



PUBLIC FINANCIAL MANAGEMENT SYSTEMS STRENGTHENING PROJECT 2014-2022

PROJECT COMPLETION AND EVALUATION REPORT

Ministry of Finance

Contents

Abbreviations and Acronyms.....	2
1. Project Description/Objective.....	4
2. Project Design and Formulation	4
2.1 Parent Project	4
2.2 Additional Financing	4
2.3 Implementation Arrangements	5
3. Project Cost and Financing.....	6
4. Project Performance.....	7
4.1 Parent Project Performance.....	7
4.1.1 Strengthening the PFM Environment.....	8
4.1.2 Strengthening Budget Execution	10
4.1.3 Project Management.....	12
4.2 Additional Financing Project Performance	14
4.2.1 Policy Based fiscal strategy and budget credibility	15
4.2.3 Controlled Budget Execution	18
4.2.4 Accounting, Reporting and Internal Audit.....	22
4.2.5 External Scrutiny and Audit.....	23
4.2.6 Project and Change Management	24
5. Post Project Activities	26
6. Key factors that affected implementation and outcomes	27
7. Issues, lessons learnt and recommendations	28
8. Conclusion	29
Box 1 : Disbursement Link Indicators (DLI).....	31
Box 2 : Public Finance Development Service (PFDS).....	33
Box 3 : Public Finance Reform Department	36
ANNEX 1: RESULTS FRAMEWORK.....	37
ANNEX 2: DISBURSEMENT LINKED INDICATORS (DLI) PROGRESS	42
ANNEX 3: LIST OF MAJOR TRAININGS/CAPACITY BUILDING	45

Abbreviations and Acronyms

AF	Additional Financing
ADB	Asian Development Bank
AGO	Auditor General's Office
AFS	Annual Financial Statements
BPC	Business Planning and Consolidation
BER	Budget Execution Reports
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System
DeMPA	Debt Management Performance Assessment
DLIs	Disbursement Linked Indicators
DMD	Debt Management Department
FAD	Fiscal Affairs Department
GoM	Government of Maldives
HRCM	Human Resource and Capital Management
HIES	Household Income and Expenditure Survey
IDA	International Development Association
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
ISSAI	International standards for supreme audit institutions
JICA	Japan International Cooperation Agency
LGA	Local Government Authority
MOF/MOFT	Ministry of Finance
MBS	Maldives Bureau of Statistics
MMA	Maldives Monetary Authority
MTDS	Medium Term Debt Strategy
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MVR	Maldivian Rufiyaa
NPC	National Pay Commission
NTB	National Tender Board

PAC	Public Accounts Committee
PAS	Public Accounting System
PBA	Public Bank Account
PCB	Privatization and Corporatization Board
PDO	Project Development Objective
PEFA	Public Expenditure and Financial Accountability
PEMEB	Public Enterprise Monitoring and Evaluation Board
PFA	Public Finance Act
PFM	Public Financial Management
PFR	Public Finance Regulation
PFMRP	Public Financial Management Reform Planning
PIMA	Public Investment Management Assessment
PMU	Project Management Unit
PPB	Procurement Policy Board
PSIP	Public Sector Investment Programs
PSSP	Public Finance Management System Strengthening Project
PSTI	Public Sector Training Institute
RMDMD	Resource Mobilization & Debt Management Department
SAP	Strategic Action Plan
SDR	Special Drawing Rights
SIAC	State Internal Audit Committee
SOE	State Owned Enterprises
TPAD	Treasury and Public Accounts Division
TSA	Treasury Single Account
USAID	United States Agency for International Development
WB	World Bank

1. Project Description/Objective

The World Bank carried out a rapid assessment of the PFM systems in May 2013. This assessment reflected on the review of the 2010 PFM action plan put forth by the GOM in 2010, and based on the PEFA report prioritizing the PFM actions. The scope of the Maldives PFM systems strengthening project was based on this assessment to reflect the most immediate and urgent reforms¹. Hence, this project aimed to leverage on the ongoing PFM reforms, reflecting on the governments key policy priorities and objectives set out in the governments manifesto. The primary target and beneficiaries of this PFM project involved the PFM specialists managing central government finances. Notably, the Ministry of Finance.

In order to cover the financing gap under the parent project, additional financing of US \$ 12.0 million was included in the project in 2018. The scope of the project was broadened to include other beneficiaries, including the Auditor General's Office (AGO), Maldives Bureau of Statistics (MBS), National Pay Commission (NPC) and Maldives Monetary Authority (MMA).

2. Project Design and Formulation

2.1 Parent Project

The overall project development objective of the parent project was to enhance budget credibility, transparency, and financial reporting of government finances. The proposed project covered 3 components (including project management) with 2 components, strengthening the PFM environment and strengthening budget execution. The approved project was USD \$6.5 million (SDR 4.3 Million). The main components included strengthening of major functions within the divisions of the Ministry of Finance.

2.2 Additional Financing

The purpose of additional financing was to complement the results achieved through the parent project as well as to expand the scope of the original project by the inclusion of a wider range of stakeholders beyond the MOF. This includes supporting the roll out of reforms in

¹ The 2009 PEFA assessment conducted by IMF and World bank; included areas for reforms including budget credibility, budget execution, accounting, recording and reporting function within the government.

selected line ministries and adding new beneficiaries, namely the Auditor General's Office, the National Pay Commission and the National Bureau of Statistics.

The additional financing in the amount of US\$12 million (SDR 8.4 Million) supports the PFM reforms aimed at improving the budget credibility and fiscal transparency. It also includes financing the gaps identified under the parent project and scaling up the support in the areas of planning and budgeting, debt and cash management, financial reporting, procurement and State-Owned Enterprise (SOE).

As such, the project development objective for additional financing is to enhance budget credibility, transparency and financial reporting of public sector finances.

2.3 Implementation Arrangements

The project is implemented by the relevant departments in MOF. The heads of each department have been responsible for the implementation of subcomponents, reporting to the project's PFM Working Committee and Project Director. The PFM Working Committee is headed by Project Director.

In addition, a high-level PFM project Steering Committee was formed in 2014, chaired by the Minister of Finance, along with representatives of major PFM stakeholders, has been constituted to provide strategic direction and monitor progress.

Project coordination has been carried out initially by a PMU consisting of (a) the MOF Permanent Secretary as the Project Director; primarily with the overall responsibility for project implementation; (b) an international management implementation support consultant and a local project coordinating and M&E consultant; (c) Treasury and Public Accounts Division (TPAD) supported by a consultant for FM activities; and (d) the Tender Evaluation Section for procurement activities through a dedicated staff member.

However, effective 2017, a dedicated PMU was formed for the project, which consisted of a Project Director, a Project Coordinator, a Procurement Specialist and an FM Associate was housed under the MOF as the implementing agency.

3. Project Cost and Financing

The World Bank approved a credit of US\$6.5 million (SDR 4.3 million) in June 2014. This fund was allocated towards addressing the institutional weaknesses in the PFM system of the Maldives. The parent project included support mainly to MOF to improve on its key functions, such as improvements in budget credibility, budget execution, etc. The parent project was financed by an IDA grant and investment project financing. This allocation included US \$100,000 for contingencies (Table 1).

Table 1: Project Structure under parent and additional financing (In US \$)

PROJECT STRUCTURE				
PARENT PROJECT	USD	ADDITIONAL FINANCING	USD	REVISED ² USD
C1: Policy based fiscal strategy and budget credibility	1,450,000	C1: Policy based fiscal strategy and budget credibility	2,730,000	1,830,000
1.1 Strengthening the legislative and institutional framework for PFM	440,000	1.4 Enhancing the Medium-Term Fiscal framework and evidence-based budgeting (HIES)	1,370,000	1,220,000
1.2 Enhancing the Medium-Term Fiscal Framework	600,000	1.5 Strengthening debt and cash management	950,000	450,000
1.3 Strengthening Debt and Cash Management	410,000	1.6 Strengthening management of the capital budget	410,000	160,000
C2: Controlled Budget Execution	4,400,000	C2: Controlled Budget Execution	6,085,000	5,284,008
2.1 Strengthening the PAS	3,550,000	2.3 Strengthening PAS and asset management	2,100,000	2,039,008
2.2 Enhancing the Control Environment	850,000	2.4 Payroll Management and control	1,655,000	1,255,000
		2.5 SOE governance and oversight	1,880,000	1,680,000
		2.6 Procurement reform	450,000	310,000
C3: Project Management	550,000			
		C4: Accounting, Reporting and Internal Audit	1,700,000	1,700,000
		C5: External Scrutiny and Audit	415,000	415,000
		C6: Project and Change Management	1,070,000	466,382
Contingency	100,000			

The additional financing was introduced in May 2018 and was extended up to a period of four years. The World Bank allocated US \$12 million aimed at improving budget credibility, and

² Revised amounts included as undisbursed funds were sent for cancellation.

fiscal transparency. This included coverage for financing gap under the parent project as well as support in areas such as procurement, financial reporting and support for SOE monitoring. The additional financing paved the way to extend additional beneficiaries under the project, which included support for the AGO, NPC and MBS. The additional financing was disbursed through input-based financing as well as result-based financing; including the disbursement linked indicators (DLI). The DLI was covered by Eligible Expenditure Program (EEP) related to the core MOF functions and departments.

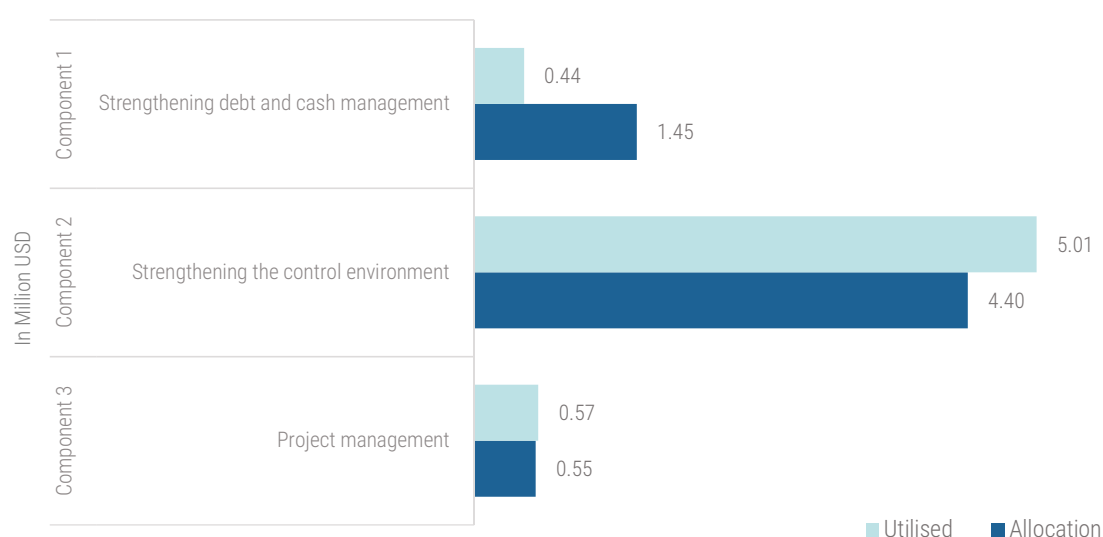
As of July 2022, a total of US \$3.0 Million undisbursed funds from the project has been sent to cancellation to be recommitted within the IDA20 cycle.

4. Project Performance

4.1 Parent Project Performance

The overall project development objective of the parent project was to enhance budget credibility, transparency, and financial reporting of the government finances. The World Bank allocated a total of USD \$6.5 million³ and by September 2022 the total disbursement of the parent project was USD \$6.0 million (figure 1).

Figure 1: Allocation & Utilization of components – Parent Project



* The funds for some components were reallocated as the allocation for those funds were exhausted.

* Expenditure reported as of 30th September 2022

³ \$6.0 million was received after adjusting to foreign exchange

4.1.1 Strengthening the PFM Environment (US\$ 1,450,000)

The objective of this component is to set the foundation and create an enabling environment for a sound PFM system in the Maldives. This component has 3 subcomponents: (1.1) strengthening the legislative and institutional PFM framework; (1.2) enhancing the macro fiscal framework, and (1.3) strengthening medium-term debt management.

Strengthening the legislative and institutional framework for PFM (US\$ 440,000)

Under this component, a number of stand-alone pieces of legislation and sets of rules and regulations governing various aspects of PFM have been introduced over recent years. This included the implementation of budget appropriation and virement rules and the changes put forth for the public finance act and public finance regulation in 2019. Reviews of the laws; including the privatization and corporatization act are included in the government's legislative agenda. In order to address and remove inconsistencies and fill gaps in the existing PFM regulatory framework, a high-level public finance review committee was formed within the ministry of finance and changes were brought to institutional arrangements within the ministry.

Enhancing the medium-term macro fiscal framework (US\$ 600,000)

The objective of this subcomponent is to improve macro-fiscal planning and forecasting for credible budgeting and strategic planning. Under this component, staff of the Fiscal Affairs Department (FAD) were trained on the use of Financial Programming and Policies (FPP) and the use of the IMF's Debt Sustainability Analysis (DSA) framework. The medium-term expenditure framework was updated with the guidance received from an international consultant and the framework was used to develop fiscal strategy in recent years. The FAD had worked extensively and improved on the work handed over by the consultant, thereby further improving the model to include mini models for forecasting on imports and subsidies.

The project has also supported fiscal planning with necessary IT hardware and software, including the implementation of the Business Planning and Consolidation (BPC) module of the public accounting system. This has enabled automation and assisted in a more efficient budget preparation effective from the 2018 annual budget. Under this component, a budget

preparation and execution manual has been developed, and several government staff have been trained in the use of BPC. The budget for fiscal year 2020 was implemented through BPC. Recent developments include the preparation of the cash flow module; where line agencies can submit the cashflow plan for the upcoming year on a monthly basis. As part of the requirement under the Fiscal Responsibility Law; the annual cashflow plan is also submitted to the parliament.

This component also included setting up a framework for assessment of the economic viability and prioritization of public sector investment projects and a methodology to improve the selection and evaluation processes of public investment projects and to help strengthen the preparation of the capital budget. Screening/appraisal guidelines for public investment and new initiatives were developed for the 2018 budget. Public investment management consultancy TOR was developed; however, for various reasons did not materialize.⁴ The project has supported the development of “Bandeyri Portal”, this portal includes various modules including a component on project monitoring, where contracts and updates of infrastructure projects can be viewed and managed. The portal is still in the development phase and major changes are to being brought for a full-fledged portal (Box 2)

Strengthening debt and cash management (US\$ 410,000)

The objectives of this subcomponent include supporting the medium-term debt management objectives of the government through strengthening staff’s capacity to carry out debt portfolio reviews and maintaining a robust debt management strategy that aims to manage the cost and risk trade-offs of debt and meet debt-related provisions under the Fiscal Responsibility Act and subsequent regulations and legislation.

In this regard, the project has provided capacity building to the Debt Management Department, including support to establish the Strategy and Analysis Section (Middle Office) to maintain accurate debt records and conduct sound debt management operations (i.e., borrowing and related financing activities, developing analytical capacity, including debt portfolio reviews, operational risk management, improved reporting by training staff on CS-

⁴ Discussions were held to continue the consultancy under USAID PFM project Maldives. However, by the end of project closure, the consultancy was not commenced from the USAID PFM project.

DRMS, etc.). The staff of DMD received training on the debt management system, CS-DRMS, through consultants hired under the project. Additional technical support provided includes the development of a debt sustainability analysis for the Maldives and improvements brought to the Medium-Term Debt Strategy (MTDS). These debt management strategies have been submitted to the parliament as required under the FRA and published on the Ministry's website⁵.

In efforts to strengthen the legal aspects of debt management and align these with international best practices, and as per the 2019 DeMPA, the project has supported the review of existing guidelines and procedures for the issuance of Sovereign Guarantees, which has received initial feedback from expert; and the ongoing efforts on drafting a new debt law together with the IMF.

In order to improve the cash forecasting system, the process has been operationalized within MOF and a new cash management committee has been established in 2017. This committee meets on a weekly basis to review cash flow projections. Additional improvements related to cash flow forecasting technique work has been carried out with the Fiscal Affairs Department of MOF to automate the forecasting model within the BPC module of SAP.

4.1.2 Strengthening Budget Execution (US \$4,400,000)

Strengthening the public accounting system (US\$ 3,550,000)

The aim of this component is to improve the efficiency of resource utilization and the credibility, comprehensiveness, and timeliness of financial reporting. ICT masterplan consultancy work has commenced in order to improve the linkages between the standalone systems and to streamline core ICT functions. This consultancy focuses on strengthening the government's ICT function and IT Auditing capabilities and to carry out capacity building activities in association with the Auditor General's Office (AGO). Consultancy support for functional upgrades of SAP is ongoing, and the use of the SAP platform for payroll register is completed. The implementation of the project system to record cash grants has been successful, whereas work still needs to be done on implementing the project bank accounts in

⁵ <https://www.finance.gov.mv/fiscal-and-debt-strategy-report>

the Public Accounting System. The PFM Parent and Additional Financing project was implemented as a pilot project, with the remaining project accounts to be implemented by the end of FY2022.

As per the amendment to the Law on Public Finance; changes were brought to TSA and PBA operations and a new set of rules regarding the banking arrangements has been produced and sent to Attorney General's office for finalization.

To improve the use of dashboards in the SAP for user friendly report generation, implementation work for Business Objects (BOBJ) is in progress. BOBJ QAS and Production installation, configuration, and documentation have been completed. These included the development of reports on project implementation progress and macro fiscal data for policy purposes. A total of 11 staff from the ICT and TPAD have undergone the training related to BOBJ. In addition, 12 staff from the ministry have completed the SAP training and obtained the SAP certification.

Apart from this, under this component funds have been disbursed for the supply, installation and maintenance of IT equipment. Under this consultancy, new hardware and software were installed; this enabled smooth functioning of a data center at MOF. Prior to the installation of new system, MOF had difficulties in generating data backups within MOF and Disaster recovery site at the National Center for Information Technology. Furthermore, this has increased the efficiency for end users accessing the PAS, thereby minimizing the issues.

Strengthening the control environment (US\$ 850,000)

The objective of this subcomponent was to strengthen the internal financial controls, internal audit and procurement management practices. Under this component, a business review process was completed, accounting manuals and procedures were developed. Review of Amendments to public finance regulation in line with the legislative framework for PFM, has been completed and sent for Attorney General's office in February 2022.

Procurement management has improved with the setup of a separate unit for procurement policy. The unit has extensively worked on the publication of procurement plans, thereby

increasing the transparency of procurement plans for the whole of central government⁶. Work is currently undergoing to develop national bidding documents and procurement guidelines and an eGP readiness assessment has also been completed under additional financing.

Under this component, the project has also supported the internal audit function of the Ministry. Standard Operating Procedures for internal audit have been implemented and a local internal audit specialist has been hired as part of the PFDS team under AF. The internal audit section within the Ministry has completed a payroll audit on the Ministry of Education and a procurement audit on the Ministry of Health. However, the revenue audit of the Maldives Customs Service was not completed.

Apart from these, this component also included support to enhance the capacity of MOF to increase fiscal oversight of SOEs through the development of financial reports and analysis of fiscal transfers to SOEs. In this regard, reviews of transfers to SOEs from the budget are ongoing, governance review has been conducted effective 2019; and a corporate governance review of 2021 has been published. The PCB has also started to conduct quarterly reviews of SOEs and this information is published on the MOF website⁷. To further improve the governance of SOEs, 2 workshops were held for the Audit committees to strengthen the audit function of SOEs. The PCB has successfully established internal audit functions on 95 percent of SOEs.

4.1.3 Project Management (US \$550,000)

The objective of this component was to provide support to MOF for the successful implementation of the project activities. The project financed the cost of an international management implementation support consultant. Effective 2017, this position was changed to Project Director, first held by a local consultant with previous experience in government. During this period, the position of project director had been filled on three terms, whereas the post of project coordinator was held on 2 terms. The project monitoring unit has aided the

⁶ <https://www.finance.gov.mv/procurement-plan>

⁷ <https://www.finance.gov.mv/publications/reports-and-analyses/quarterly-report-of-state-owned-enterprises>

ministry to host a workshop on developing the MOF Strategic Action Plan (SAP) and a MOF retreat (change management workshop)

Furthermore, the PMU has also supported the ministry to provide training and capacity building under the project (Table 2). This includes the SAP certification training provided for the PFDS unit staff, Electronic procurement management training, Co-operation in the area of treasury operations and state budget execution (Annex 3).

The PMU has also closely monitored the progress of the project, prepared and submitted quarterly project progress reports to the Bank, which include a detailed progress update on the results indicators.

Table 2: Details of training and capacity building under PFM project

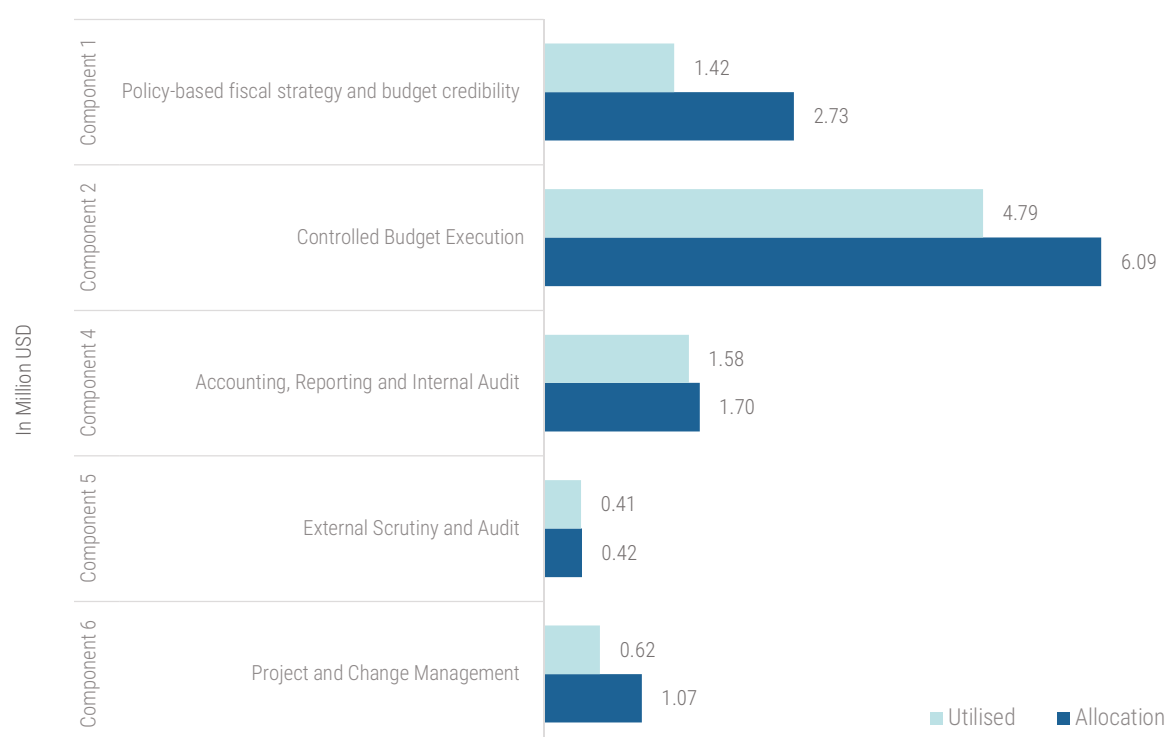
Agency	Parent Project		Additional Financing		TOTAL NUMBER OF PARTICIPANTS
	Male	Female	Male	Female	
Ministry of Finance	33	54	40	18	145
Maldives Bureau of statistics	-	-	6	41	47
Auditor General's Office	-	-	10	2	12
Others	-	-	128	128	256

* Others include the procurement certification program conducted by Maldives National University. It includes participants from various other government agencies.

4.2 Additional Financing Project Performance

The original project was extended up to July 31st, 2022, with additional financing of US\$12 million. The disbursement from AF as of September 30, 2022, stood at US \$8.5 million (Figure 2). The AF covered a financing gap under the parent project and scaled-up the support to the areas of planning and budgeting, debt and cash management, financial reporting, procurement, and SOE monitoring and oversight.

Figure 2: Allocation & Utilization of components – Additional Financing



* Expenditure reported as of 30th September 2022

The AF extended activities by supporting the roll out of reforms; adding new beneficiaries, namely the Auditor General's Office (AGO), the National Pay Commission and the Maldives Bureau of Statistics (MBS). In this regard, the revised PDO included the financial reporting of public sector finances including the SOE's (Table 3).

The disbursement of AF included input-based financing and result based financing against the achievement of targets for disbursement linked indicators. (Box 1: DLI progress)

Table 3: Initial and Revised Project Development Objective (PDO) Indicators

PDO INDICATORS	
Initial	Revised
Aggregate expenditure out-turn compared to original approved budget	Aggregate expenditure out-turn compared to original approved budget
Public disclosure of the following key fiscal information: (a) Annual budget documentation; (b) In-year budget execution reports; (c) Year-end financial statements; (d) contract awards; (e) Resources available to Primary service units	Public disclosure of the following key fiscal information: (a) Annual budget documentation; (b) In-year budget execution reports; (c) Year-end financial statements; (d) tenders above USD 100 000
Quality of debt data recording and reporting	Comprehensiveness of debt data recording and reporting
Coverage and quality of the internal audit function	SOE financial reporting and disclosure

4.2.1 Policy Based fiscal strategy and budget credibility (US\$ 2,730,000)

Enhancing medium-term fiscal framework and evidenced based budgeting (HIES) - (US\$ 1,370,000)

The objective of this subcomponent is to improve the quality of fiscal policy anchored into a medium-term fiscal perspective and improve credibility at predictability. This component includes the support to finance the 2019 Household Income and Expenditure Survey (HIES) and the support to build capacity in both FAD and MBS.

The project financed the cost of conducting the HIES survey in 2019. The micro data from this survey has been rolled out and is publicly available on the MBS website⁸. This data set is used for research as well as analytical purposes within the Ministry as well as other stakeholder agencies. Notably, this data has been used for accessing housing needs criteria by Ministry of National Planning, Housing and Infrastructure (MNPHI) and on formulating gender equality action plan by Ministry of Gender, Family and Social Services (MOGFSS). Furthermore, the project has also

⁸ <https://statisticsmaldives.gov.mv/hies-2019/>

supported the design and development of a basic level statistics course in Male', and around 47 participants have completed the course under this component.

An international consultant support was provided remotely to support the capacity of FAD and to strengthen the tax policy unit. This consultancy included reviewing the tax systems and assisting in establishing a tax regime that is taxpayer friendly, aligning with international best practices on taxation and fosters economic diversification. Under this consultancy, various policy work including the amendments to tax administration act and the enactment of income tax has been being undertaken by this unit. FAD is also undertaking tax expenditure analysis with the support of USAID.

Further to this consultancy, support was provided to conduct the PEFA assessment and the PFMRP⁹ following the assessment. The consultancy to conduct spending reviews is also ongoing, this includes developing a framework to conduct spending reviews in-house, which could be used by FAD to conduct spending reviews in-house in the future. In addition, two rounds of procurement for the consultancy for Development of the Public Investment Management Operational Framework (International) was advertised. however, the consultancy was cancelled and was to be carried later under USAID PFM project.

Strengthening Debt and Cash Management (US \$950,000)

The objective of this subcomponent is to improve the capacity to manage the cost and risk of public and publicly guaranteed debt, develop the domestic government securities market and improve cash management to support improved budget execution.

Technical support provided includes the development of an in-house Debt Sustainability Analysis for the Maldives and improvements to Medium-Term Debt Strategy (MTDS). The Fiscal and Debt management strategies have been submitted to the parliament and published on the Ministry's website.

⁹ <https://www.finance.gov.mv/public/attachments/S8lPzqh9Z7hqOs3CtAUSEij8vslqWihkSxNdxD1h.pdf>

As part of continuing the strengthening of the legislation to support debt management, work is ongoing to draft the first public debt management law with the support of IMF. Review of the existing guidelines and procedures for the issuance and monitoring of Sovereign Guarantees are ongoing, and in June 2022, the PFM Fiscal and Credit risk consultant completed the work on enhancing the existing guidelines and processes in line with international best practices. Further to this, a national debt management consultancy was undertaken to strengthen debt management operations. This included establishing and streamlining the financing and issuance from official sector as well as commercial banks and international capital markets. The expert also assisted in strengthening the domestic debt issuance process. The PFDS consultant for debt strategy and risk management consultant provided support to the portfolio review activities and managed the middle office operations in the debt management department.

In order to improve cash forecasting system, the process has been operationalized and a new cash management committee has been established. The committee meets on a weekly basis to discuss on the cashflow requirements and would revise the projections as required. Cash flow TOR was developed to strengthen cash flow forecasting, but with two rounds of procurement it had to be cancelled.

Strengthening management of the capital budget (US\$ 410,000)

The objective of this sub-component was to support MOF to enhance the preparation of the capital budget with budget ceiling and selection criteria. Under this component, in order to automate the whole budgeting process and to add new functionality to the Business Process and Consolidation (BPC) module in SAP, an international consultant support was provided. This assignment included the aligning of the program structure of the budget as well as integrating the SAP master data in to the BPC and ECC systems. This has enabled the ministry to automate the compilation of budget data and make the selection criteria more efficient.

Apart from this, consultancy is ongoing to review the chart of accounts. This includes preparing the new budget classification (BC) and chart of accounts (COA) structure and a coding system,

reviewing the GFS coding structure, and preparing a budget and accounting manual on the use of the new BC and COA.

4.2.3 Controlled Budget Execution (US\$ 6,085,000)

Strengthening PAS and Asset management (US\$ 2,100,000)

Under the parent project, support was provided to implement the PAS based on an array of SAP modules. The AF component included providing result-based financing for increased sustainability of PFM reforms through PFDS. This also included providing support to the National Pay Commission and Civil Service Commission to develop a dedicated and sustainable cadre and an attractive pay structure to recruit and retain staff for the critical PFM and IT functions.

As per the recommendation by the Bank, the Minister of Finance established the Public Finance Development Service (PFDS) in February 2018. The objective of the PFDS was to attract and retain critical staff and to transfer the skills and knowledge within the Ministry for sustainable PFM reforms. As agreed during the project formulation, staff have been provided training as per the twinning arrangement.¹⁰ (Box 2: PDFS)

An asset management consultant was hired under this component as part of the PFDS unit. The consultant developed the asset policy and guidelines¹¹ and assisted the Public Asset Management Unit with the implementation and design of the work process and required SOPs. In addition, the consultant conducted a preliminary assessment of existing asset management systems and procedures by assessing all the legal obligations on MOF in regard to asset management.

As part of this component, procurement for an asset management firm was initiated. The objective of this assignment was to implement fixed asset management practices and procedures for MOF to comply with IPSAS accounting standards and GFSM 2014. However, to align with the PFDS asset management consultant work, the consultancy was put on hold.

¹⁰ <https://www.finance.gov.mv/public/attachments/3f97mSa82vylzROLuk28TwdHEKNkm2UYUImcgE84.pdf>

¹¹ <https://www.finance.gov.mv/public/attachments/OXi3baPCem8Cvh36W7M3q6RXnMuL7scTykm96tYk.pdf>

Payroll Management and Control (US\$ 1,655,000)

This component helped to address key constraints with regard to payroll management by providing technical assistance to improve data quality to develop wage policy initiatives and supporting the NPC and CSC for the development of a dedicated and sustainable cadre. Under this component, international consultancy support was provided to review and evaluate the existing pay classification structures in the Maldivian public service, and formulate a standardized and consolidated public service remuneration framework (that includes the basic salary and allowances) consistent with standards set out in the National Pay Policy Act¹². Based on the framework developed by the consultant, a public service financial management job cadre/family was proposed, intended to enable the recruitment and retention of scarce skills required for the effective performance of the core financial management functions.

Apart from this, in order to sustain the PAS and to provide support to line ministries, PFDS functional and technical key staff developed a central payroll register to strengthen the control of the wage bill and staffing of core financial functions. The Integration of the Civil Service Commission's VIUGA system with the Ministry of Finance's payroll system is ongoing. This register includes gender-disaggregated data on personnel and wages verified by the CSC in 2021. Staff from key government agencies have been provided training on the use of this register. Furthermore, a local consultancy was commenced to translate the manuals and guidelines of the public service remuneration framework.

Further, development of an online web portal and mobile application for the public service remuneration framework for NPC is ongoing. This portal would include an online search mechanism for the Maldives Public Service Standard Classification of Occupations. Apart from this, local consultancy for the translation of the manuals and guidelines developed by NPC has been completed. Despite completing these tasks, at the end of the project duration, DLI 2.3 "The new MOF cadre recruited subject to the revised pay structure for the finance cadre" was not implemented. (Annex 2).

¹² <https://www.finance.gov.mv/public/attachments/5jwjcw0XXCuiqGuZ4OWvGy9nt2YjI5YykKIYJYI.pdf>

State-Owned Enterprise (SOE) governance and oversight (US\$ 1,880,000)

This component included assistance to strengthen the PCB secretariat through the PFDS as well as through technical assistance and institutional reforms reflected in DLI3 to improve oversight and monitoring of SOEs.

In this regard, a consultancy was undertaken to provide technical assistance to the MOF, the PCB and select SOEs on the implementation of the SOE reforms in order to enhance their corporate governance, performance and reduce the fiscal risks and cost to the budget. This included developing and implementing a framework for effective monitoring and evaluation of SOEs. Apart from this, a dedicated staff was assigned under the PFDS and a SOE reform consultant was hired to provide support to the PCB in evaluating and strengthening the financial framework of SOEs. Further, an SOE fiscal risk and contingent liability assessment and monitoring tool has been developed with the support of an international consultant. The staff have been trained by the consultant to utilize the tool.

PFDS staff had worked on the initial development of SOE's online monitoring and reporting system. However, this assignment was not fully completed by the PFDS staff and the work was completed by MOF in-house developer.¹³

According to parameters set under the Employment Act and other international best practices, MOF floated a consultancy for harmonization of HR policies and procedures across all SOEs that will help the government of Maldives to ensure consistency and to establish a fair, transparent, and harmonized HR function within the SOEs. This consultancy unfortunately did not proceed due to ineligible parties; PCB and MOF will work on addressing and complying with this through other methods.

Procurement Reforms (US\$ 450,000)

This component included technical assistance to strengthen the policy and regulatory framework for public procurement, capacity building and pilot testing of green procurement. Under this

¹³ <https://soegateway.finance.gov.mv/>

component, a review of current procurement policies of State-Owned Enterprises to harmonize procurement policies of SOEs and a review of the public finance framework has been completed and published¹⁴. A familiarization workshop for stakeholders has also been conducted, a total of around 150 participants have been trained through the in-house curriculum developed in MOF.

Apart from this, an e-GP readiness assessment was conducted to determine the current degree of readiness of the Maldives's public procurement environment for make a transition from traditional manual methods of procurement transaction, processing and communication to electronic government procurement (e-GP). This assessment included the establishment of an e-GP Implementation Strategy and Road Map. The implementation strategy addressed operational and technical aspects of the e-GP agenda and provided MOF with perspectives and recommendations for decision-making in key policy matters regarding the e-GP system itself and support areas. And, the Roadmap presented an indicative implementation approach and plan for a comprehensive e-GP system, as well as an indicative cost estimate. As part of capacity building under this component, 6 staff from MOF and 2 staff from major procuring agencies have undergone training on eGP recently.

In order to build capacity of government officials working in the procurement sector, a certification program on public procurement is being conducted with the support of Maldives National University. The curriculum for the public procurement level 1 certification program has been developed, and the first batch of participants completed the training program in June 2022. An estimated 242 participants have completed the course, out of which 184 participants have completed the assessment.

Further work ongoing includes development and harmonization of procurement guidelines, National Standard Bidding Documents, Contractual Documents and User Guides. The consultant under this contract has submitted the inception report, and currently MOF is reviewing draft documentation submitted by the consultant.

Ministry of finance worked with Ministry of Environment, Climate Change and Technology (MECCT) on the development of a terms of reference to pilot green procurement. However, due

¹⁴ <https://www.finance.gov.mv/public/attachments/cPHBpaolAsDyYck88DH9yoxuadd4G0xWxzubsINf.pdf>

to time constraints, this procurement did not go through, but the MOF will work on floating this to move forward with this initiative.

4.2.4 Accounting, Reporting and Internal Audit (US\$ 1,700,000)

This component included providing result-based financing to increase transparency and external accountability of the Maldives Public Sector finances. In this regard, the component coverage includes a readiness assessment and a roadmap to strengthen the capacity of the state internal audit of MOF.

Under this component, a Professional Trainer was hired to deliver training to the staff of the State Internal Audit Function and the staff of the Auditor General's Office on the SAP audit module according to the Business Process Design Document. Furthermore, training on the extraction of data and data mining on the SAP AIS module was also provided. This consultancy also included a review of the existing AIS Manual. The staff of the state internal audit are currently using the SAP ECC and Business Warehouse (BW) modules of the SAP to generate Budget Execution Reports (BERs) and the reports required for auditing. The PDFS internal audit specialist has commenced the work on the audit of BERs.

Apart from these, the consultancy for migration to accrual accounting and reporting has commenced and will continue after the project duration. The objective of this consultancy is to provide the GoM with technical advisory services and to migrate from IPSAS cash to IPSAS accrual. The task force on road map for transition to IPSAS accrual accounting has been established.

In order to increase transparency and external accountability, the GOM has published the audited financial statements for the years 2019/2020. Apart from this, DLI4 has also been achieved as the 2020 financial statements of the 10 largest SOEs¹⁵ have been audited and published. (Box 2: DLI). The AGO is currently auditing the 2021 GOM financial statement and is expected to complete the audit by August 2022.

¹⁵ <https://www.finance.gov.mv/public-finance/public-enterprises/audited-financial-statements-of-soes>

4.2.5 External Scrutiny and Audit (US\$ 415,000)

This component includes the provision of technical assistance to improve the alignment with International Standards for Supreme Audit Institutions (ISSAI) and with international good practice. This included the introduction of a pilot citizen participatory audit, an audit of SOEs and capacity building of the Public Accounts Committee. This component was managed by the PMU with the support of AGO.

A Consultancy was undertaken to implement ISSAI under the project by the AGO. The main objective of the consultancy was to enhance the financial statement audits of public institutions at the AGO by making those audits more compliant with ISSAIs. Under this consultancy, an ISSAI complaint assessment (ICAT) was undertaken, an ISSAI implementation plan was developed and the existing financial audit manual/guides were updated. Three pilot audits were completed under this consultancy.

Apart from this consultancy, the AGO also completed consultancy on an IFRS Compliant Financial Statement Audit. Under this consultancy, a Financial Audit Guide was developed for SMEs within the SOEs. Two workshops for staff of AGO working on the SOE audit department were provided training on the use of the guide. Furthermore, three IFRS-compliant financial statement audits were completed under this consultancy.

Consultancy was commenced for strengthening audits of information systems during March 2022. This consultancy is to enhance the capacity and improve the practices of AGO in auditing Information Systems of the government and performing other related IT audits. As part of this consultancy, an assessment of the IT system and a draft 4-year audit plan has been developed.

In addition, Citizen Participatory Audit (CPA) consultancy was announced multiple times and as per the recommendation from WB PMU communicated SAI Philippines to undertake the consultancy. However, SAI Philippines was unable to engage as the project closure was near.

In order to build the capacity of Public Accounts Committee (PAC), a study tour for the UK was held for the members of the PAC in April 2022, as part of knowledge sharing program. The team

had sessions with UK Parliament, National Audit Office (NAO) and Chartered Institute of Public Finance and Accountancy (CIPFA) UK. This included members of the PAC, AGO staff and staff from MOF. The participants from the PAC learnt the importance of value for money in auditing.

4.2.6 Project and Change Management (US\$ 1,070,000)

This component includes the provision of technical assistance for the development of an enhanced communication plan, change management capacity building and providing cross-cutting training and capacity building to the project stakeholders. This component also included the extension and expansion of the PMU to manage the reform agenda with stakeholders.

As per the project appraisal document, and as the disbursements of the DLI have to be verified by a third party, the consultancy for an independent verification agent (IVA) was commenced. This consultancy was awarded to PWC as per open bidding process conducted by the national tender. The firm has completed 7 verification missions, the last mission was held in July 2022.

Recognizing the need for a more inclusive and holistic approach to PFM reform, the PMU assisted the Maldives Monetary Authority (MMA) to carry out Anti-Money Laundering (AML)/Counter-Terrorist Financing (CFT) through consultancy on national risk assessment. Strengthening the AML/CFT framework is one of the country's priorities, especially in the light of the upcoming preparation for the Mutual Evaluation by the Asia Pacific Group on Money Laundering (APG) envisioned for Q4 2022. The country last underwent AML/CFT Mutual Evaluation in 2010, under the 2006 Financial Action Task Force Recommendations. The consultant has assisted the authorities; the Financial Intelligence Unit (FIU) of the MMA to conduct the draft NRA during the onsite mission held in January 2022. The remaining tasks under this consultancy will be continued by the MMA after project closure.

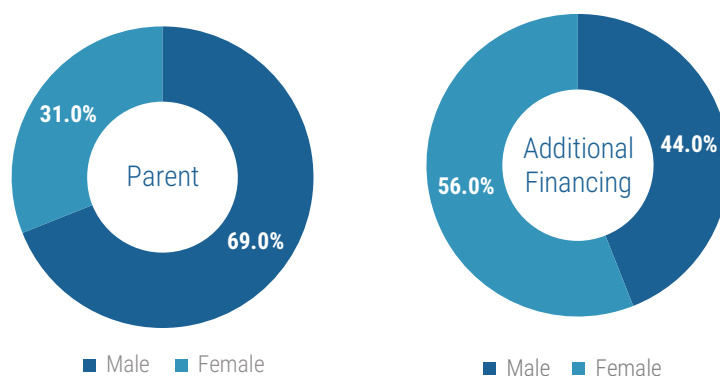
Under the project change management, a TOR for the consultancy of MOF institutional development was developed. The procurement for this consultancy was undertaken in multiple rounds. However, despite several rounds, the procurement was not successful and thus was cancelled together with the policy decision change by MOF.

The PMU has assisted the staff of MOF, as well as other relevant stakeholders; namely the AGO and SOEs in conducting trainings and capacity building. This includes training for functional staff on SAP certification (BPC training), IPSAS training and study tour for Public Accounts Committee members. Further, meeting with audit committee chairman for strengthening of corporate governance for 30 SOEs were also held under this component. Among this, the AF component had an increment in its financing to allow for training and capacity building for more females towards a more gender balanced approach (Figure 3).

The staff of the PMU supported other key government agencies, notably the Ministry of Health on the implementation of World Bank Covid19 project. This included support provided in terms of procurement, financial management and support provided by the project coordinator.

During project duration, there has been three project directors; two directors during the additional financing component, one procurement specialist, one FM specialist and 2 project coordinators. While the project director had been responsible for overseeing the overall performance of the project, the project coordination and monitoring was done by project coordinator, the procurement work was completed by the procurement specialist and all FM related works including the submission of IUFR was done by the FM specialist. The PMU will continue to coordinate and monitor the overall project, including the FM arrangements during the 4 months grace period after project closure.

Figure 3: Training and capacity building under PFM project – By gender



5. Post Project Activities

A number of ongoing consultancies have been procured and signed that would go beyond the project duration of July 31st, 2022. Some of these consultancies have fallen beyond the project duration as there have been delays in the procurement process due to several reasons including those which were beyond the control of PMU. Among this includes the delays caused by COVID-19. The major chunk of the remaining consultancies includes those which would improve fiscal reporting, strengthen the PAS and improve payroll management and control (Table 4).

As agreed in the last implementation support mission held in June 2022, MOF will make budget provisions for ongoing consultancies through domestic budget financing including the retention of the PFDS staff after project closure.

Further, remaining funds from this project has been reallocated for IDA 2024 cycle and MOF awaits the confirmation from WB on a next potential PFM project.

Table 4: Ongoing Consultancies

Contract Name	Contract Value (In USD)
Migration to Accrual Accounting	300,000
Audit Information System	192,981
Spending Review	89,757
ICT Masterplan	200,000
National Risk Assessment (NRA)	115,000
SAP Service Contract*	-
Web Portal and Mobile Application	41,569
Translation of manuals and guidelines	23,000
Chart of Accounts	108,000

* time-based contract

The resource mobilization department within the ministry will continue to work along donors including ADB, USAID and JICA on PFM support areas.

6. Key factors that affected implementation and outcomes

Implementation Delays: The project despite being commenced in 2014, and the AF starting in 2018, there have been significant delays in delivering some of the major tasks and deliverables. Notably, there have been delays in implementation due to several challenges including those of which were beyond the control of PMU. The disbursement of DLI linked to targets were not fully achieved as major decisions had to be taken at the policy level. This mainly included policy decisions related to the transition to MOF cadre and implementation of harmonized pay. Apart from these, there were priority shifts, requirement changes in some activities that lead to significant delays. Among this includes the changes that were proposed to portals that were developed by the project such as the “Beelan portal/SOE gateway”.

The PMU remained committed to delivering the key outputs, and was responsive in resolving major operational challenges. Monitoring of the implementation was undertaken by the PMU on a quarterly basis.

Covid19: The nationwide lock down lead to several delays in implementation. Procurement of consultants for technical assistance and ongoing major consultancies were delayed as most of it had to be delivered offsite. This led to significant delays in disbursements. During this period, the post of project director was vacant and the project coordinator had to perform dual role and by the end of 2021 the post of project coordinator was also vacant.

Reporting: The staff of the PFDS each performs a designated task allocated to them. These staff have a dual reporting mechanism where they have to report to the technical supervisor as well as to the project unit. The performance monitoring of these staff was a challenge as each of these staff were assigned to several departments within the ministry. However, the implementation structure of the project was effective in decision making.

Procurement delays: There were significant procurement delays in some consultancies. Some procurement had to be advertised on up to 5 rounds, yet cancelled. A total of 59 procurement rounds were cancelled and 27 contracts were signed with 17 completed procurements during project duration. The cancelled procurements were mainly due to reasons outside of the control of PMU. The initial requirement for consultancies and the need, the development of TOR had significant delays from departments within the ministry. The availability of consultants following the pandemic was also one of the key factors in procurement delays.

7. Issues, lessons learnt and recommendations

Successful project implementation hinges on a project design that considers the governments overall objectives. At the time of project formulation, and up to date, there have been several policy changes in the government administration with shifts in priority affecting governments overall PFM reforms. As such, it is particularly important to endorse a long-term strategic policy document at the government's policy level, at the project formulation stage. The project has paved way for PFMRP and with the support of other donor agencies, if this plan can be implemented, it would strengthen the weaknesses in the PFM system.

The project has supported the formulation of the PFDS and recruitment of staff. Despite having key challenges, the PFDS has made invaluable contribution in automating key functions within the ministry. The retainment of PFDS after the project duration is still not clear, as the implementation of finance cadre has not been completed. Potential avenues for the retainment of the PFDS should be considered.

In order to successfully implement key policy changes, the frequency of project steering committee meetings should be increased with regular meetings being held. To avoid procurement related delays, coordination on key cross cutting issues among departments have to be better managed by the PMU. Further, capacity management should be carefully designed to be outcome focused to generate better results. In order to continue the ongoing PFM reforms, it is

recommended to establish a PFM reform department within the MOF to oversee and implement the PFM reform including the PFMRP (Box 3).

To sustain the reforms, the government is planning to undertake a follow-on PFM reform project to build on the successes of this project by implementing the reform priorities identified in the PRSAP (2022-2026) to achieve the objective of “ensuring efficiency and transparency in the fiscal space” and supporting the high-level objectives of Country Partnership Framework (CPF) 2023-27.

Indicative areas of the next generation of reforms include: (i) migration to accrual-basis IPSAS, roll-out of the SAP-based PAS to donor-funded projects, and implement ‘fit-for-purpose’ accounting system for local councils to improve comprehensiveness of general-government financial reporting; (ii) implementation of the ICT Master Plan and digitalization (with cybersecurity countermeasures) of selected services to improve public service delivery, and consolidate the stand-alone portals with seamless integrating with the PAS to provide end-to-end digitization of the various PFM processes; (iii) open government data (OGD), citizen participatory audits (CPA) and systematic mechanisms for follow-up on audit queries and Public Accounts Committee (PAC) recommendations; (iv) enactment of Public Procurement Act, implementation of electronic government procurement (eGP) and roll-out the Standard Procurement Documents (SPD); and (v) implement the recommendations of the 2022 Maldives Public Expenditure Review (PER): Restoring Fiscal Health[1] to better manage fiscal risks and strengthen spending efficiency.

8. Conclusion

The scope of the Maldives PFMSS was focused to reflect on the most immediate and urgent reforms. Hence, this project aimed to leverage on the ongoing PFM reforms, reflecting on the governments key policy priorities and objectives set out in the governments manifesto and Strategic Action Plan 2019-2023. The primary target and beneficiaries of this PFM project involved the PFM specialists managing central government finances.

The Maldives has undergone a number of significant PFM reforms since 2009, when the first PEFA was carried out. The topline message of the 2020 PEFA Report is that GOM has achieved improvements in public financial management (PFM) performance compared to 2009 and 2014 performance. Except for external scrutiny and audit, the 2020 PEFA assessment present significant improvement when compared with the 2014 PEFA assessment.¹⁶

This project has supported to bring in remarkable changes to the overall PFM system, supporting the key functions within the Ministry including; the PCB secretariat. The project has also supported recent goals of PFM reforms to improve the fiscal transparency, improve budget credibility and fiscal discipline, ensure debt sustainability as well as improve financial reporting. Apart from this, improvements in areas such as external audit and the support to AGO and MBS are also key areas of improvements. The project has also supported the formation and sustainability of the PFDS; the team has brought significant changes in the automation of the ministry's work.

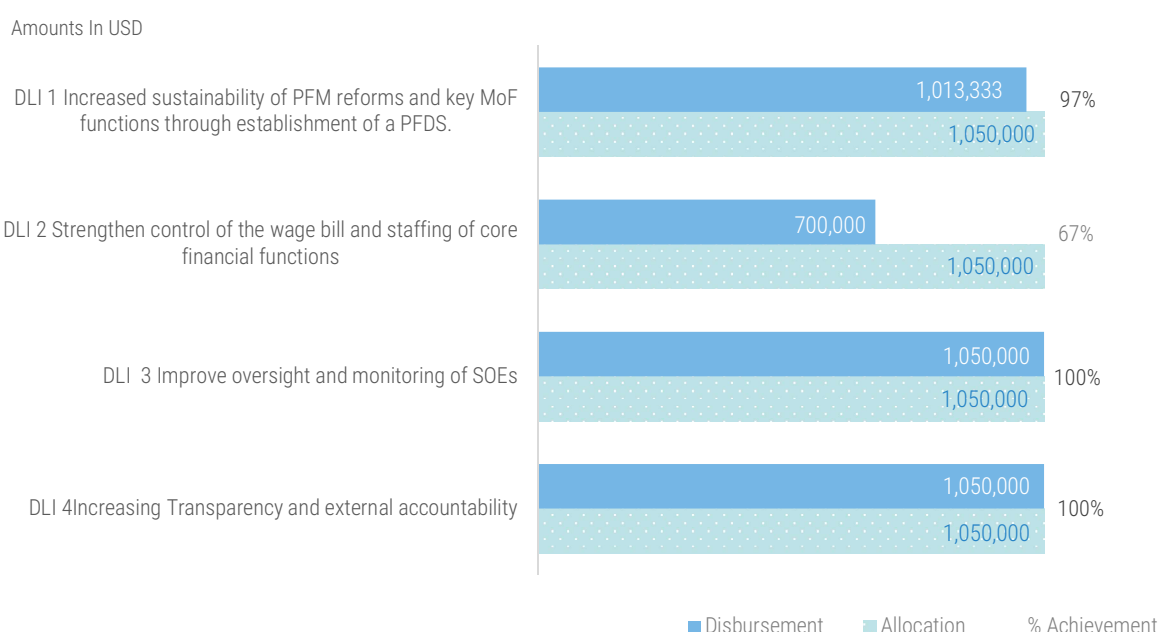
In conclusion, we extend our heartfelt thanks and appreciation to the world bank for the unconditional support provided to MOF as well as the stakeholders to address the weaknesses and reform the PFM system of the Maldives. We acknowledge the funding, technical assistance, and capacity building extended through this project towards the government's goals in achieving a more efficient and effective overall PFM environment.

¹⁶ <https://www.finance.gov.mv/public/attachments/S8lPzqh9Z7hqOs3CtAUSEij8vslqWihkSxNdxD1h.pdf>

Box 1: Disbursement Link Indicators

The disbursement of additional financing component was based on two modalities. This included input-based financing and result based financing against the achievement of targets for disbursement linked indicators. The DLI covered eligible expenditure program related to the core functions and departments of MOF. Under the AF component the WB allocated US\$ 6 million with a total of USD 2 million being disbursed as of project closure. Among the 4 DLIs, 3 DLIs have been achieved and 1 remains partially achieved. The achievement of these DLIs was verified by an independent expert (PWC).

Graph 1: Allocation and Disbursement of DLIs



DLI #1: Increased sustainability of PFM reforms and key MOF functions through establishment of a PFDS

PFDS was formed through a Ministerial decision on 7th February 2018. During the project duration all 16 posts of the PFDS was filled, however by project closure 1 position of the PFDS remains vacant. The PFDS performance reports for 2019 was published in MOF website. To maintain the best practice, MOF will continue to publish the performance reports¹⁷ for the proceeding years. This DLI was achieved by June 2020.

¹⁷ <https://www.finance.gov.mv/public/attachments/3f97mSa82vylzROLuk28TwdHEKNkm2UYUImcgE84.pdf>

DLI #2: Strengthen control of the wage bill and staffing of core financial functions

Establishment of civil service registry with gender disaggregated data on personnel and wages was verified by the independent verification agent (PWC) during October 2021. The approval for pay classification structure for finance cadre by NPC was approved by a resolution signed on September 2021. However, as the new MOF cadre as per the revised pay structure is not implemented, this DLI remains partially achieved.

DLI #3: Improve oversight and monitoring of SOEs

SOE oversight and monitoring is overseen by the Privatization and Corporatization Board (PCB) Act but not fully functional. This DLI includes activities to improve SOE monitoring and oversight. In this regard, a joint performance monitoring framework was signed between Minister of Finance and President of PCB in 2019, the procurement guideline was adopted by largest 10 SOEs by June 2020, and the 5 largest SOEs have adopted the new corporate governance code issued by PCB. This DLI was achieved by June 2022.

DLI #4: Increasing Transparency and external accountability

As the whole of Government Accounts are not consistent with legal requirements and IPSAS and are not audited, this DLI requirement for 2018 Whole of Government Financial Statements to be audited and published have been achieved by June 2019. The 2020 financial statements of the 10 largest SOEs have also been audited and published. This DLI was achieved by June 2021.

Box 2: Public Finance Development Service (PFDS)

As per the recommendation by the Bank, Minister of finance established the Public Finance Development Service (PFDS) on February 2018. The objective of the PFDS was to attract and retain critical staff and to transfer the skills and knowledge within the ministry for sustainable PFM reforms. The PFDS staff provided key technical and functional services for SAP modules to support key functions of the ministry. The AF supported the financing of the PFD with USD 1.5 million disbursed through performance based DLI over a period of two years.

The governance and organizational structure of the PFDS was endorsed by the PFM steering committee. The PFDS includes 5 SAP Functional experts, 4 IT technical experts and 7 technical experts (table 2). During the project duration all 16 posts of PFDS were filled, however at the end of project duration 2 posts remain vacant. One post as a staff moved to another donor funded project and the other as no potential application was received before project closure. The recruitment process of the PFDS was carried out in compliance world bank procurement guidelines for consultants. The overall monitoring and supervision of the PFDS was done by the Project Director and the Permanent Secretary.

Table 2: PFDS structure

PFDS Team		
SAP functional experts	IT technical experts	Technical experts
1.Human Capital Management	1.Advanced Business Application Programming (ABAP)	1.Chief Information Officer
2.Material Management	2.Business Application Systems Integrated Solutions (BASIS)	2.Asset management
3.Business Intelligence	3.Business Intelligence (BI)	3.Internal audit specialist
4.Project Systems Associate	4.Business Planning and Consolidation (BPC)	4.Economic & fiscal
5.FICO Associate		5.SOE financial
		6.ICT consultant
		7.Debt strategy & risk management

Key developments by PFDS staff:

Short Message System (SMS): a SMS service for vendors to receive notifications when the MOF processes their payment. The vendors would receive an email with the all the payment details. As a result of this, complaints with regard to payments have been reduced at MOF significantly.

Bandeyri portal: A portal through which government agencies could make request for several services including the requests for PAS access. The Ministry has been able to eliminate paperwork by digitizing the entire process and allowing easy and smooth processing of the requests from Government agencies. Bandeyri portal also includes a component for staff hiring; where approval for new staff hiring is done after thorough evaluation from the portal. The use of the portal for staff hiring has reduced the administrative burden on processing the requests. Moreover, the PSIP monitoring function in the portal enables to track financial progress of ongoing projects and vendor requests can be done through vendor creation module.

Central payroll register: In order to strengthen control of the wage bill and staffing of core financial functions a central payroll register with data on all government agencies have been completed. The register includes gender-disaggregated personnel and wage statistics. The integration work with the civil service register is currently ongoing.

Enhancements to the PAS: implementation of the Business, Planning and Consolidation (BPC) module for budget preparation and management. This has improved the budget process through automation in budget consolidation and budget management. During 2019, the team began the process of implementing Business Objects. Policymakers will be able to produce real-time reports, and top management will be able to make quick decisions as the relevant agency's revenue and expenditure will be readily available in the form of a Dashboard. This Dashboard can be accessed from tablets as well as from desktop. The implementation is expected to be completed by end of 2022.

SOE gateway & monitoring framework: A portal developed in house with the assistance of PFDS staff. The gateway includes governance related information, such as lists of directors, vision & mission of the SOEs as well as financial information.

A performance pay framework for the executives of SOEs was developed. The framework links a portion of salary payments based on the achievement of agreed performance targets. These targets include both financial performance indicators as well as management indicators that cover governance, internal control and business strategy. The data collected from SOEs are reflected in the quarterly and annual review, this information helps to make informed decisions related to SOEs.

Asset Policy & Guideline: Published guideline on asset policy by asset management consultant. “Neelan Portal” was developed and asset register developed within SAP.

Additionally, members of the PFDS functional team also contributed to the implementation of the ***Viya Module*** developed by the local government authority for local councils, which enables local councils to record their revenue and expenses. The fiscal and economic research consultant has also supported in conducting fiscal and economic research, including revisions to subsidy, revisions to Medium Term Expenditure Framework. There were significant contributions by PFDS staff on the work on issuance of t-bond on international market, issuance of sovereign guarantees and related policies.

During the project duration, the staff of the PFDS was required to transfer their knowledge through a twinning arrangement. However, at the end of the project for all of the functional staff, training has not been completed whereas for some staff training is currently ongoing. In order to complete the DLI 1, the staff of PDFS will need to be moved to the finance cadre with revised pay structure to ensure long term sustainability.

Box 3: Public Finance Reform Department

The Public Finance Management reform actions in Maldives are designed to respond to the challenges found in the system, to improve efficiency and effectiveness of public spending and improve tax regime. The goals of the PFM reform carried out include strengthening fiscal discipline, ensuring debt sustainability and the efficient, transparent and modern management of public finances. The Maldives has undergone a number of significant PFM reforms since 2009, when the first PEFA was carried out. A more recent PEFA assessment was completed in 2020 and a PRMRP has been formulated for 2022-2026.

Currently, PFM reforms pursued by MOF are ongoing through donor supported programs. The bulk of the reforms undertaken included this project. There are also ongoing programs supported by other development partners including USAID, ADB and UNDP.

Even though there are ongoing reforms aided by donor agencies, currently there is no dedicated unit within the ministry to monitor and coordinate PFM reforms. The reforms in PFM areas are individually undertaken by the relevant departments within the ministry.

The proposed PFM reform department would mainly focus on implementing the overall PFM reforms outlined in the recent PFMRP as well as to implement the reforms brought forward by other donor agencies.

Proposed major roles and responsibilities of the Department	Implement PFMRP Strategy and action plan
	Routinely monitor the progress of actions stated in PFMRP, National Resilience and Recovery Plan (NRR), Strategic Action Plan (SAP)
	Quarterly report to PFM steering committee and senior management on PFM reform actions
	Coordinate with other government agencies on the implementation of PFM reform agenda and strategy (MIRA, MMA, AGO, AUDIT)
	Initiate PFM diagnostic assessments/studies (including PEFA, DEMPA, FTE etc)
	Provide technical support to other departments on PFM reforms
	Ensure the legal compliance of PFM reforms in relation to Public Finance Act/regulation, FRL
	Conduct training, capacity building on PFM related areas

The proposed PFM reform department would be led by a Chief PFM reform director, reporting to the permanent secretary of MOF with a political head; the state minister. All decisions related to PFM reforms would be decided at the PFM steering technical committee comprising of MOF department heads. All executive decisions would be taken at the PFM policy committee.

ANNEX 1: RESULTS FRAMEWORK

No	PDO Indicator	Unit	Baseline	Target	Actual	Comment
1	Deviation between aggregate expenditure out turn and the original approved budget	Percentage	18.74	5.00	Met: 1% (2021)	2017 – 1.3% 2018 – 6.5% 2019 – 6.3% 2020 – 20.1% 2021 – 1% Based on the AFS submitted for audit.
2	Public Access to Key Fiscal Information	Text	Documents not made available to the public: (1) Year-end state financial statements of the Republic of Maldives; (2) In-year budget execution reports; (3) Contracts awarded. Budget documents and resources available to primary service units are available in public domain.	Public disclosure of the following key fiscal information: (a) Annual budget documentation (b) In-year budget execution reports	Met: The Proposed Budget Book is available to the public on the MOF website the same day it is submitted to Parliament. The approved budget (the Budget Book) is made available to the public on the MOF website within two weeks from the approval by Parliament. In-year budget execution reports are made available to the public within a month of their issuance on the MOF website www.finance.gov.mv Budget execution reports available at www.budget.gov.mv .	PEFA PI 5.1: Budget documentation - all 4 basic elements and 4 additional elements out of 8 are met by GoM. PEFA PI 9.1: Public access to fiscal information – GoM makes available to the public all nine elements, including all four basic elements in accordance with the specified timeframe – ‘A’.

				<p>(c) Year-end financial statements</p> <p>(d) Tenders above USD100,000.</p>	<p>The audited Annual Financial Report for FY2018 dated 7 January 2020 was published accompanied by the External Auditor's Report on the Auditor General's Office website on 16 January 2020 (www.audit.gov.mv)</p> <p>All tenders above USD 2,200 are advertised on the gazette portal as per Public Finance Regulations (PFR), chapter 10. https://beelan.egov.mv/bid-awards</p>	<p>2018, 2019 and 2020 Audited Financial Statement published</p> <p>Contracts above MVR 5 Million have been centralized at National Tender. However, invitation for these procurements will also be published</p>
3	Comprehensiveness of debt data recording and reporting	Text	Annual statement of debt covering domestic and external debt is prepared, but there are gaps and reconciliation problems.	<p>Domestic and foreign debt records are complete, includes payable amount updated and reconciled quarterly.</p> <p>Comprehensive management and statistical reports (covering debt service, stock and operations) are produced at least annually.</p>	<p>Met: Domestic and foreign debt records are complete in the CS-DRMS and updated monthly. Explicitly guaranteed contingent liability records are updated and reconciled quarterly.</p> <p>Update: BCG debt are reconciled every time a debt service payment is processed, hence it eliminates the need to do a separate quarterly reconciliation. Domestic debt is also reported.</p>	<p>To synchronize with debt service payments that are done semi-annually, the plan is to start doing semi-annual reconciliation with effect from June 2020 of budgetary central government debt records in 2020.</p> <p>Currently publishing quarterly on the MOF website.</p> <p>Public Debt bulletin is produced semi-annually, and public and publicly guaranteed stock figures are produced quarterly. Both reports are published on the Ministry's website.</p>

4	SOE financial reporting and disclosure	Percentage	50	100	<p>Met. The most recent published annual financial review as of August 2022 is for FY2020. 2021 is not completed as audits are ongoing.</p> <p>The most recent published quarterly SOE reports as at December 2021 is for Q4-2021. Q1/2021 to be published on 1st week of September.</p>	<p>Quarterly Reports for 2020 & 2021 published.</p> <p>Annual Financial Review - FY2019 & 2020 published.</p> <p>Corporate Governance Review 2021 of SOEs published</p> <p>A detailed and interactive portal (SOE Gateway) is being developed – trainings to be conducted for SOEs</p>
Intermediate Indicators						
		Unit	Baseline	Target	Actual	Comment
1	Increased capacity on macro fiscal planning	Text	<p>0% of staff trained on macro fiscal planning.</p> <p>No credible MTFF and framework for assessing investment projects exists.</p>	Production of a Macro fiscal forecasting tool to inform the annual budget	Macro fiscal forecasting tool exists and was used for MTFF to prepare Fiscal Strategy Paper that was sent to parliament and used for the preparation of 2020 budget.	MTFF was used for formulation of 2020 budget.
2	Capacity building on procurement through the implementation of a new Procurement curricula.	Text	NIL	15	Achieved. 242 trained.	<p>Around 242 participants have been trained through in-house curricula available within the MOF. However, these are not affiliated with any accreditations.</p> <p>MOF is also in discussion with Maldives National University on developing a level 6 professional procurement program.</p>
3	BERs subjected to audit by internal auditors	Percentage	0	100	0	BERs exist but not subjected to internal audit. This task is included in TOR of PFDS internal audit specialist, who has commenced work in Q1 2020.

						Q1 and Q2/2022 completed and awaiting issuance. Q1/2021 completed.
4	Updated gender disaggregated statistics to inform fiscal policy	Text	No recent data on household income/expenditures	Findings from HHIES have been published	Completed	Preliminary HHIES statistics released <i>Dataset available at:</i> http://statisticsmaldives.gov.mv/hies-data/
5	Improved asset management	Text	Asset registry not annexed to AFS	End year Financial Statements with asset registry	The current financial statement (FY 2021) explains the details of asset values taken into financials, the limitation in recording the legacy assets and valuation.	“Neelan Portal” - asset portal has been developed. The portal is used for disposal and transfers to do ‘announcements’ for public auction. Asset register is now fully maintained in SAP but previous records are to be reconciled as some do not match. Legacy asset (assets prior to SAP) are now collected and recorded in Neelan portal register.
6	Inclusion of CPA techniques in Performance Audit	Text	No use of CPA	Two pilot Performance Audits conducted using CPA	not achieved	The consultancy was cancelled as there were major delays from SAI Philippines side.
7	Increased capacity on debt and cash management	Text	Credible DMS does not exist.	Debt management strategy produced	Medium-term Debt Strategies (MTDS) 2020 – 2022 produced and published on MOF website. For years: FY 2020-2022 FY 2021-2023 FY 2022-2024	This Report provides a mid-year update of the economic situation, a review of budget out-turn and execution in the first six month of the year and prospects for the rest of the year. It also encloses the Fiscal Strategy Statement and Debt Strategy Statement prepared in accordance with the Fiscal Responsibility Act (7/2013).
8	Timely preparation of annual financial statements	Text	AFS not accepted by audit as complete and ready for audit.	System-generated AFS submitted to audit within 4 months from year end.	AFS for FY2021 was submitted on May 2022.	Audit of ‘whole-of-government’ financial statement for 2019 expected to be completed by 15th March 2021.

					AFS generated from SAP system, however dividend figures are manually adjusted as dividends are now recorded on accrual basis. All other revenues are recorded on cash basis.	<p>Audit for 2021 financials are ongoing. Expected to complete by end of September 2022.</p> <p>The 2019 and 2020 financial audits are completed and published on AGO's website.</p>
9	Improved communication of PFM reforms	Text	No PFM communication strategy	<p>Communication strategy exists</p> <p>All planned consultation workshops held for legal and business process review</p> <p>Fifteen change management workshops for key stakeholders held in total by end of FY5.</p>	<p>The change management strategy is yet to be developed.</p> <p>One Change Management Workshop was held.</p> <p>Legal unit of Ministry of Finance have undertaken several reviews of Public Finance Act, Fiscal Responsibility Act, PCB Act, Public Finance Regulation etc.</p> <p>Several changes were made to the Public Finance Regulation through Circulars in the area of (i) Procurement, (ii) Budget Controls, (iii) Asset Management.</p>	<p>Draft ToR for Institutional Development Consultancy Firm include task to develop a Change Management Strategy for MOF. This shall include a Communication Plan that focuses on interpersonal communications and inter-department/stakeholder communications and client/beneficiary engagement needed to support the various PFM reforms at MOF.</p> <p>Institutional development consultancy cancelled</p>

ANNEX 2: DISBURSEMENT LINKED INDICATORS (DLI) PROGRESS

DLI Indicators	Baseline	Results to be achieved by June 30, 2018	Results to be achieved by June 30, 2019	Results to be achieved by June 30, 2020	Results to be achieved by June 30, 2021	Status Update July 31,2022
DLI # 1: Increased sustainability of PFM reforms and key MOF functions through establishment of a PFDS.	No PFDS established. Ongoing hemorrhage of key personnel.	Governance structure and organogram of the PFDS has been approved by Decision of the Minister of Finance.	10 out of the 16 vacant PFDS positions are filled based on job descriptions and in a transparent manner.	2019 PFDS performance report, including client/ beneficiary feedback is published on MOF website.	N.A.	<ul style="list-style-type: none"> PFDS was formed by Ministerial decision 2 PFDS Position vacant The performance report for 2019 published. Evaluation ongoing for 2020 and 2021; expected to be published before end of September 15th.
DLI #1 Value: 1.05 Mio. SDR		350 000 SDR	350 000 SDR	350 000 SDR		
Status		Achieved	Partially Achieved	Achieved		

DLI Indicators	Baseline	Results to be achieved by June 30, 2018	Results to be achieved by June 30, 2019	Results to be achieved by June 30, 2020	Results to be achieved by June 30, 2021	Status Update
DLI#2: Strengthen control of the wage bill and staffing of core financial functions	Limited wage bill data and no specific cadres nor pay schemes for critical finance functions.	N.A.	Establishment of civil service registry by the NPC with gender disaggregated data on personnel and wages.	Approval by the NPC by way of resolution of a standardized pay classification structure for finance cadres.	100% of new MOF cadre recruited are subject to the revised pay structure for finance cadres.	<ul style="list-style-type: none"> Payroll Register established and integration with CSC Viuga is completed. Areas of pay classification and job families have been completed. Finance cadre not implemented due to fiscal constraint. The GOM to take policy decision later.
DLI #2 Value: 1.05 Mio SDR			350 000 SDR	350 000 SDR	350 000 SDR	
Status			Achieved	Achieved	Pending	

DLI Indicators	Baseline	Results to be achieved by June 30, 2018	Results to be achieved by June 30, 2019	Results to be achieved by June 30, 2020	Results to be achieved by June 30, 2021	Status Update
DLI #3: Improve oversight and monitoring of SOEs	SOE oversight and monitoring is overseen by the Privatization and Corporatization Board (PCB) Act but not fully functional.	PCB secretariat at MOF staffed with a corporate governance specialist	Joint performance monitoring framework for SOEs has been signed between the Minister of Finance and the president of the PCB.	<p>(i) The Board of Directors of the largest 10 SOE adopted procurement guidelines issued by PCB. Formula- SDR 280,000 once at least 8 SOEs adopts the new procurement guidelines, and SDR 35000 for every SOE that adopts the same.</p> <p>(ii) The Board of Directors of the five (5) largest SOEs adopted the new corporate governance code.</p>	-	<ul style="list-style-type: none"> JPMF was signed between MOF and SOEs. All SOE's have adopted the new CG code developed by PCB (excluding listed companies) All SOE's have adopted procurement guideline (excluding listed companies) Targets set for 2022, Performance Evaluation completed for 2021 (all SOEs excluding financial institutions and minority shareholding companies). Regular meetings held between SOEs to monitor implementation of Procurement guidelines and CG code. PCB will continue to review.
DLI #3 Value: 1.05 Mio SDR			350 000 SDR	700 000 SDR		
Status			Achieved	Achieved		

DLI Indicators	Baseline	Results to be achieved by June 30, 2018	Results to be achieved by June 30, 2019	Results to be achieved by June 30, 2020	Results to be achieved by June 30, 2021	Status Update
DLI #4: Increasing Transparency and external accountability	Whole of Government Accounts are not consistent with legal requirements and IPSAS and are not audited		2018 Whole of Government Financial Statements are audited and published*.		The 2020 Financial Statements of the 10 largest SOEs are audited and published, including the audit opinion*. Formula: SDR [560,000] once at least 8 of the largest SOEs publish the audited financial statements, and SDR [70,000] for every such SOE that publishes the same	<ul style="list-style-type: none"> • 2018 whole of government audit has been completed. • The 2020 Financial Statements of the 10 largest SOEs – audit completed. • The 2021 Financial Statement of 5 largest SOEs published.
DLI # 4 Value: 1.05 Mio SDR			350 000 SDR		700 000 SDR	
Status			Achieved		Achieved	

ANNEX 3: LIST OF MAJOR TRAININGS/CAPACITY BUILDING

Name of Training	Number of Participants		
	Male	Female	Total
Certificate in Public Procurement	117	125	242
International Public Sector Accounting Standards (IPSAS) Training	9	21	30
Certificate Course in Data Evaluation	1	23	24
Certificate Course in Demography and Applied Statistics	5	18	23
Maldives Public Accounts Committee (PAC) and Auditor General’s Office (AGO) visit to Westminster	15	4	19
SAP training and Certification	18	1	19
Workshop on E-GP	3	5	8
Electronic Procurement Management training	3	5	8
Training on Procurement Management in the Public Sector	-	1	1
Procurement of Goods and Services: Best Practices	1	-	1
Certified Logistics and Supply Chain Management Professional	4	7	11
Sustainable Finance training	1	4	5
Co-operation in the area of treasury operations and state budget execution	3	1	4
Training Trip for Selection and recruitment of consultants in World Bank - funded projects	1	2	3
Tool for Audit Manager	2	1	3
Public Financial Management Training	1	4	5
Financial Accounting and Reporting	-	3	3
2nd Public Debt Management Conference	1	1	2
Tools & Techniques I: New Internal Auditor	-	2	2
Training on Project Management, Monitoring and Evaluation	1	1	2
Project Management During & After COVID: Getting Back to Achieving Organization Strategy	-	2	2
Training on Programs and Projects Budgeting and Cost Control	-	1	1
Feasibility Studies - Preparation, Analysis and Evaluation	-	1	1
Financial Planning and Analysis	-	1	1
Project Management Essentials	-	1	1
Others	31	8	39
GRAND TOTAL	217	243	460