



**ASIAN INFRASTRUCTURE
INVESTMENT BANK**

PD000378-MLD
June 30, 2020

**Project Document
of the Asian Infrastructure Investment Bank
Sovereign-backed Financing
Republic of Maldives**

**COVID-19 Emergency Response and Health Systems Preparedness Project
(under the Covid-19 Recovery Facility)**

Currency Equivalents

(May 26, 2020)

Currency Unit – Maldivian Rufiyaa (MVR)

MVR 15.39= USD1

USD0.064977= MVR1

Borrower's Fiscal year

Jan. 1 – Dec. 31

Abbreviations

AIIB	Asian Infrastructure Investment Bank
BPS	basis points
CERC	Contingent Emergency Response Component
COVID-19	Coronavirus Disease 2019
CPRP	Contingency Preparedness and Response Plan
ESP	Environmental and Social Policy
ETC	Etcetera
NEOC	National Emergency Operations Centre
ESCP	Environmental and Social Commitment Plan
ESMF	Environmental and Social Management Framework
ESRS	Environmental and Social Review Summary
FDI	Foreign Direct Investment
FM	Financial Management
FTF	Fast Track COVID-19 Facility
GBV	Gender-based Violence
GDP	Gross Domestic Product
GOM	Government of Maldives
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
GST	Goods and Services Tax
HDI	Human Development Index
HMIS	Health Management Information System
HPA	Health Protection Agency
ICHCWMP	Infection Control and Health Care Waste Management Plan
ICU	Intensive Care Unit
IDA	International Development Association
IMF	International Monetary Fund
IP	Inspection Panel
IPC	Infection prevention and control
IPF	Investment Project Financing
IUFR	Interim Unaudited Financial Reports
LMP	Labor Management Procedure
M&E	Monitoring and Evaluation
MIC	Middle-income countries
MMA	Maldivian Monetary Authority

MOF	Ministry of Finance
MOH	Ministry of Health
NCBP	Non-Concessional Borrowing Policy
NCDs	Non-communicable diseases
NDMA	National Disaster Management Authority
OHS	Occupational Health and Safety
PHEIC	Public Health Emergency of International Concern
PPE	Personal Protection Equipment
PPG	Public and Publicly Guaranteed
PPM	Project-affected People's Mechanism
PSC	Project Steering Committee
PSCN	Pandemic Supply Chain Network
WHO	World Health Organization
PMU	Project Management Unit
PPSD	Project Procurement Strategy for Development
RAHS	Regional and Atoll Health Service
SBCC	Social and behavior change communication
SEA	Sexual Exploitation and Abuse
SEP	Stakeholder Engagement Plan
SH	Sexual Harassment
SFW	Special Fund Window
SOP	Standard Operating Procedure
STO	State Trading Organization
UN	United Nations
WB	World Bank
WHO	World Health Organization

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1. Summary Sheet
Republic of Maldives
COVID-19 Emergency Response and Health Systems Preparedness Project

Project No.	PD000378-MLD
Borrower	Republic of Maldives
Project Implementation Entity	Ministry of Health (MOH)
Sector	Social Infrastructure
Subsector	Public Health Infrastructure
Project Objective	To respond to and mitigate the threat posed by COVID-19 and strengthen national systems for public health preparedness in the Maldives.
Project Description	<p>This project will be co-financed with the World Bank and have the following components:</p> <ul style="list-style-type: none"> • Component 1 (Emergency Response for COVID-19 Prevention): Procurement of essential protective equipment and other essential items to protect healthcare workers and patients; risk communication, community engagement and behavior change, including social distancing measures and associated mitigation strategies. • Component 2 (Emergency Health System Capacity Strengthening for COVID-19 Case Management): Strengthening the centralized and decentralized health system capabilities for disease surveillance, case management and infection prevention and control. • Component 3 (Implementation Management and Monitoring and Evaluation): Strengthening of public institutions for the coordination and management of the project, including central and regional arrangements for coordination of activities, financial management, procurement and social and environmental management. • Component 4 (Contingent Emergency Response Component): Zero-dollar component to ensure additional flexibility in response to the current and any potential other emergency that might occur during the lifetime of this project.
Implementation Period	Start Date: July 1, 2020 End Date: June 30, 2023
Expected Loan Closing Date	December 31, 2023
Cost and Financing Plan	Project cost: USD14.6 million <u>Financing Plan:</u> AIIB loan: USD7.3 million

	World Bank's IDA Credit and Grant: SDR5.4 million (USD7.3 million equivalent)
Size and Terms of AIIB Loan	USD7.3 million AIIB's standard interest rate for sovereign-backed loans under the COVID-19 Recovery Facility minus 100 bps through the Special Fund Window.
Cofinancing (Size and Terms)	World Bank's IDA Credit: SDR2.7 million (USD3.65 million equivalent) World Bank's IDA Grant: SDR2.7 million (USD3.65 million equivalent)
Environmental and Social Category	World Bank's Category: Substantial (equivalent to Category B if AIIB's ESP were applicable)
Risk (Low/Medium/High)	High
Conditions of Effectiveness	1. Co-lenders' agreement has been executed. 2. World Bank's project restructuring has been completed.
Key Covenants/Conditions for Disbursement	1. Within one month of the Effective Date, establish the Project Steering Committee; 2. Within one month of the Effective Date, establish within MOH the Project Management Unit; and 3. Within 45 days of the Effective Date, adopt the Project Operational Manual.
Retroactive Financing (Loan % and dates)	Retroactive financing up to US\$2.92 million (40%) of the total financing amount will be allowed for eligible expenditures incurred by the Government from January 1, 2020.
Policy Assurance	The Vice President, Policy and Strategy, confirms an overall assurance that AIIB is in compliance with the policies applicable to the project.

President	Jin Liqun
Vice President	D.J. Pandian
Director General	Rajat Misra (Acting)
Manager	Rajat Misra
Project Team Leader	Toshiaki Keicho, Senior Investment Operations Specialist
Team Members	Jana Halida Uno, Sr. Operational Policy Specialist Haiyan Wang, Sr. Finance Officer Liu Yang, Counsel Jurminla Jurminla, Procurement Specialist Yangzom Yangzom, Procurement Specialist Susrutha Goonasekera, Sr. Social Development Specialist Zhixi Zhu, Environmental Specialist Shonell Robinson, Financial Management Specialist Antong Hu, Administrative Assistant

2. Project Description

A. Project fit under the Covid-19 Recovery Facility.

1. **The COVID-19 pandemic.** An outbreak of the coronavirus disease (COVID-19) caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) has been spreading rapidly across the world since December 2019. Since first reported in China in early December, the disease has spread to more than 210 countries with a rapid increase of identified cases. The World Health Organization (WHO) declared COVID-19 a global pandemic on March 11, 2020. The unfolding pandemic presents an unprecedented global challenge and has widespread and severe negative social, economic and financial impacts. The increasing breadth, depth and duration of the pandemic have placed significant pressures and strains on health care infrastructure, systems and supply chains. In the Maldives, the first two cases of COVID-19 were confirmed on March 7, 2020 at a resort island. Cases in the country spiked after a cluster emerged in the country's migrant worker community's dense living quarters in May 2020. As of June 8, 2020, there have been 1,942 confirmed cases with eight deaths in the country.

2. **Coordinated response by the international financial institutions.** International financial institutions, including AIIB, have undertaken initial concerted efforts to provide strong, coordinated support to countries and private sector entities affected by COVID-19. Several multilateral development banks have announced emergency response packages to support their members and clients who are affected by the crisis. For example, the World Bank Group has announced up to USD14 billion in financing, including USD8 billion from the International Finance Corporation. Meanwhile, the Asian Development Bank has announced USD20 billion, the European Bank for Reconstruction and Development EUR 1 billion, the Islamic Development Bank USD0.96 billion, and the Inter-American Development Bank USD3.2 billion.

3. **Project's alignment with AIIB's COVID-19 Recovery Facility.** On April 16, 2020, AIIB established the new COVID-19 Recovery Facility (the Facility) with an initial size of up to USD10 billion in order to react effectively to the fast-evolving situation and respond flexibly and efficiently to client demands.

- (i) Financing of immediate health sector needs including “the development of health system capacity, and provision of essential medical equipment and supplies to combat COVID-19, as well as the long-term sustainable development of the health sector of the member” is one of the primary objectives of the Facility. The scope of the proposed project is fully aligned with the above stated objective of the Facility.
- (ii) As stated in the Facility, the components of the project are aligned with the recommendations of WHO, which have been adopted by the World Bank (WB) Multi-phase Programmatic Approach. This project will be jointly co-financed with WB (with WB as the lead co-financier). WB's policies and procedures will be used for the project.

- (iii) On May 7, 2020, AIIB's board approved a new Special Fund Window (SFW) under the Facility, which allows the IDA-only members to buy down the interest rate of any eligible sovereign-backed financing. The buy-down rate is set at 100 basis points (bps) for USD-denominated loans. The Government of Maldives (GOM) requested the SFW for this project.

4. **Government Response.** The Maldives is very vulnerable to a more widespread outbreak with severe economic consequences due to its economic dependence on the tourism sector. Travel restrictions to contain the global outbreak are already having a broad impact on the Maldives' economy. In 2019, Maldives received 1.7 million tourists. Announced restrictions on tourists flows in March 2020 has resulted in a large number of cancellations of total arrivals. Consequently, real growth for the Maldives will be substantially negatively affected. Furthermore, the decline in tourist arrivals is expected to sharply reduce revenue collection since most tax and non-tax revenues originate directly or indirectly from tourism. GOM's best case scenario includes re-opening of borders starting from July 2020, with guidelines for safe tourism drafted by the Ministry of Tourism in consultation with various stakeholders.

5. In the health sector, the Maldives has been preparing well ahead of the arrival of COVID-19 on their island state. The country has elaborated standard operating procedures (SOPs) which are regularly revised and has a workable case definition. The Ministry of Health (MOH) has a dedicated website to the COVID-19 response with good public information, including access to all key documents related to the COVID-19 response. Partners have supported the elaboration of a recently developed and costed Contingency Preparedness and Response Plan (CPRP) based on the eight¹ pillars of the WHO's global COVID-19 Strategic Preparedness and Response Plan. The Maldives CPRP takes stock of the status of preparedness along each of these pillars and identifies gaps. The CPRP is valid for three months and has prioritized the following gaps: (i) boosting disease surveillance capacity, including decentralized capacity on two to three locations outside Malé, and diagnostic capacity for COVID-19; (ii) making operational temporary structures to function as quarantine facilities, including at decentralized locations; (iii) health staff with personal protective equipment (PPE) and training them on its use; and (iv) boosting intensive care capabilities, including at decentralized locations.

6. Making PPEs and other supplies available, enhancing testing capacity, boosting intensive care capabilities and human resources capacity are currently the most urgent needs for battling COVID-19 in the Maldives. This assessment is based on not only the CPRP but also feedback from atoll hospitals and health centers. Hospital management teams have trained their staff, are implementing the Government's SOPs and executing advanced public health quarantine measures and have designated buildings for future quarantine and treatment of patients. However, there was also indication that further efforts for quarantine, community communication efforts, training, enhanced testing

¹ Pillar 1: Country-level coordination, planning and monitoring; Pillar 2: Risk communication and community engagement; Pillar 3: Surveillance, Rapid Response Teams and case investigation; Pillar 4: Points of entry; Pillar 5: National laboratories; Pillar 6: Infection prevention and control; Pillar 7: Case management; Pillar 8: Operational support and logistics.

capacities (including localized testing) and health care worker protection could buttress existing efforts. Whereas the GOM's response and the United Nations (UN) support have been exemplary so far, areas where immediate large public health impacts can be achieved are more stringent social distancing measures.

7. **Non-concessional borrowing.** As an IDA-grant eligible country, the Maldives is subject to the World Bank's Non-Concessional Borrowing Policy (NCBP). The latest joint World Bank-IMF debt sustainability analysis (April 2020) concluded that Maldives' risk of external (overall) debt distress remains high. As such, the country has a zero non-concessional borrowing ceiling. The Maldives can request waivers for non-concessional borrowing on a loan-by-loan basis. An ex-ante waiver was sought for the AIIB co-financing loan. On June 3, the NCBP Committee indicated that the AIIB co-financing met the criteria for an integrated financing package, and as such, no waiver would be required since the total financing package meets the 35 percent grant element.

B. Project Objective and Expected Results.

8. **Project Objective.** To respond to and mitigate the threat posed by COVID-19 and strengthen national systems for public health preparedness in Maldives.

9. Expected Results.

- GOM has activated its public health National Emergency Operations Centre (NEOC) or other coordination mechanism for COVID-19
- Increased number of designated laboratories with COVID-19 diagnostic equipment, test kits, and reagents
- GOM adopted personal and community non-pharmaceutical interventions (school closures, telework and remote meetings, reduce/cancel mass gatherings).

10. **Expected Beneficiaries.** The expected project beneficiaries will be the population at large given the nature of the disease. The primary project beneficiaries will be infected people, at-risk populations (particularly the elderly and people with underlying comorbidities), medical and emergency personnel, medical and testing facilities, and public health agencies engaged in the response in the Maldives.

C. Description and Components

11. **Overview.** The project will be co-financed with the World Bank (lead co-financier). On April 2, 2020, the World Bank's board approved the project, which became effective on April 4, 2020. The World Bank will restructure the project to integrate AIIB's financing upon approval by AIIB's board. Early implementation of the project indicates that the funds allocated are likely to be insufficient for the activities proposed under the project, as costs of COVID-related supplies are higher than initially estimated due to extremely challenging global supply chain constraints, a problem faced by all countries. In addition, transport/freight costs are very high due to limited options to deliver the goods, especially to the Maldives. In addition, the rapid community transmission since

mid-April 2020, despite port of entry restrictions and social distancing measures that had been put in place, also points to the need for more resources than initially anticipated to scale up project activities and address the evolving nature of COVID-19. Subsequently, GOM requested AIIB to join the World Bank to co-finance the project, and the World Bank has agreed to restructure the project to include AIIB's financing after AIIB's board approval.

12. The project objective will be achieved through the implementation of activities that support further prevention of COVID-19 transmission combined with activities that strengthen the health system's capacity for disease management. Both approaches are essential to the immediate response and will serve the dual purpose of simultaneously strengthening the health system beyond the current crisis for the medium term. The project will have 4 components:

13. Component 1-Emergency Response for COVID-19 Prevention: procurement of essential protective equipment and other essential items to protect healthcare workers and patients; risk communication, community engagement and behavior change, including social distancing measures and associated mitigation strategies.

14. Component 2-Emergency Health System Capacity Strengthening for COVID-19 Case Management: Strengthening the centralized and decentralized health system capabilities for disease surveillance, case management and infection prevention and control (IPC).

15. Component 3-Implementation Management and Monitoring and Evaluation: Strengthening of public institutions for the coordination and management of the project, including central and regional arrangements for coordination of activities, financial management, procurement and social and environmental management.

16. Component 4-Contingent Emergency Response Component: This zero-dollar component is being added to ensure additional flexibility in response to the current and any potential other emergency that might occur during the lifetime of this project.

D. Cost and Financing Plan

Item	Project Cost (USD m)	Financing (USD m and %)		
		AIIB	WB (IDA)	GoM
Component 1-Emergency Response for COVID-19 Prevention	3.35	0.35	3.0	0
Component 2-Emergency Health System Capacity Strengthening for COVID-19 Case Management	10.6	6.5	4.1	0
Component 3-Implementation	0.65	0.45	0.2	0

Management and Monitoring and Evaluation				
Component 4- Contingent Emergency Response Component	0	0	0	0
Grand Total	14.6	7.3 (50%)	7.3 (50%)	0

E. Implementation Arrangements

17. **Implementation period.** The project's implementation period is expected to be from July 1, 2020 to June 30, 2023.

18. **Implementation Management.** The implementing unit will be the Administration Division within the MOH. The Administration Division will have overall responsibility for project implementation and oversight of the project activities. The Administration Division will be responsible for all procurements, trainings and capacity building activities supported by the project. In addition, for certain activities at the community level, the government may partner with Maldivian Red Crescent who have wider local presence to support implementation. A Project Management Unit (PMU) will be established within the Division to ensure effective and efficient implementation of these urgent activities. Composition of the PMU will include a Project Director, Project Coordinator/NEOC Liaison, Procurement Specialist, Financial Management Specialist, Environmental Safeguards (biomedical waste management) Specialist, Social Safeguards Specialist and an M&E Specialist.

19. A Project Steering Committee (PSC) will be established comprised of members of the President's Office, MOF, MOH, HPA and NDMA. These entities are also members of the National Emergency Operations Centre (NEOC), which was specifically established for COVID-19 response on March 3, 2020. The NEOC ensures multi-sectoral coordination and emergency response oversight over the management of the COVID-19 response in Maldives. The PSC, with strong links to the NEOC but potentially more permanent than the NEOC (which would be functional only for the emergency period), will provide oversight and guidance for the implementation of project activities.

20. Procurement of medical supplies, including PPEs, will be preferably procured using the World Bank-UN procurement framework to mitigate risks of global supply chain shortages for COVID-19 supplies and resulting price gouging in the market. Procurement through the State Trading Organization (STO), a state-owned enterprise that may undertake procurement on behalf of the government, may be considered for some cases that are not hindered by the current stock shortages.

21. **Monitoring and Evaluation.** Monitoring and evaluation (M&E) activities will be the responsibility of the Administration Division of MOH. Monitoring of project activities will be done by the M&E specialist within the PMU. The MoH's routine health management information system (HMIS) will be the primary monitoring and reporting mechanism for project results. The HMIS will be supplemented by project monitoring by the M&E specialist who will facilitate the regular collection, analysis and reporting of the progress of implementation of project activities as well as results achieved.

22. **Reporting.** The MOH will produce a quarterly report based on agreed targets and the progress made on implementation of critical project activities. This report will contain tables of performance against indicators for the proposed project and will be shared with the MOF before being transmitted to the Bank.

23. **AIB's Implementation Support.** WB will be the lead co-financier and will supervise the program and administer the AIB loan on behalf of AIB, in accordance with WB's applicable policies and procedures, and a Project Co-Lenders' Agreement, to be signed between AIB and WB, in accordance with the existing Co-financing Framework Agreement between AIB and WB.

24. An experienced World Bank team of health, operational, fiduciary and safeguards specialists will provide implementation support to the MOH through regular implementation support missions with additional support from World Bank team members based in Malé. Implementation support missions will be carried out by WB on a regular basis and will include relevant partners in consultation with GOM in general and MOH in particular. Implementation will also be supported virtually, especially in early phases of the project when travel restrictions may be in place. AIB team will work closely with WB's team in providing implementation support and to use the opportunity to learn about implementation of such a program from WB. AIB will depute its team to join force with WB in such implementation support missions once the prevailing restrictions on inter and intra country travel are relaxed. Proper resources will be made available within AIB to match the frequency of WB's implementation support missions.

25. **Sustainability.** The sustainability of the project would largely depend on the capacity of the implementing agency and the specific activities. Some project activities are not intended to be sustained if the response is adequate and timely (e.g. continued COVID-19 testing). However, laboratory capacities will be improved at the national as well as at the regional levels such that the system for testing and diagnostics is strengthened and sustained beyond the epidemic period. In addition, the focus of some of the project activities on training and capacity building of health workers and improved biomedical waste management will further enhance the sustainability of the project

26. **Procurement.** Procurement for the project will be carried out in accordance with the World Bank's Procurement Regulations for IPF Borrowers for Goods, Works, Non-Consulting and Consulting Services, dated July 1, 2016 (revised November 2017 and August 2018). The project will be subject to the World Bank's Anti-Corruption Guidelines, dated October 15, 2006 (revised in January 2011 and July 1, 2016). The World Bank's Procurement Policy and Anti-corruption Guidelines are materially consistent with AIB's Procurement Policy and Prohibited Practice and therefore, deemed fit-for-purpose. The rights and obligations of co-financiers are enshrined in co-lenders agreement.

27. **Financial Management.** The PMU established within the Administration Division of the MoH, will be charged with the financial management responsibility of the project. As MoH has no previous experience in AIB-financed projects, an interim arrangement has been agreed. A Financial Management (FM) staff from an existing World Bank financed project will be seconded to the PMU. The staff has had a satisfactory FM performance record and is well versed with WB FM procedures and

processes. This arrangement will be continued until capacity at the PMU can be supplemented with alternate qualified staff, who have been trained in the Bank's FM requirements. The daily financial management function will be guided by the financial management procedures approved as part of the project operations manual. The project financial statements will be audited annually by the Auditor General's Office of Maldives. The audit report consisting of the audited financial statements and management letter, will become due within six months of the end of the Government's financial year end. In respect to the components that will be implemented with UN Agencies' support, the UN agencies will account for the funds using their institutional accounting rules and regulations. These agencies will provide quarterly Fund Utilization Reports that show funds received and related expenditure, alongside progress reports, to the World Bank, AIIB, MOF and the MoH.

3. Project Assessment

A. Technical, Economic and Financial Analysis

28. This project was selected for COVID-19 financing because Maldives is highly vulnerable to natural hazards, including public health emergencies and extreme climatic events with severe economic consequences. This is due to its fragile ecological profile, low elevation, and economic dependence on the tourism sector. The consequences of climate related events pose a real threat to national development. Climate variability and change have been linked to the emergence and re-emergence of infectious diseases. The effects of climate change, if poorly managed, could cause unprecedented economic losses over the long-term.

29. Initial analysis suggests that the COVID-19 is expected to have significant impacts on Maldives' economy. Country specific characteristics place the Maldives among the countries that will be hit the hardest in the wake of the ongoing COVID-19 outbreak. In addition, the high density of population in Malé —among the most densely populated cities in the world—elevates the risks of contagion through human-to-human contact. The magnitude of the socioeconomic impact in the Maldives remains highly uncertain: this will depend on the duration of the outbreak and travel bans, as well as the recovery time for tourism flows to return to normalcy. In addition, the sharp decline in global wealth from stocks markets may reduce tourism flows moving forward.

30. **Economic Impact.** Macroeconomic scenario analysis suggests major negative impacts. The overall impact of the economy will depend on the duration of the outbreak in the Maldives and main source countries of tourists, travel bans, and the time it takes for tourism flows to return to normalcy. On March 17, the Cabinet announced plans to cut the salaries of all political appointees by 20 percent, starting from March 20 and reduce government spending by MVR 1 billion (about USD 65 million) as a precautionary measure to compensate for the potential impact of the ongoing COVID-19 pandemic. To date, GOM has reduced overall spending by MVR7.7 billion (about USD502 million). Other measures including scaling down of the public sector investment program for the year, reduction of all public sector salaries above the MVR20,000 per month threshold, and cuts in allocations for travel and operational expenses are also under implementation.

31. Major transmission channels by which COVID-19 is expected to impact the Maldives are:

- Tourism flows. Tourism accounts for about two-thirds of GDP (directly and indirectly) and 80 percent of all exports. The tourism sector is also an important source of jobs. 14% of all employed Maldivians work in tourist resorts. Until recently, Maldives' tourism sector was characterized by a resort-based high-end enclave model. Rapid expansion of guest houses in local islands have provided new economic opportunities for local inhabited islands. A large negative shock to tourism is expected to result in lower growth and wider fiscal and current account deficits. In addition, it is expected to have a more pronounced effect on the guest house segment. Anecdotal evidence indicate that many guest houses and resorts are being

severely impacted by the outbreak and the decline in tourist arrivals. China and Italy, two countries heavily impacted by COVID-19, make up a quarter of all tourists to the Maldives. Furthermore, tourist arrival restrictions since March 2020 has resulted in a large number of cancellations. Tourist arrivals are expected to decline further given increasing restrictions on international travel (imposed by outbound countries or by the Maldives). In addition, the Foreign Direct Investments (FDI) flows (mainly directed to the tourism sector) could significantly weaken as investor economies will recuperate from their own crisis.

- **Merchandise trade balance.** Apart from tourism-related services exports, lower demand for fish-related exports from key European markets would negatively impact the trade deficit. Exports of raw fish to Europe have virtually ceased. On the other hand, there could be a slowdown in the imports of material and capital goods, for which the Maldives depends mostly on China, Singapore and India. Lower prices of crude oil would also reduce the value of fuel imports, which make up 17 percent of all imports.
- **Fiscal.** A significant decline in tourist arrivals would reduce travel receipts from various taxes (airport departure fees and taxes, green tax, tourist GST, import duties) and resort rent revenues. Tourist GST declined 8.4 percent over January-March, compared to the corresponding period of 2019, and are likely to further decline as the Maldives has imposed border closure.

32. There is need to invest in underlying health systems during the emergency response to minimize risks of gains being reversed. This includes a surge in medical personnel, ramping up diagnostic capacity and infrastructure for patient management, including isolation facilities. Based on the Ebola Virus Disease outbreaks in West Africa and currently in the Democratic Republic of Congo it is important that interventions under this project should support both COVID-19 health services as well as non-COVID-19 health services.

33. **Economic Benefits.** The project is expected to bring economic benefits in the short- and medium to longer-term. Project activities will help address the immediate and long-term impacts of COVID-19 on the domestic and international economy by:

- **Safeguarding against the loss of human capital.** Mortality, morbidity and negative impacts on productivity will be mitigated through: i) improving access to life-saving health services through training and equipment; ii) mitigating the spread of COVID-19 through the provision of proper equipment, training, and supplies to health sector workers; and iii) preventing infection – especially vulnerable populations such as the elderly or those with underlying comorbidities – through SBCC.
- **Limiting the extent and duration of economic disruption.** While short-term containment and prevention measures are already disrupting economic activity, longer-term impacts (e.g. on tourism) could be moderated if the curve of infection transmission pattern can be flattened and the epidemic shortened. Measures to control the spread of COVID-19 in Maldives will also have spillover positive impacts through mitigating risks of further outbreaks internationally.

- Broader health-system strengthening. Many measures supported by the project will bring economic benefits through broader health system strengthening. Positive long-run returns are expected from activities related to: i) training of health sector workers; ii) provision of essential basic medical equipment and hospital infectious waste management equipment; and iii) improved capacity in health facilities and on diagnostics. International evidence shows that such investments deliver positive economic returns even in the absence of a major pandemic.

B. Fiduciary and Governance

34. **Procurement.** The Administration Division of MoH will be the implementing agency. A dedicated PMU will be established with experienced officials. The major procurement in the project includes: medical equipment, supplies and commodities, diagnostic reagents including kits; procurement and distribution of masks; development of risk communication and behavior change message and materials; additional ICU beds and isolation facilities; strengthening of the centralized and decentralized health system capabilities for disease surveillance; expansion of diagnostic facilities; case management and IPC. Given the emergency nature of the requirements, the GOM has agreed to develop a streamlined PPSD (equivalent to PDS) and will be finalized during the early implementation phase. The Bank will review and agree on streamlined PPSD with the World Bank. Initial procurement plan for the first three months has been agreed with the World Bank and it will be updated during the implementation stage.

35. The COVID-19 pandemic has resulted in supply chain disruptions with restrictions on movement of people, goods and services coupled with limitations on export of critical supplies by many countries. Therefore, procurement arrangements will be prioritized by following fast-track procurement approaches such as: using framework agreement with international agencies like UNICEF, WHO and other UN agencies and national agencies like State Trading Organization (STO); providing hands-on support by the World Bank if requested by the borrower; allowing direct contracting and/or limited competitor with identified manufacturers and suppliers; increasing threshold value for Maldives (goods shopping to US\$100,000 from the existing US\$25,000 and for NCT to US\$400,000 from the existing US\$100,000). Other measures like short tender period, no tender security, advance payment, direct payment, etc. may be applied on a case-by-case basis as agreed with the lead co-financer. Based on rapid capacity assessment, the procurement risk is rated as “high”. The risk rating will be reviewed during the implementation phases and mitigation measures will be recommended accordingly.

36. **Financial Management.** A financial management assessment was conducted which concluded that the proposed FM arrangements are deemed to be acceptable by the Bank. The main FM risk factors identified include MoH having no experience implementing AIB-financed projects; and the possibility for incomplete accounting records and misuse of goods (Assets & Inventory) at the health facilities. The mitigating risk factors include: the interim arrangement of deploying staff from another WB financed project; training of new hires; and strong monitoring systems to be introduced and oversight mechanisms including external audit. Annual budget will be prepared based on an approved work and procurement plans, covering all project financing. Steps and timeline for preparation of the annual budget will follow the budgeting

processes and timeline as detailed in the project operations manual. Annual budget will clearly indicate sources of financing (IDA & AIIB) for activities under each component and subcomponents. World Bank and AIIB will review and provide no objection to annual budget prior to implementation. The PMU will also be required to design the accounting system in a manner that allows for project funds to be captured by sources and financing, project components, subcomponents, and categories. Quarterly Interim Unaudited Financial Reports (IUFR) will be required in the prescribed format which will be submitted to the World Bank and AIIB within 45 days from the end of the quarter. The IUFR will be the basis for disbursement.

37. **Disbursements.** The disbursement methods to be applied to the project include advance, direct payment, reimbursements, and special commitments. For the advance method, a pooled US dollar Designated Account (DA) has been set up with the Maldivian Monetary Authority (MMA), which is the Central Bank of Maldives, to receive funds from the AIIB and IDA. Funds will be advanced to the DA to meet the estimated expenditures of three quarters, as forecasted in the IUFRs. From this DA, payments will be made to suppliers, vendors, consultants and for incremental operating costs. In addition, Direct Payment or Special Commitment disbursement methods will be used by the project, where payments need to be carried out for international open or limited and direct selection contracts, which would be identified in the procurement plan. The funds flow arrangements will include flexibility of using UN commitments and direct disbursement to UN agencies, with payment modalities as stated in the contract, which is expected to be around 90% of the total financing. Also, a lower threshold of USD50,000 for direct payments is allowed. The reimbursement method will be applied to retroactive financed expenditures. Retroactive financing up to 40% of the total financing amount will be allowed for eligible expenditures incurred since January 1, 2020 (mainly the cost of PPE and other medical supplies).

38. **Governance and Anti-corruption.** AIIB is committed to preventing fraud and corruption in the projects it finances. For this project, World Bank's Anti-corruption guidelines shall apply which is materially consistent with AIIB's Policy on Prohibited Practices (2016). However, the Bank reserves the right to investigate, directly or indirectly through its agents, any alleged corrupt, fraudulent, collusive, coercive or obstructive practices, and misuse of resources and theft or coercive practices relating to the program and to take necessary measures to prevent and redress any issues in a timely manner, as appropriate.

39. **Institutional Capacity.** The Project includes the necessary implementation arrangements, technical assistance, and institutional capacity building activities to attain and sustain Project objectives. The Project will strengthen the MoH's capacity to effectively respond to future pandemics and to address current challenges in outbreaks of other infectious and vaccine-preventable diseases. By investing in strengthening laboratory capacity and enhancing hospital's essential service, the Project will contribute to strengthening Maldives' health system and ensure preparedness.

C. Environmental and Social

40. **Environmental and Social Policy and Categorization.** The Project will be co-financed with WB as lead co-financier and its environmental and social (ES) risks and

impacts have been assessed in accordance with the WB's Environment and Social Framework (ESF). To ensure a harmonized approach to addressing the ES risks and impacts of the Project, and as permitted under AIB's Environmental and Social Policy (ESP), AIB agrees that the WB ESF will apply to the project in lieu of AIB's ESP. AIB has reviewed the WB ESF and is satisfied that: (a) it is consistent with AIB's Articles of Agreement and materially consistent with the provisions of AIB's ESP and the relevant ES Standards; and (b) the monitoring procedures that are in place are appropriate for the project.

41. Given the nature and potential of spread of the COVID-19 pathogen, the WB has categorized the ES risks of the project as Substantial (which is equivalent to Category B if AIB's ESP were applicable). However, the project is expected to have mostly positive ES impacts, insofar as it should improve COVID-19 surveillance, monitoring, case management and containment, thereby preventing a wider spread of the disease.

42. **Instruments.** An Environmental and Social Commitment Plan (ESCP) has been prepared by MoH in accordance with the WB's new ESF. To mitigate the ES risks and impacts of the Project, the Ministry of Health (MoH) has also prepared an Environmental and Social Management Framework (ESMF) in line with WHO standards and guidelines on COVID-19 response. The ESMF includes a generic Infection Control and Health Care Waste Management Plan (ICHCWMP). The ESMF also presents a positive list and negative activities. Should there be a need for major refurbishments and/ or construction of any new structures as well as for all activities that may be financed by the CERC, Environmental and Social Screening and Environmental and Social Management Plans (ESMPs) will be prepared based on the provisions of the ESMF. The positive and negative lists will also be applicable for CERC operations.

43. **Environmental Aspects.** The main environmental risks of this Project include: (i) the occupational health and safety issues related to testing and handling of supplies and the possibility that they are not safely used by laboratory technicians and medical crews; and (ii) medical waste management and community health and safety issues related to the handling, transportation and disposal of health care waste and emissions, and waste generation due to small scale of construction works.

44. The Maldives has endorsed the National Health-care Waste Management Policy in 2016. However, implementation of the policy has been slow. Currently environmentally sound final disposal facilities have not been established fully anywhere in the Maldives, so none of the health facilities in the Maldives have an exceptionally good waste management system. In many institutes, the collection and segregation are present, but comingling of waste can occur during final disposal.

45. As the Maldives has very limited experience in managing highly infectious medical wastes such as COVID-19, the generic ICHCWMP includes specific protocols and measures to ensure co-mingling of waste does not occur with municipal solid waste streams. The generic ICHCWMP provides for the application of international best practices in COVID-19 diagnostic testing and handling of the medical supplies and disposing of the generated waste, which are outlined in the WHO "Operational Planning Guidelines to Support Country Preparedness and Response and the WHO "Key

considerations for repatriation and quarantine of travelers in relation to the outbreak of novel coronavirus 2019-nCoV” (February 11, 2020).

46. In order to augment final disposal capacity for health care waste the Ministry of Environment in collaboration with the MoH has also commenced a rapid response to ensure that existing autoclaves are operational and additional units procured and other personal protective equipment (PPE) are adequately available for emergency response operations.

47. **Social Aspects.** Social risks of the Project are considered ‘substantial’ with main concern relating to the inability of marginalized and vulnerable social groups to access facilities and services, which could undermine the objectives of the project. Burdens of unpaid care work fall on women and girls during crises as well as social distancing. Similarly, other vulnerable groups such as the foreign workers, elderly, poor and people with disabilities, may not benefit equally from public awareness campaigns, etc., even whilst some of them are more at risk to contracting the virus. Other social risks associated with the Project include social conflict arising out of spread of disease and inadequate waste management, especially amongst communities located around the isolation units and quarantine facilities; feelings of isolation due to social distancing for long periods of time; increase in vulnerability to Sexual Exploitation and Abuse (SEA)/ Sexual Harassment (SH) and gender-based violence (GBV) related risks due to medical isolation of individuals.

48. To mitigate the above risks, the provision of services and supplies will be based on the urgency of the need, in line with the latest data related to the prevalence of the cases. In addition, the GoM, in the ESCP, has committed to putting in place adequate measures to provide services and supplies based on the urgency of the need and ensure that the medical isolation of individuals does not increase their vulnerability. The Project will rely on WHO standards and international best practices to promote the proper handling of quarantining interventions (including dignified treatment of patients; attention to specific, culturally determined concerns of vulnerable groups; and prevention of SEA/ SH and GBV as well as minimum accommodation and servicing requirements). The preparation and implementation of Social and Behavior Change Communication (SBCC) strategy will involve messaging and communication strategies to ensure equal access to women, people with disabilities, foreign workers, and other vulnerable and marginalized groups.

49. **Occupational Health and Safety, Labor and Employment Conditions.** The health and laboratory workers are at highest risk of contamination with COVID-19 (or other contagious illnesses). They should be provided appropriate and adequate PPE and relevant training. The project will ensure the application of Occupational Health and Safety (OHS) measures as outlined in WHO guidelines which are captured in the ESMF. The project may outsource minor refurbishment works to contractors. The envisaged works will thereby be of minor scale and thus pose limited risks, but workers need to have access to necessary PPE and hygienic facilities. A Labor Management Procedure (LMP) has been prepared by MoH in accordance with WB’s ESF.

50. No large-scale labor influx is expected due to the minor scale of refurbishment. The use of child labor (any person under the age of 18) and forced labor are forbidden for both for construction and operation of health care facilities.

51. **Stakeholder Engagement, Consultation and Information Disclosure.** A Stakeholder Engagement Plan (SEP) has been prepared and disclosed on March 24, and updated on May 22, 2020 by the MoH² and on the WB's external website³. The updated SEP includes more information on the environmental and social risks of project activities and new modalities that take into account the need for improved hygiene and social distancing. The MoH will use the SEP to engage citizens and for public information disclosure. The ESCP has been disclosed on the same websites of MoH and WB on March 26, 2020; the ESMF and LMP have been disclosed since May 22, 2020. The ES documents have also been disclosed on AIIB website⁴. The Executive Summary of the ESMF will be translated into Divehi language and disclosed soon.

52. **Monitoring and Supervision.** WB will conduct regular monitoring and Supervision of the project implementation. The reports of the Supervision and Monitoring conducted by WB will be shared with AIIB. AIIB will primarily conduct Post Review and conduct joint Missions with WB. WB and AIIB ES specialists will be working in close coordination and will share information on a periodic basis. AIIB will be able to provide inputs on corrective measures following the joint Missions in project sites.

53. **Project Grievance Redress Mechanism.** A project Grievance Redress Mechanism (GRM) has been proposed in line with the requirements of the WB's ESF and included in the SEP. Communities and individuals who believe that they are adversely affected by the Project will be able to submit complaints to the project-level GRM for their resolution. Similarly, a basic GRM will be developed for the workers to report any issues relating workplace safety and other concerns.

54. **Independent Accountability Mechanism.** As noted above, the WB's ESF will apply to this project instead of AIIB's ESP. Pursuant to the Bank's agreement with the WB, the Bank will rely on the WB's corporate Grievance Redress Service (GRS), its independent accountability mechanism and its Inspection Panel (IP), to handle complaints relating to ES issues that may arise under the project. Consequently, in accordance with the Bank's policy on the Project affected People's Mechanism (PPM), submissions to the PPM under this project will not be eligible for consideration by the PPM. Information on WB's corporate GRS is available at <https://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. Information on WB's Inspection Panel is available at <http://www.inspectionpanel.org>.

² <http://health.gov.mv/Downloads/>

³ <https://projects.worldbank.org/en/projects-operations/document-detail/P173801>

⁴ <https://www.aiib.org/en/projects/details/2020/proposed/Maldives-COVID-19-Emergency-Response-and-Health-Systems-Preparedness-Project.html>

D. Risks and Mitigation Measures

55. The overall risk is High. This reflects high macroeconomic, institutional capacity and fiduciary risks combined with substantial technical design and environmental and social risks.

Table 2: Summary of Risks and Mitigating Measures

Risk Description	Assessment Ratings (High, Medium, Low)	Mitigation Measures
<p>Macroeconomic. Maldives is highly vulnerable to macroeconomic shocks due to its small size, lack of economic diversification outside tourism and heavy reliance on imports. The macroeconomic framework's adequacy depends on whether the large downside fiscal, external and political risks can be mitigated in the context of the COVID19 pandemic. Maldives faces a high risk of external debt distress and a heightened overall risk of debt distress. Maldives is also exposed to external exogenous risks, such as a global downturn, global commodity prices and investor sentiment.</p>	High	Development partners including WB financing, in-kind and technical support help weather to some extent this risk.
<p>Technical. One of the key challenges with the response to COVID-19 is a breakdown in the global supply chain and availability (and price) of essential medicines and commodities necessary for the immediate response, such as PPE.</p>	Medium	The global PSCN (Pandemic Supply Chain Network), of which the World Bank is a co-convenor, has identified the list of medical products critical to the response and the Bank will work with MOH to customize this list further to develop a positive list of goods to be procured with World Bank financing. Furthermore, these essential goods and supplies are expected to be procured with project financing through Memoranda of Understanding to be agreed between the MOH and UN agencies such as UNICEF, which are engaged in direct discussions with global suppliers. To the extent the project's success in containing the spread of the virus will depend on conducive social

		behavior. The project will support advocacy and coalition building to sensitize key groups including policy makers, the media, and ensure consistent communication.
<p>Institutional capacity. The implementing unit of this project is the RAHS Division in the MOH, which does not have prior experience in managing World Bank-financed projects. A new PMU needs to be established, which will likely need to go through a steep learning curve. This is a significant risk for an emergency project that needs to move quickly.</p>	High	Initial staff will be seconded from existing World Bank-financed project PMUs to ensure sufficient capacity at initial stages to ensure prompt implementation.
<p>Procurement. The key procurement risk is failed procurement due to lack of sufficient global supply of essential medical consumables and equipment needed to address the health emergency as there is significant disruption in the supply chain, especially for PPE.</p>	High	The Bank will leverage its comparative advantage as convener and facilitate borrowers' access to available supplies at competitive prices with the augmented implementation support described in the procurement section of this document. In providing this augmented hands-on support, the Bank will remain within its normal operational boundary.
<p>Financial management. Limited or no project implementation experience in MoH in a Bank financed operation.</p> <p>Incomplete record and misuse of goods (Assets & Inventory) at the health facilities. Unaccounted advances of significant value, incomplete documentation, and use of funds for ineligible expenditure.</p>	High	<p>A PMU will be established with suitable personnel. An interim arrangement of deploying staff from WB-financed PFM project is agreed.</p> <p>Strong monitoring systems to be introduced: i) maintaining detailed records of assets and inventory at the health facilities; ii) keeping detailed records in the management of any advances; iii) reporting use of advances in a timely manner; and iv) oversight mechanisms including external audit.</p>

<p>Environmental and Social. The occupational health and safety issues related to testing and handling of supplies and the possibility that they are not adequately used by the laboratory technicians and medical crews.</p> <p>Limited experience and capacity to manage environmental pollution and community health and safety issues related to the handling, transportation and disposal of healthcare waste.</p> <p>Migrant population may have difficulties in accessing facilities and services, especially if they are foreign workers. Marginalized and vulnerable social groups are unable to access facilities and services.</p>	<p>Medium</p>	<p>MoH will prepare an ESMF which will include HCWMP and OHS measures in line with WHO standards on COVID-19 response.</p> <p>The relevant parts of the WHO COVID-19 quarantine guidelines and COVID-19 biosafety guidelines will be applied so that all relevant risks and mitigation measures will be covered.</p> <p>The provision of services and supplies will be based on the urgency of the need, in line with the latest data related to the prevalence of the cases. In addition, the GoM, in the ESCP, has committed to putting in place adequate measures to ensure that the medical isolation of individuals does not increase their vulnerability, especially to gender based violence and sexual exploitation and abuse.</p>
<p>Overall Risks</p>	<p>High</p>	

Annex 1: Results Monitoring Framework

Project Objective:	To respond to and mitigate the threat posed by COVID-19 and strengthen national systems for public health preparedness in Maldives.				
Indicator Name	Unit of measure	Baseline (as of March 22, 2020)	End Target	Frequency	Responsibility
Project Objective Indicators:					
GOM has activated its public health National Emergency Operations Centre (NEOC) or other coordination mechanism for COVID-19	Text	No	Yes	Continuous	MoH
Number of designated laboratories with COVID-19 diagnostic equipment, test kits, and reagents	Number	1	5	Biannual	MoH
GOM adopted personal and community non-pharmaceutical interventions (school closures, telework and remote meetings, reduce/cancel mass gatherings).	Text	No	Yes	Continuous	MoH
Intermediate Results Indicators:					
Component 1: Emergency Response for COVID-19 Prevention Proportion of hospitals with adequate personal protective equipment within a given month.	Percentage	0	70	Biannual	MoH
Component 2: Emergency Health System Capacity Strengthening for COVID-19 Case Management Number of regions with ICU capacity.	Number	1	5	Biannual	MoH

Project Objective:	To respond to and mitigate the threat posed by COVID-19 and strengthen national systems for public health preparedness in Maldives.				
Indicator Name	Unit of measure	Baseline (as of March 22, 2020)	End Target	Frequency	Responsibility
Proportion of health professionals trained in infection prevention and control per MOH-approved protocols.	Percentage	0	70	Biannual	MoH
Number of designated laboratories with staff trained to conduct COVID-19 diagnosis.	Number	1	5	Biannual	MoH
Number of total daily testing capacity for SARS-CoV-2 in the country including five regional laboratories.	Number	350	1,500	Biannual	MoH
Average transport time for COVID-19 lab specimen from health facility to a regional testing center.	Hours	30	12	Biannual	MoH
Component 3: Implementation Management and Monitoring and Evaluation Proportion of hospitals that have submitted complete monthly reports on the number of suspected cases identified, number of cases tested, number of contacts traced, the presence of personal protective equipment, and the presence of an isolation unit.	Percentage	0	80	Biannual	MoH

Annex 2: Detailed Project Description

1. The total proposed financing amount for the project is USD14.6 million with WB and AIIB each financing USD7.3 million. The project duration is expected to be three years.

2. Component 1: Emergency Response for COVID-19 Prevention (Indicative US\$3.0 million from COVID-19 FTF). The aim of this component is to prevent the disease taking hold in the country for as long as is reasonably possible and slow the spread in the country. This will be achieved through providing immediate support to:

- Procurement of essential protective equipment and other essential items in support of Pillar 8 of the CPRP. While the government has already secured some PPE and supplies, more is needed. This component will enable Maldives to procure essential protective equipment, diagnostics, and other essential items. The enhanced supply of these critical items is a key part of preventing the spread of COV-19.
- Risk communication, community engagement and behavior change. Given the stage of epidemic that Maldives is in, the most powerful approach to slow the spread is through social distancing. Enhancing implementation of social distancing measures such as schools, restaurant, religious institution, and café closures will have substantial positive impact, some of which are already in place (e.g., closure of schools, government offices, banks, cinemas, dine-in services in Greater Malé, spas except for those in resorts). In addition, reducing large social gatherings such as weddings will be beneficial to slowing the spread of disease. This sub-component will support Pillar 2 of the CPRP (Risk Communication and Community Engagement) with a comprehensive SBCC strategy, including the promotion of behaviors to complement social distancing (e.g. personal hygiene promotion, including promoting handwashing and hygiene, and distribution and use of masks, along with increased awareness and promotion of community participation in slowing the spread of the pandemic) and with a special emphasis on Malé where the population density is so high that transmission is much more quickly to spread. Community mobilization will take place through credible and effective institutions and methods to ensure that information reaches not only the national level but also the local population. School closures will have implications for the education sector at large, and this component will support measures to mitigate these effects as well as other effects of long-term social distancing.

3. Component 2: Emergency Health System Capacity Strengthening for COVID-19 Case Management (Indicative US\$4.1 million from COVID-19 FTF). The aim of this component is to provide the best care possible for people who become ill, support hospitals to maintain essential services despite a surge in demand and ensure ongoing support for people ill in the community to minimize the overall impact of the disease on society, public services and on the economy.

- Laboratory and diagnostic capacity. This Component supports Pillar 5 for the fortification of disease detection capacities through strengthened laboratory and diagnostic systems to ensure prompt case finding and local containment. Enhanced detection capacities will be supported through updated training to health workers and

other frontline stakeholders and strengthened laboratory capacities. Laboratory capacity to diagnose COVID-19 at both national and atoll levels will be strengthened, including increased volume of testing kits and expansion of special panel kits; expansion of testing capacity to five regions; training for laboratory technicians; enhanced transportation of samples established; and certification of safety cabinets.

- Containment and treatment efforts. Assistance will be provided to the health care system for local containment through the establishment of local isolation units in hospitals and the establishment of quarantine and isolation facilities in other existing spaces (e.g. hotels, former hospitals, etc.). This component will also support intensified contact tracing of known cases. Given the country's rising burden of non-communicable diseases, there may be high numbers of people who are particularly vulnerable to the effects of COVID19 infection, requiring intensive care if they become infected with COVID-19. Thus, treatment capacity needs to be further strengthened to prepare for a potential surge in cases. This component will finance the expansion of intensive care unit (ICU) capacity, including the establishment of additional ICU beds and the necessary equipment and supplies to make them functional. Detailed guidelines and SOPs have already been developed by the government. However, training on implementation of these guidelines and SOPs will be provided to frontline health workers, hotel and resort staff, airport personnel and other frontline stakeholders. These containment efforts are a core element of Pillar 7 of the CPRP (Case Management).

4. Component 3: Implementation Management and Monitoring and Evaluation (Indicative US\$0.2 million from COVID-19 FTF). Support for the strengthening of public structures for the coordination and management of the project would be provided, including within the PMU and possible regional arrangements as appropriate for coordination of activities, financial management and procurement. This component would also support monitoring and evaluation of prevention and preparedness, building capacity for clinical and public health research, and joint-learning across and within countries. Collection, use and processing (including transfers to third parties) of any personal data collected under this Project will be done in accordance with best global practice ensuring legitimate, appropriate and proportionate treatment of such data.

5. Component 4: Contingent Emergency Response Component (CERC) (US\$0 million). In the event of an Eligible Crisis or Emergency, the project will contribute to providing immediate and effective response to said crisis or emergency. The allocation to this component is to minimize time spent on a reallocation of funds from programmed activities. The unused amount can be reallocated to other components if the CERC component is not triggered a year prior to project closing.

Annex 3: Sovereign Credit Fact Sheet

A. Recent Economic Development

1. Maldives' economy witnessed volatile GDP growth rates in the past decade. More recently, real GDP grew at 6.9 in 2017 and accelerated to 7.5 percent in 2018, driven by strong government infrastructure investment, tourism and construction. The country is undergoing a massive infrastructure expansion, including investment in international and regional airports, major regional hub development and land connectivity in the Greater Malé area, as well as in harbors, sewerage systems and desalination plants. In addition to infrastructure projects, construction activities are also supported by investment in new resort development and housing projects (developing 6,000 homes in Malé and other islands). There is continued strong growth in tourism receipts, as tourist arrivals and tourism bed-nights have seen annual increase of 8 – 10 percent over the past two years.
2. Despite strong growth, the country is faced with a weakened external position. According to the IMF, Maldives' current account deficit reached 23.9 percent of GDP in 2018, reflecting higher imports associated with public infrastructure projects, new resort investments and related capital goods imports.¹ Imports values are more than 2.5 times of exports. Furthermore, exports are highly concentrated, with 95 percent of total goods exports from petroleum gas and the fish products, presenting further vulnerabilities to shocks.
3. The current account deficit is largely financed by external borrowing. Major creditors include both bilateral and multilateral creditors such as China, Saudi Arabia, Abu Dhabi and the OPEC Fund with lending at interest rates of 2 to 5 percent and maturities close to 20 years or longer. Maldives' external debt reached 49.3 percent of GDP in 2018. The country is included in the list of Zero Non-Concessional Borrowing (Zero-NCB) Limit Countries by the World Bank Group (last updated on April, 2019)².
4. The fiscal deficit has widened and is estimated at 4.3 percent of GDP, driven mainly by increased current spending. The growth of credit has picked up with ongoing accommodative monetary policy. Bank lending to the private sector for construction and real estate rose by 35% from 28% a year earlier, pointing to robust private construction. Inflation decelerated from 2 percent to 0.5 percent over 2017-2018, driven by lowering of administrative prices of staples and electricity and global trends in food prices.

B. Economic Indicators

¹ IMF Country Report No. 19/156, June 2019.

² Source: List of IDA-only and PRGT-eligible Countries Subject to IMF/World Bank Group Debt Limits Conditionality, last updated on April 30, 2019

Selected Macroeconomic indicators (2017-2022)

Economic Indicators	2017	2018*	2019*	2020*	2021*	2022*
Real GDP growth	6.9	7.5	6.5	6.0	5.5	5.5
CPI Inflation (average, % change)	2.2	0.5	2.1	2.4	2.5	2.6
Current account balance (% of GDP)	-21.9	-23.9	-19.5	-15.1	-13.4	-11.4
Central government overall balance (% of GDP)	-3.0	-4.3	-4.9	-5.5	-5.2	-4.9
Nominal gross public debt (% of GDP)	61.6	71.4	76.8	80.7	83.1	81.5
Public gross financing needs (% of GDP)	20.7	21.1	17.4	15.3	13.4	15.7
External debt (% of GDP, end period)	39.5	49.3	56.6	58.7	59.7	56.9
Gross external financing need USD millions)	763.9	1157.4	880.8	700.9	622.8	770.3
Gross international reserves (USD millions)	586	754	576	609	725	706
Broad money growth (M2, %)	5.2	3.4	8.6	8.6	8.1	8.1
Exchange rate (TRY/USD, EOP) **	15.0	15.4	15.4	-	-	-

Note: * denotes projected figures.

** FX rate from Thomson Reuter, 2019 FX data as of Sep. 13, 2019

Source: IMF Country Report No. 19/156.

C. Economic Outlook and Risks

- Looking ahead, Maldives' economy is expected to remain strong with 5.9 percent growth in 2019. It is expected to grow at 5.2 percent per annum on average over 2020-2022. Tourism and construction are poised to drive GDP growth, despite rising political tensions and delays affecting some projects. Capacity in the tourism sector is set to expand following the infrastructure scaling up, and the baseline assumes favorable long-term tourism forecasts in the South Asia region. Besides that, the government's intensive marketing campaign, four major airlines launching flight from Europe and Asia, and the opening of several resorts contributed to Maldives' growth. Construction is set to continue to grow strongly buoyed by major infrastructure projects. Non-tourism exports are expected to rise gradually as the agriculture and fisheries sectors diversify into new value-added products, and strong growth in Asian and European markets (Maldives' export market destinations) continues.
- The current account deficit is projected to decrease to 19.5 percent of GDP in 2019, and further improve over the medium term according to the IMF. Major infrastructure projects will begin to generate economic returns. The new government aims to put public finances on a more sustainable footing while addressing investment needs, fight corruption, and improve the quality of growth by encouraging greater private sector involvement. Measures to improve competitiveness include the diversification and upgrading of export product structure in order to have new value-added export products. There are also measures to enhance Maldives the attractiveness to international tourists.

7. Risks to the outlook are tourism earnings further crimped by possible deterioration in the political environment, a low and depleting stock of usable foreign reserves, and issues regarding fiscal and public debt sustainability. On balance, risks are tilted to the downside.
- Overall public debt sustainability. Maldives remains at a high risk of debt distress. GDP growth should continue to be supported by construction of new resorts and large government infrastructure projects, but many large projects also pose fiscal challenges, pushing up total public and publicly guaranteed (PPG) debt to 72 percent of GDP in 2018.³ External PPG debt stood at 35 percent of GDP in 2018, and is expected to rise to 40 percent of GDP by 2020. Moody's rated the country at B2 with a negative outlook in July 2018⁴, while Fitch affirmed Maldives' Long-term sovereign rating at B+/Stable and downgraded its short-term sovereign rating to B in May 2018.⁵
 - High dependence on tourism. The country's dependence on this sector causes volatility in economic metrics and makes it vulnerable to external shocks. Nevertheless, diversification within the tourism sector is taking place and the government also sees scope to attract cruise ships and develop regional airports.
 - Maldives also faces significant risk from its monsoon climate (heavy rainfall and storm surges), rising sea levels due to climate change (over 80% of its land area is less than 1 meter above mean sea level), and increasing solid waste levels due largely to increasing tourism.

³ IMF Country Report No. 19/156, June 2019.

⁴ Moody's credit opinion Government of Maldives – B2 Negative 27 July 2018.

⁵ [Fitch Affirms Maldives at "B+", outlook stable](#), 15 May 2018.

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