



### Project Summary Information

Date of Document Updating: 08/29/24	
<b>Project Name</b>	Strengthening Fiscal Management and Sustainability Program
<b>Project Number</b>	P000815
<b>AIIB member</b>	Maldives
<b>Sector/Subsector</b>	Others
<b>Alignment with AIIB's thematic priorities</b>	Green infrastructure
<b>Status of Financing</b>	Approved
<b>Objective</b>	The proposed Results-Based Financing (RBF) aims to strengthen fiscal sustainability and promote climate-resilient investments.
<b>Project Description</b>	<p>The proposed Program (the Program) will provide a results-based financing to support a portion of the defined Government programs. It is designed to enhance the sustainability of the policy actions under the Strengthening Fiscal Management and Sustainability Program (a policy-based grant, or PBG) of the Asian Development Bank (ADB). The proposed Program will support the Government's programs and consist of the following two results areas:</p> <ol style="list-style-type: none"> <li>1. Results area 1 (Green Taxation) - This results area will mainly support two Government programs related to green taxation: (i) widening of the coverage of tourism green tax beyond hotels to include integrated resorts etc.; and (ii) levy a tax on plastic bags as part of the commitment to phasing out single-use plastics (SUPs). The tourism Green Tax will exclusively go to the Government-established "Green Fund" which will finance climate-related projects as well as other green projects.</li> <li>2. Results area 2 (Climate Mitigation and Adaptation) - This Result Area will support Government programs to address climate change, including: (i) increasing the capacity of renewable energy; (ii) establishing new waste management facilities; and (iii) implementation of coastal protection measures in priority islands.</li> </ol>
<b>Expected Results</b>	<p>Expected results will be the improvement in fiscal sustainability through resource mobilization and climate change adaptation/mitigation. This will be measured through the following indicators:</p> <ol style="list-style-type: none"> <li>(i) Revenue enhancement through expanded coverage of Green Tax.</li> </ol>

	<ul style="list-style-type: none"> <li>(ii) Reduction in the use of SUPs through enactment of tax levy on plastic bags.</li> <li>(iii) Increased capacity of renewable energy</li> <li>(iv) Increased number of people served by the waste management facilities (gender-disaggregated).</li> <li>(v) Increased number of people benefitting from the coastal protection measures (gender-disaggregated).</li> </ul>
<b>Environmental and Social Category</b>	B
<b>Environmental and Social Information</b>	<p><b>Environmental and Social Policy and categorization:</b> AIIB's Environmental and Social Policy (ESP), including the Environmental and Social Exclusion List (ESEL) and provisions related to RBF, are applicable to this Program. This Program is classified as Category B as per AIIB's ESP, as it covers a limited number and scale of potentially adverse environmental and social impacts. The Bank has reviewed the set of actions agreed with the government under the ADB's PBG, and the applicable national environmental and social (ES) systems for the government expenditure programs covered by the Program. All the implementing agencies responsible for the different budget expenditure programs have already developed and applied their ES risks and impact assessment systems, with support from the ADB.</p> <p><b>Environmental and Social Instruments.</b> The Bank conducted an assessment of ES systems in compliance with the AIIB ESP Section 15.1. Based on the assessment, an ES System Assessment Report (ESSA Report) was prepared. The Maldivian version of the ESSA summary has been disclosed on the Ministry of Finance's website (at <a href="#">link</a>) and the ESSA Report in English (with summary in Maldivian) is available on the AIIB's website. The assessment encompasses a review of the government policy and regulatory framework, ES systems applied by various implementing agencies, and their implementation capacity as well as the screening and assessment of the potential ES risks and impacts of the activities supported by the Program. On the basis of the ESSA Report, the AIIB, in consultation with the Client, determines the appropriate instrument to address the ES risks and impacts associated with underlying investment activities. The ESSA Report suggests an ES Action Plan (ESAP), which will get attached to the financing agreement with the MOF. The ESAP encompasses an action related to introduction of environmental and social due diligence on Labor and Working Conditions (LWC) at procurement of certain technologies (Solar PV) and supply chain management.</p> <p><b>Environmental Aspect.</b> Environmental risks and impacts are limited to possible biodiversity and ecosystem impacts related to some of the anticipated coastal protection activities. Each site selected for coastal protection will undergo a thorough ES impact assessment (ESIA) in compliance with the national ES Framework with site-specific risks and adverse impacts mitigation measures will be set up for each of investments sites. The Bank does not anticipate any significant environmental risks or adverse impacts on the rest of the budget expenditure programs (i.e., reduction of single-use plastics, widening the coverage of green tourism tax, renewable energy). The national ES framework applied by designated implementing agencies for all the budget expenditure programs supported by the Program has been developed with support from international development agencies and Multilateral Development Banks (MDBs, particularly the World Bank and ADB) based on their</p>

ESPs and the United Nations Environment Program (UNEP) E&S guidelines for sustainable finance. The existing national ES systems are fully functional, have largely sufficient in-house implementation capacities, with support if and where necessary from credible external consultancy firms. Overall, it complies with the AIIB's ESP.

**Social and Gender Aspect.** The Program's implementing agencies have already implemented policies addressing health and safety, diversity and inclusion, anti-bribery, anti-corruption, and equal opportunity policies with elements of gender-positive inclusion and in compliance with the Bank's ESP principles. Provisions addressing these considerations have been integrated into procurement policies for any external contractors, procured by the implementing agencies for budget expenditure programs covered by the Program. The national ES system incorporates gender-positive considerations for each of the investment programs supported by the Program. For investments that are gender-agnostic (like renewable energy, coastal protection), the gender considerations include the application of an inclusive, non-discriminatory labor policies, protection against sexual harassment, training, and awareness-raising campaigns undertaken at the level of relevant agencies implementing the Program. The Results Monitoring Framework includes gender specific indicators in order to monitor the performance on gender agenda by various implementing entities responsible for the Program's investment activities.

**Occupational Health and Safety, Labor and Employment Conditions and Information Disclosure.** The national ES framework, applied by designated implementing agencies for the budget expenditure programs supported by the Program, has already incorporated adequate provisions on Occupational Health and Safety (OHS), Labor and Employment Conditions (LWC). The national ES Framework has been developed with support from international development agencies and MDBs based on their ESPs and the UNEP E&S guidelines for sustainable finance. The existing national ES systems are fully functional, have sufficient implementation capacities, and comply with the AIIB's ESP. The ESSA Report including ESAP both in English and in a local language will be timely disclosed by the AIIB in an appropriate manner (upon being finalized and consulted with the MOF).

**Project Grievance Redress Mechanism and Monitoring Arrangement.** All implementing agencies responsible for budget expenditure programs covered by the Program have fully functional grievance redress mechanisms (GRMs) and whistleblower policies in place. The client will ensure that the existing GRMs incorporates gender-sensitive considerations and will track and report any gender-related grievances during Program implementation. The MOF is responsible for implementing the Program, monitoring implementation progress and performing relevant commitments as per the legal documents. Such responsibilities involve the Borrower keeping the ES management systems effective, implementing monitoring plans, and identifying and solving problems in a timely and effective manner. AIIB will support the implementation of the Program through close coordination with the agencies implementing the Program and ADB.

<b>Cost and Financing Plan</b>	Total program cost: USD35.2 million Government: USD20.2 million AIIB: USD 15million	
<b>Borrower/Investee Company/Counter party/Guaranteed entity</b>	Republic of Maldives	
<b>Implementing Entity</b>	Ministry of Finance, Maldives	
<b>Estimated date of loan closing</b>	Q4 FY27	
<b>Contact Points:</b>	<b>AIIB</b>	<b>Borrower</b>
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<b>Date of Appraisal Decision</b>	July 18, 2024	
<b>Date of Financing Approval</b>	August 28, 2024	

<b>Independent Accountability Mechanism</b>	AIIB's Policy on the Project-Affected People Mechanism (PPM) applies to this Program. The PPM has been established by AIIB to provide an opportunity for an independent and impartial review of submissions from Project-affected people who believe they have been or are likely to be adversely affected by AIIB's failure to implement the ESP in situations when their concerns cannot be addressed satisfactorily through the GRM or the processes of AIIB's Management. Information on AIIB's PPM is available at: <a href="https://www.aiib.org/en/about-aiib/who-we-are/project-affected-peoples-mechanism/how-we-assist-you/index.html">https://www.aiib.org/en/about-aiib/who-we-are/project-affected-peoples-mechanism/how-we-assist-you/index.html</a>
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