



# Partnering with the Private Sector for Development

## Introduction

The Maldives has made tremendous strides economically during the past recent decades, graduating from a least developed economy to a middle-income country in 2011. The fast-paced growth in the economy has been primarily fueled by the expansion in the high-end tourism industry, resulting in one of the highest income growth rates in the region. Despite the growing economy and the decline in absolute poverty, there has not been a matching fall in the disparity of incomes. This uneven development pattern stems mainly from a historical concentration of development at the center, owing to our large geographic spread and associated large costs in infrastructure delivery. Towards reaching the Government's objectives of inclusivity and economic resilience, a more balanced approach to investments across key sectors of the economy such as transport, education, health and energy are needed.

Governments worldwide have increasingly turned to the private sector for additional resources for investments in areas of strategic priority, justified on the grounds of increased efficiency and sustainable development. The Government of Maldives is keen to explore various business models of promoting private sector involvement in development as well as creating the necessary conducive environment to facilitate such investments. This paper will look at the Maldives's experience with private sector partnerships, its potential within our development context, and the institutional and regulatory framework currently in place governing such partnerships. The paper intends to provide a background brief for the plenary session 5 scheduled in the program of the Maldives Partnership Forum 2019.

## Our Experience and Potential Future Opportunities

The main benefit of partnering with the private sector is that it offers a package of capital financing, technology, management skills, and access to markets and entrepreneurship which are not available through public sector involvement. These opportunities enhance the economy's ability to absorb new technology and contributes to the further development of human capital in the country. In addition to pooling skills and resources, both the public and private partners are able to share the risk and reward of the project or venture. Furthermore, in most cases the financial burden on the Government is reduced, freeing up resources which could be productively allocated to alternative areas of development in the country.

Our experience in the realm of public-private-sector partnerships has been mixed. While there are some successful PPP ventures, we have had a fair share of challenges as well. Private sector engagement in the past has been implemented and experimented with different business modalities with varying outcomes. Sectors such as telecommunication, education and renewable energy generation are areas where there have been positive output. However, engagements in transport systems within the country and health care provision have yielded less than desirable outcomes.

There are several factors which are key for a successful private sector engagement model. These include clear identification of requirements, proper planning, a strong institutional framework supporting the process, a facilitating legal framework and a clear assessment of public sentiments. The Government is keen to explore private sector partnerships where feasible and is committed to facilitating the necessary conducive environment for such partnerships to flourish. In this respect, the current administration is examining various business models for projects in potential sectors. The Government recognizes that foreign direct investment is a key component towards delivery of strategic development projects of the country. There are number of initiatives currently underway to create an enabling environment for investments and expand infrastructure investments across the country. These include amendments to the current Foreign Investment Law, strengthening the investment facilitation arm of the Government – Invest Maldives, introduction of National Single Window for trade as well as other regulatory reforms to reduce the cost of doing business in the country.

## Institutional and Legal Framework governing Private Sector Partnerships with the Government

### 1. Unsolicited Proposal Policy

Pursuant to clause 10.27 of the Public Finance Regulations published under the Public Finance Act, the Government issued the Unsolicited Proposals Policy (USP Policy) to promote private sector participation in the country's development.

A USP is a proposal that offers a unique solution to a Government need which has not been explicitly requested by the government. This policy outlines the framework that would be used to consider and assess proposals that are aligned with the Government's pledges and contributes to its development agenda.

The Ministry of Economic Development is appointed as the One-Stop Shop to receive proposals under this Policy. There are 3 stages in accepting and reviewing an Unsolicited Proposal. The first stage aims to ensure that the proposal complies with the requirements laid out in the policy, subsequent to which a strategic assessment of the proposal will be carried out to determine whether the proposal warrants a direct negotiation with the Government. Detailed criteria for the assessment of proposals are outlined in the Policy.

The USP Policy aims to harness private-sector innovation and capabilities in the delivery of strategic projects, while protecting public-policy objectives and intellectual property rights, encouraging competition, and ensuring transparency and accountability. The Government wants to encourage private parties to put forward ideas that will help to deliver better public services and give these ideas a fair hearing.



## **2. Special Economic Zones Law**

Maldives introduced a Special Economic Zones Law (Law No.: 24/2014) in September 2014, with the main objective of soliciting private capital to undertake large-scale investment projects of economic significance to the country. SEZ investments qualify for special tax and regulatory incentives guaranteed under the SEZ law. Investments allowed under the SEZ umbrella are relatively large-scale investments which matches with the strategic priorities of the Government as listed out in the SEZ law. This list is reviewed every year by the President, and is updated based on the most relevant strategic priorities of the Government.

The strategic areas considered for SEZ investments are currently under review and will be published soon.

## **3. Invest Maldives**

Invest Maldives is the lead government agency for promoting and facilitating inward investments into the Maldives to enhance the country's economic landscape. By providing comprehensive information on investment opportunities and the investment climate, Invest Maldives guides investors through the full cycle of the investment process.

Through a strong working relationship with all key government stakeholders, the team at Invest Maldives is fully equipped to attend to investor queries in all sectors of the economy and offer investment facilitation support.

## **Services Provided**

- Information sessions on business opportunities available
- Facilitate fast track business registration
- Investor servicing and aftercare services
- Special support in facilitating Public Private Partnership (PPP) projects and Joint Ventures with the government
- Co-ordinate site visits and stakeholder meetings with government agencies
- Business-matching services with local private sector