



Maldives Partnership Forum 2019

Investing in a Resilient & Sustainable Maldives

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Public Finance Initiatives

Income Tax Act

Introduction of a personal income tax – This is expected to increase tax revenue for the government and increase equity in the economy due to the progressive nature of the regime. This tax will complement the existing business profit tax, and is expected to be introduced in 2020.

Public Finance Management Legal Framework

Strengthening public finance laws are in high priority. Existing laws under the umbrella of public finance are currently under review, and major amendments to the Public Finance Act (law no. 3/2006) is expected in the second quarter of 2019. The Privatization and Corporatization Law (law no.3/2013) is also under review, and amendments that would build investor confidence in Public Private Partnerships (PPPs) are expected.

In May 2019, the Ministry of Finance (MoF) introduced appropriation and virement rules for the first time. This is expected to increase the credibility and effectiveness of the budget, and reduce discretionary allocation of funds. The reform will become effective with the 2020 budget.

State-Owned Enterprises Reforms

Performance Based Compensation for Managing Directors

To improve the performance of state-owned enterprises (SOEs), the Privatization and Corporatization Board (PCB) and MoF are formulating a structure that enables Managing Directors' compensation packages to be tied to the company's performance. The main objective is to improve the performance and efficiency of SOEs year on year. The compensation package includes a basic salary and performance related allowances (financial and management performance allowances).

The performance related allowances are to be determined based on the level of attainment of pre-agreed Key performance Indicators (KPIs). Specific KPIs will be set each year in a manner that could improve overall performance of the company, which would ultimately impact government positively.

Corporate Governance Code

There was no particular governance code for SOEs until May 2019. The PCB and MoF initiated the formulation of a governance code for

SOEs in an attempt to increase accountability and to align company objectives with shareholder values. This code specifies the roles and responsibilities of those who are governed (i.e. board of directors), which would allow the PCB to hold them accountable based on a written guideline. The government expects a positive change in all SOEs following the adoption of the Corporate Governance Code.

Study on SOEs Efficiency

Several initiatives have been undertaken to improve the performance and operation of SOEs. A study is currently being conducted to identify areas for improvement. Once completed, a positive change is expected to be seen in the operation of SOEs.

National Pay Commission

Harmonizing Benefits

The National Pay Commission (NPC) has formulated a plan on harmonizing salary, allowances and retirement benefits of the public service. The main objectives achieved so far include conducting detailed analysis of all allowances paid by public service institutions, formulating comprehensive classification of occupations in the Maldivian public service, and conducting an in-depth analysis on harmonizing retirement benefits across the public service.

Formulating a Consolidated Remuneration Framework

The NPC is currently in the process of formulating a consolidated remuneration framework which will be an important step towards harmonizing salaries and allowances across the public service. The lack of a consolidated remuneration framework so far has led to significant hikes in the total wage bill over the years. The discrepancies of wages across public service institutions have also been one of the factors for high staff turnover. Thus, this exercise is intended to be a major component of the financial and governance reform agenda.

The World Bank is currently supporting this initiative, via the process of hiring an international firm to develop the above mentioned remuneration framework. The major components of this initiative includes, undertaking market-related salary surveys, evaluating public service jobs, developing a consolidated job classification and ranking system, developing methodologies to incorporate wage variations on factors such as geography, skill scarcity, work related risks, demands of the jobs, performance, and the formulation of a standardized and consolidated public service remuneration framework.



Treasury and Public Accounts Reforms

Materials Management Module in the Public Accounting System has been rolled out to all Male' based agencies where the public accounting system is in use. This has enabled more realistic cash flow forecasting to avoid uncertainties.

Bandeyri Portal was developed and launched to cater for vendors' enquiries. Two services are provided in the portal, which are Vendor Payment Status and Vendor Purchase Order. Vendors are able to verify the purchase orders they receive from Government agencies and if verified, have assurance that payment will be received for that invoice. Vendor Payment Status allows vendors to check the status of their payments.

A new function in the portal was introduced to centralize all utility payments by the Government. Only one utility vendor's payments are processed through the system as of now, which is FENAKA. By centralizing the utility payments, pending payments to SOEs are expected to be reduced.

Introduction of Neelan Portal, which is the auction portal developed inhouse to auction Government's assets in trial. The portal would also enable the transfer of assets within government offices. Training is ongoing for the users of this portal.

Payment Gateways – MOF is working with the Bank of Maldives in providing more online gateways to Government agencies to ease the revenue collection process and to provide a more convenient payment method to the public. Major revenue collecting agencies already have this gateway implemented.

Single Public Bank Account – MOF is working to maintain the Public Bank Account fully as a Treasury Single Account. At present, some accounts are held at other banks in Maldives. With a fully operated Treasury Single Account, end of day bank balance of the Public Bank Account would reflect full Government account balance.

Viya – MOF is working with Local Government Authority in developing a financial management system called Viya for the use of local councils. After rolling out the finished software, the ministry plans to provide funds to councils via grants rather than a budget.

Strengthening the Decentralization Act

Government of Maldives disbursed the 2018 budget balances of the councils to the respective councils. This was in accordance with the Decentralization Act section 104. Half of rent received from Atoll shops in Male' has been disbursed to the relevant Atoll councils for the year 2015. MoF is working towards disbursing the remaining funds starting from 2016.

National Tender Reforms

Beelan Portal

This is a public procurement portal which provides publication of tender notices of all Government agencies, up to date information on contract awards, up to date and relevant information of procurement regulation and guidelines. Contractors/suppliers are able to register to participate in tenders, get notifications and alerts on new tenders, get notification and alerts on documentation updates on registered tenders and will be able to keep track of upcoming deadlines through alerts.

E-procurement Portal

The public procurement portal will be upgraded to a fully-fledged e-procurement portal, where bid submission and evaluations will be carried out through the system.