partners Supporting Public Financial Management**

Development Partner	Project/Program Name	Amount
World Bank	PFM Systems Strengthening Project	\$6.5 million (2014–2022)
	Additional Financing for the PFM Systems Strengthening Project	\$12.0 million (2018)
	Pipeline PFM project for 2024	(At project formulation stage)
USAID	PFM Activity Program	\$7.8 million (February 2020–February 2025)

PFM = public financial management, USAID = United States Agency for International Development.

Source: Ministry of Finance, Republic of Maldives.

**Table 2: Technical Assistance by Development Partners**

Development Partner	Support Area	Amount
ADB	Enhancing Debt Sustainability	\$1.2 million (November 2021)
World Bank	Public Asset Management	\$250,000 (2024)
	Macro Fiscal Reform Support	\$250,000 (2024)
JICA	Macroeconomic and Fiscal Policy Advisory Support	Through technical cooperation (2019–2021), amount not available

<sup>1</sup> ADB. 2021. [Technical Assistance to the Republic of Maldives for Enhancing Debt Sustainability](#). Manila.

<sup>2</sup> ADB. 2022. [Report and Recommendation of the President to the Board of Directors: Proposed Grant and Technical Assistance Grant for the Strengthening Gender Inclusive Initiatives Project](#). Manila.

<b>Development Partner</b>	<b>Support Area</b>	<b>Amount</b>
IMF	Revenue administration, taxation, national accounts, subsidy reforms, and debt management	Ongoing support through various regional technical assistance programs
UNDP	Country Engagement Plan of the Tax for SDGs Programme	\$300,000 (2022–2024)

ADB = Asian Development Bank, IMF = International Monetary Fund, JICA = Japan International Cooperation Agency, SDG = Sustainable Development Goal, UNDP = United Nations Development Programme.

Source: Ministry of Finance, Republic of Maldives.

## **B. Institutional Arrangements and Processes for Development Coordination**

3. The Ministry of Finance (MOF) is the executing agency for ADB as well as other multilateral and bilateral financial institutions, while the Ministry of Foreign Affairs acts as the focal point for the United Nations agencies. For the ADB program, MOF is responsible for the overall coordination, implementation, monitoring, and policy approvals. The implementing agencies are MOF; the Resource Mobilization Department; the State Shareholding Management Department; the Debt Management Department; Maldives Inland Revenue Authority; the Ministry of Environment, Climate Change, and Technology; and the Privatization and Corporatization Board. ADB regularly consults with development partners on policy and strategic issues and coordinates on project formulation and implementation.

## **C. Achievements and Issues**

4. Maldives has been a success story with consistent economic growth since 1980, but it has structural economic issues. The country also depends heavily on the tourism industry, and it is vulnerable to external shocks. Lack of fiscal consolidation is the main constraint to sound public sector management and fiscal sustainability. However, the country has made significant improvements in budgeting, cash flow management, and data dissemination. It needs to embark on a course of reforms to diversify the tax base, improve fiscal and debt sustainability, and promote sustainable growth. It is an area where ADB adds value through its upstream knowledge work and lessons from past engagements, and it complements the ongoing work of development partners such as the IMF, the World Bank, USAID, JICA, and UNDP.

## **D. Summary and Recommendations**

5. The Government of Maldives is committed to carrying out the necessary reforms and achieving fiscal and debt sustainability in the medium term. ADB will continue to support the fiscal reform initiatives by helping improve domestic resource mobilization, expenditure control, and debt management. The government is expected to demonstrate strong coordination with the development partners to avoid resource duplication during the program implementation period. ADB will also work closely with the government and development partners to ensure overall coordination and to assess the effectiveness of the proposed reforms. Asian Infrastructure Investment Bank (AIIB) is considering cofinancing in 2024 with a results-based lending anchored to the ADB's policy-based grant for subprogram 1 of Strengthening Fiscal Management and Sustainability Program.