



Government of Maldives



PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA) PERFORMANCE ASSESSMENT REPORT 2020

Final Report

February 21, 2021



PEFA CHECK, ASSESSMENT MANAGEMENT AND QUALITY ASSURANCE

Box 1.1 below summarises the assessment management, oversight and quality assurance. The Assessment was funded by the World Bank and was managed by the MoF. A PEFA expert, Elena Morachiello, was hired by the Government, with funds from the World Bank Maldives PFM Strengthening Project (PSSP), to assist in the preparation of the report and the quality assurance prior to the distribution of the report to peer reviewers, as well as with comments integration. A competitive selection process of possible candidates took place to select the expert.

PEFA Check

The quality assurance framework has been reinforced as of January 1, 2018 (see PEFA Secretariat Note: PEFA Check: Quality endorsement of PEFA assessments from January 1, 2018, www.pefa.org). The quality assurance process of this report is shown in Box 1.1 below. The draft report was submitted for peer review on September 6, 2020. Peer reviewers were: GoM, the World Bank, IMF, JICA, USAID, Asian Development Bank, PEFA Secretariat.

Box 1.1: Assessment management and quality assurance arrangements

PEFA Assessment Management Organization

- Oversight Team (OT) – See Table below.

Composition of the OT	Members of the OT
Ministry of Finance (Chairperson)	Ismail Ali Manik, Minister of State
Ministry of Finance	Ahmed Shareef, Minister of State
Ministry of Finance	Ahmed Iman Moosa, Deputy Minister
Ministry of National Planning & Infrastructure (MNPI)	Mohamed Imad, Chief Project Executive
Auditor General's Office	Hussain Niyazy, Assistant Auditor General
Development Partner- World Bank	Bogdan Constantinescu, Sr. Financial Management Specialist, ESAG2
Development Partner- World Bank	MaimounaMbow Fam, Lead Financial Management Specialist, EA2G1
Development Partner- World Bank	George Larbi, Practice Manager
Development Partner- EU	Olaf Heidelberg, Peer Reviewer
Development Partner- ADB	Lei Lei Song, Peer Reviewer
Development Partner- JICA	Sayuri Ichikawa, Peer Reviewer
Development Partner- IMF	Lesley Fisher, Peer Reviewer
Development Partner- USAID	Michelle Koscielski, Peer Reviewer

- Assessment Manager: Ismail Alimanik, Minister of State for Finance, MoF; Ahmed Saruvash Adam, Chief Financial Budget Executive, FAD, MoF.

- Assessment Team

Team Member	Organization	Indicator
Ahmed Zayan Mohamed	Ministry of Finance	7, 8, 15, 18
Aishath Hasna Ahmed	Ministry of Finance	19, 20, 23
Aishath Nadeema	Ministry of Finance	24
Aishath Nashra	Ministry of Finance	13
Ali Abdul Raheem	Ministry of Finance	6, 14, 16
Dheena Rafiu	Audit Office	30, 31
Fathimath Amana Shabeer	Ministry of Finance	25, 28
Fathimath Sana	Ministry of Finance	10
Hussain Irufan	Ministry of Finance	21, 22
Jumaina Hassan	Ministry of Finance	12
MariyamNazleena	Ministry of Finance	27, 29
Mohamed Imad	Ministry of National Planning & Infrastructure	11
Mohamed Zaeem	Ministry of Finance	26
Shifna Ali	Ministry of Finance	4, 5, 9, 17
Zunain Shareef	Ministry of Finance	1, 2, 3
Mariyam Shawadhin Abdulla	Ministry of Finance	Legal section

- **Review of concept note and/or terms of reference**

Paragraph 17 of the concept note explained the two-pronged approach of self-assessment followed by a joint assessment. The draft concept note was reviewed by the PEFA Secretariat on 28th March 2020 – comments were received by Mr. Winston Cole (Task Team Leader) directly from Ms. Holy Tiana Rame.

- **Other invited reviewers who submitted written comments**

Ahmed Iman Moosa, Deputy Minister, GoM; Ahmed Shareef, Minister of State, GoM; HussainNiyazy, Assistant Auditor General, GoM; Lei Lei Song, Asian Development Bank (ADB); Lesley Fisher and Raju Sharan, International Monetary Fund (IMF); Sayuri Ichikawa (JICA); Michelle Koscielski (USAID); Bogdan Constantinescu, The World Bank; MaimounaMbow Fam, The World Bank; Holy Tiana Rame, Senior Public Finance Specialist, PEFA Secretariat.

- **Review of the assessment report:** September 6, 2020.

- **Peer reviewers:**

1. Ahmed Iman Moosa, Deputy Minister of Finance, GoM
2. Ahmed Shareef, Minister of State, GoM
3. Hussain Niyazy, Assistant Auditor General, Financial Audit Services Division, GoM

4. Bogdan Constantinescu, Sr. Financial Management Specialist, the World Bank
 5. Celeste Marie Kubasta, IMF
 6. Michelle Koscielski, USAID
 7. Sayuri Ichikawa, JICA
 8. Lei Lei Song, Regional Economic Advisor, Asian Development Bank
 9. PEFA Secretariat
- PEFA Secretariat's review. First review: September 24, 2020. Follow-up comments: December 15, 2020; Second round of follow-up comments: February 19th, 2021.

Abbreviations and acronyms

ACC	Anti-Corruption Commission
ADB	Asian Development Bank
AG	Auditor General
AGA	Accountable Government Agency
AGO	Auditor General's Office
BC	Bar Council of the Maldives
BCC	Budget call circular
BCG	Budgetary Central Government
BML	Bank of Maldives Limited
BPC	Business Planning and Consolidation
CAA	Civil Aviation Authority
CAD	Corporate Affairs Department
COA	Chart of Accounts
COFOG	Classification of the Functions of the Government
COVID	Coronavirus Disease
CMDA	Capital Market Development Authority
CN	Concept Note
CSC	Civil Service Commission
CSDRMS	Commonwealth Secretariat Debt Recording and Management System
DJA	Department of Judicial Administration
DMD	Debt Management Division
EBU	Extra-budgetary Units
e-GP	Electronic Government Procurement
EQA	External Quality Assessment
EU	European Union
FAD	Fiscal Affairs Department
FAEPD	Fiscal Affairs and Economic Policy Division
FMIS	Financial Management Information System
FRA	Fiscal Responsibility Act
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GoM	Government of Maldives

Abbreviations and acronyms

HR	Human Resource
HRCM	Human Resource and Capital Management
IAS	Internal Audit Service
IIA	Institute of Internal Auditors
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IPPF	Internal Professional Practices Framework
IPSAS	International Public Sector Accounting Standards
IRC	Independent Review Committee
LGA	Local Government Authority
MCS	Maldives Customs Service
MDAs	Ministries, departments, and agencies
MECC	Macroeconomic Coordinating Committee
MFD	Monthly Fiscal Development Report
MIRA	Maldives Inland Revenue Authority
MM	Materials Management Module
MMA	Maldives Monetary Authority
MoED	Ministry of Economic Development
MoF	Ministry of Finance
MoHG	Ministry of Health and Gender
MPAO	Maldives Pension Administration Office
MCS	Maldives Customs Service
MTDS	Medium Term Debt Management Strategy
MTFF	Medium-Term Fiscal Framework
MVR	Maldivian Rufiyaa
NPC	National Pay Commission
NTB	National Tender Board
OPP	Office of Programs and Projects
OT	Oversight Team
PAC	Public Accounts Committee
PAS	Public Accounting System
PBA	Public Bank Account

Abbreviations and acronyms

PCB	Privatization and Corporatization Board
PEFA	Public Expenditure and Financial Accountability
PEMEB	Public Enterprises Monitoring and Evaluation Board
PEMU	Public Enterprises monitoring Unit
PFA	Public Finance Act
PFM	Public Financial Management
PFR	Public Finance Regulations
PO	Purchase Order
POLCO	Police Cooperation
PPB	Procurement Policy Board
PPPs	Public Private Partnerships
PSIP	Public Sector Investment Programs
PSSP	PFM Strengthening Project
QCBS	Quality and Cost based Selection
QFD	Quarterly Fiscal Development Report
ROI	Return on investment
RMDMD	Resource Mobilization & Debt Management Department
SA	Self-Assessment
SAI	Supreme Audit Institution
SAP	Strategic Action Plan
SAP	ERP enterprise resource planning software
SIAC	State Internal Audit Committee
SIFCO	Sifainge Cooperation
SOE	State Owned Enterprise
STELCO	State Electric Company Ltd.
STO	State Trading Organization
TAA	Tax Administration Act
TEB	Tender Evaluation Board
TES	Tender Evaluation Section
ToR	Term of Reference
TPAD	Treasury and Public Accounts Division
TSA	Treasury Single Account

Abbreviations and acronyms

USAID	United States Agency for International Development
USD	United States Dollar
VIUGA	Civil Service Registry
WB	World Bank
WFD	Weekly Fiscal Development Report

Contents

Methodology	14
Executive Summary	17
1. PFM Context in Maldives	23
1.1. Country Economic Situation	23
1.2. Fiscal and Budgetary Trends	25
1.3. Financial overview	26
1.4. Institutional arrangements for PFM	27
1.5. Other Key Features of PFM and Its Operating Environment	30
1.6. Legal and regulatory arrangements for PFM	31
1.7. PFM Reform process	34
PILLAR ONE: Budget reliability	36
PI-1. Aggregate expenditure outturn	37
PI-2. Expenditure composition outturn	38
PI-3. Revenue outturn	41
PILLAR TWO: Transparency of public finances	43
PI-4. Budget classification	44
PI-5. Budget documentation	45
PI-6. Central government operations outside financial reports	47
PI-7. Transfers to subnational governments	51
PI-8. Performance information for service delivery	53
PI-9. Public access to fiscal information	55
PILLAR THREE: Management of assets and liabilities	57
PI-10. Fiscal risk reporting	58
PI-11. Public investment management	67
PI-12. Public asset management	71
PI-13. Debt management	74
PILLAR FOUR: Policy based fiscal strategy and budgeting	77
PI-14. Macroeconomic and fiscal forecasting	78
PI-15. Fiscal strategy	80
PI-16. Medium-term perspective in expenditure budgeting	82
PI-17. Budget preparation process	84
PI-18. Legislative scrutiny of budgets	88
PILLAR FIVE: Predictability and control in budget execution	91
PI-19. Revenue administration	93
PI-20. Accounting for revenue	98
PI-21. Predictability of in-year resource allocation	100

PI-22. Expenditure arrears	103
PI-23. Payroll controls	104
PI-24. Procurement	108
PI-25. Internal controls on non-salary expenditure	112
PI-26. Internal audit	114
PILLAR SIX: Accounting and reporting	118
PI-27. Financial data integrity	119
PI-28. In-year budget reports	121
PI-29. Annual financial reports	126
PILLAR SEVEN: External scrutiny and audit	129
PI-30. External audit	130
PI-31. Legislative scrutiny of audit reports	133
2. Overall analysis of PFM systems	136
2.1 PFM strengths and weaknesses	136
2.2 Effectiveness of the internal control framework	138
2.3 Performance changes since a previous assessment	141
2.4 Ongoing PFM Reforms	142
Annex 1: Performance indicator summary	148
Annex 2: Summary of observations on the internal control framework	156
Annex 3: Sources of information by indicator	158
Annex 4: Tracking change in performance based on previous versions of PEFA	167
Annex 5: Calculations for PI-1, PI-2 and PI-3	181
Annex 6: Calculation Sheet for PI-1, PI-2 and PI-2 according to PEFA 2011 Framework	191
Annex 7. Analytical work for PI-30.1	196
Annex 8. Summary of Tax Arrears and Collection - MIRA	202
Annex 9: Total government monthly revenue collection 2019	203
Annex 10: Analytical work for PI-26.1	205
Annex 11. MoF Organization Chart	209

List of Tables

Table 0.1: Changes in the ratings since 2014 using the 2011 framework	20
Table 1: Overview of the scores of the PEFA indicators	22
Table 1.1: Selected Economic Indicators	24
Table 1.2: Actual Budgetary Allocation by Function (as a % of total expenditure)	25
Table 1.3: Actual Budgetary Allocation by Economic Classification (as a % of total expenditure)	26
Table 1.4: Structure of the public sector (number of entities and financial turnover)	26
Table 1.4: Aggregate fiscal data	27
Table 1.5: Financial structure of central government – actual expenditure (in currency units)	27
Table 2.1: Budget and Actual Expenditure Allocations by Functional Classification (MVR millions)	38
Table 2.2: Estimates and Actual Budgetary Allocations by Economic Classification (MVR millions)	39
Table 2.3: Contingency share of original budget, FYs 2017- 2019	40
Table 3.1: Comparison of Budgeted & Actual Revenue (MVR millions)	41
Table 3.2: Revenue Composition Outturn FYs 2017-2019(MVR millions)	42
Performance level and evidence for scoring	46
Table 6.1: Extra budgetary expenditure for FY 2019 or latest available FY	49
Table 6.2: Extra budgetary revenue for FY 2019 or latest available FY	49
Table 6.3: Timing of Submission of audited financial statements by EBU	51
Table 10.1: % of Public Corporations submitting audited financial statements to PCB	61
Table 10.2: Submission of SNG financial statements to the AG Office and LGA	62
Table 10.3.1: Explicit/Implicit contingent liabilities and their incorporation in GoM fiscal reports.	67
Table 11.1: List of major capital investment projects for FY 2019	68
Table 11.2: Development of the Investment Programme	69
Table 11.3: Development of the Investment Programme	69
Table 12.1: Summary of non-financial assets and recordings made	72
Table 17.1.1: Budget Calendar	85
Table 17.2: Timeliness of budget submissions by budgetary units for the 2020 Budget.	85

Table 17.3 Dates of submission of the budget to the Parliament	87
Table 18.3 The Parliament’s approval of the budget for the past three approved budgets.	89
Table 19.1: Taxpayer classification for the year 2019	95
Table 19.2: Targeted and completed audits by MIRA for the year 2019	97
Table 19.3: Targeted and completed audits by Customs Service for the year 2019.	97
Table 19.4: Arrears balance at the end of 2019	98
Table 21.4a: Supplementary budget for FY 2019	102
Table 22.1: Stock of Arrears and Total Budget Expenditures for Fiscal Years (2017-2019)	104
Table 23.2: Retroactive adjustments Nov 2019 to Feb 2020, in MVR	106
Table 24.1: Procurement thresholds (in MVR)	109
Table 24.2 Projects procured through National Tender by method for FY 2019	110
Table 26.3: Average rate of completion of audit plans for FY 2019	117
Table 27.1: Balance of Incorrect Payments from 2011 to 2019	120
Table 28.1: Revenue and Expenditure of weekly budget execution reports for fiscal year 2019	122
Table 28.1: Timing of in-year monthly budget-related reports for fiscal year 2019	125
Table 29.1: Date of Submission of AFS for external audit	127

Table of Figures

Figure 1: Summary of PEFA scores by indicator	18
Figure 2: Comparison over time: Evolution by indicator 2011 framework	21
Figure 2.0: Summary of PEFA scores by pillar	35
Figure 2.1: Pillar 1-Summary of PEFA scores	36
Figure 2.2: Pillar 2-Summary of PEFA scores	43
Figure 2.3: Pillar 3-Summary of PEFA scores	57
Figure 2.4: Pillar 4-Summary of PEFA scores	77
Figure 2.5: Pillar 5-Summary of PEFA scores	91
Figure 2.6: Pillar VI-Summary of PEFA scores	118
Figure 2.7: Pillar VII-Summary of PEFA scores	129
Figure 3.1: Aggregate fiscal discipline	136
Figure 3.2: Strategic allocation of resources	137
Figure 3.3: Efficient service delivery	137
Figure 3.4: Evolution over time by indicators - 2011 framework	141

Methodology

Type of assessment: The assessment applied the PEFA 2016 methodology, with seven key pillars of performance, which are a prerequisite for an open, well-functioning, and orderly public financial management system to achieve government objectives. The assessment covered budget reliability, transparency of public finances, management of assets and liabilities, policy based fiscal strategy and budgeting, predictability and control in budget execution, accounting and reporting, as well as external scrutiny and audit. Meetings were held with key government officials and agencies, civil society organisations, as well as Development Partners. The assessment team reviewed and analysed official government data.

As required by the PEFA guidelines on tracking performance changes, the 2011 framework was used to ascertain PFM progress since the last assessment in 2015. The results of this analysis are reported in Annex 4.

Number of indicators used: The assessment applied all the seven key pillars of performance and the 31 performance indicators. However, PI 31 for legislative scrutiny of audit reports was “not applicable” as audit reports were not received in the last three completed fiscal years by the Majlis (Parliament).

Timeline/ Dates of mission: The field work for the overall exercise began on 22 February 2020 with the start of the consultant’s (Elena Morachiello) self-assessment (SA) mission which lasted 4 weeks. A meeting was held on 22 February between the consultant and the Oversight Team (OT) to reassign the distribution of indicators and sections so that one assessor would be solely responsible for that area. On the 23rd and 24th of February a seminar was held by the consultant with the SA team. The seminar explained: the PEFA 2016 methodology; the previous assessment results and the methodology to complete Annex IV on the comparison with the previous assessment based on the 2011 methodology; data and information needs for all the PIs and sections for the 2016 methodology; the PEFA CHECK process. The consultant also shared the Seychelles PEFA report as example of a report using the 2016 Framework and the mapping of all 2016 PIs with the 2011 ones.

Prior to the start of the SA mission, in early February, the consultant sent the main reference materials and a questionnaire with all the data needs for the assessment. During the 4 weeks of the consultant’s mission, until March 20, the SA team held clarification meetings with the consultant and the core team submitted the first drafts for every PI to the consultant for review. Between the end of the mission and the distribution of the draft for peer review, the first drafts were returned with comments as part of the joint assessment including development partners with World Bank as Lead Agency. Second and at times third drafts were resubmitted. A partial slowdown of submission rate took place as some of the key SA members were also assigned to a team in charge of the response to COVID-19, but the assignment never completely lost momentum.

During the consultant’s mission, several discussions were held with the OT to clarify certain aspects of the process, such as peer review process and the PEFA Check. As a result of these meetings, the TORs were submitted for peer review and comments on the TORs were received from the PEFA Secretariat on March 28, 2020.

With regards to sharing of the Concept Note (CN), the CN was circulated on March 26 for Peer Reviewers’ virtual review including by PEFA Secretariat. Paragraph 17 of the CN explained the two-pronged approach of self-assessment followed by a joint-assessment.

Concept Note: The virtual review of the draft CN was circulated on March 26 for Peer Reviewers. The minutes of CN review and updated CN was circulated to all Peer Reviewers including PEFA Secretariat on April 20, 2020.

Review of the assessment report: September 7-17, 2020 and later extended to September 23rd to accommodate for the COVID-19 pandemic situation.

Peer reviewers: PEFA Secretariat's review. First review: 24th September 2020.

Years covered: The FYs of the assessment are FYs 2017, 2018, 2019.

Cut-off date: May 5, 2020. (The cut-off date is the last date for which data included in the assessment was considered. This is crucial for identifying the "last completed fiscal year" as well as for the "last three completed years" referred to in many dimensions, and the critical date for consideration of circumstances applying "at the time of the assessment", which is relevant to some dimensions. In addition, useful information received up to the date the report goes for final formatting and issue should be mentioned in footnotes and clearly state that this late information has not affected the score).

Coverage: The assessment covered Budget Institutions (Education, Health), extra-budgetary units, the Office of the Auditor General, MIRA and Customs and Parliament among others (refer to list of people met: Annex 3B). The FYs of the assessment are FYs 2017, 2018, 2019. The last budget submitted to Parliament is the 2020 Budget.

Sources of information: Information was collected by discussions and document reviews from institutions covered by the assessment such as budgetary institutions, extra-budgetary units, Office of the Auditor General and Revenue and Customs and Parliament. A full list of people interviewed and a full list of sources of information by indicator is provided in Annex 3 of the report.

Country fiscal year: January 1st to December 31st.

Exchange rate: 1 USD = 15.51 Maldivian Rufiyaa (MVR) at March 1, 2020.



**PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY
(PEFA)**

PERFORMANCE ASSESSMENT REPORT 2020

Final report
February 21, 2021

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the ‘**PEFA CHECK**’.

PEFA Secretariat
February 22, 2021

Executive Summary

Purpose and management

The purpose of the GoM PEFA is to obtain a snapshot of PFM performance by diagnosing the PFM processes, systems and institutions of Maldives to gauge the progress made since the last assessment in 2014 and guide future PFM reforms. The assessment covers the GoM central government. A Government Oversight Team (OT) led by the Ministry of Finance that is responsible for the overall PFM reforms and strategy was set up to monitor this assessment. An external consultant provided training to the GoM Assessment Team and facilitated the initial self-assessment with guidance from the OT throughout the process. The self-assessment took place between 23 February and April 23, 2020. Thereafter, the joint assessment included participation by development partners supporting PFM reforms in Maldives. This approach provided full government ownership of the overall assessment funded by the Maldives PFM Systems Strengthening Project (P145317).

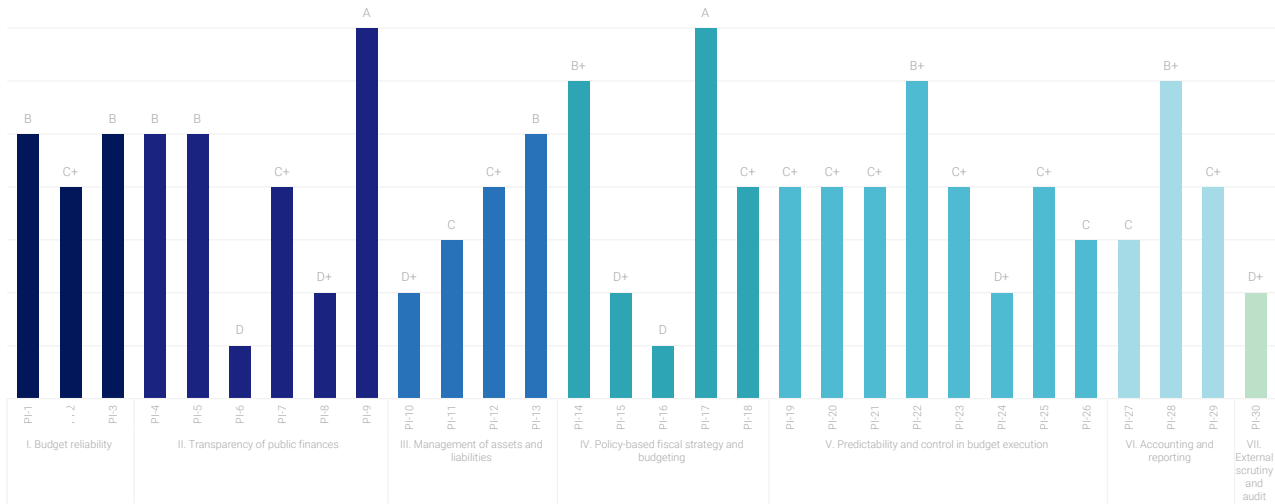
The result of the PEFA assessment that will be published will be used to drill-down into the causes of the PFM performance to prepare a PFM Reform Strategy and a prioritized and sequenced Action Plan that will be the rallying point for any reform activities.

Main strengths and weaknesses of the PFM systems in Maldives

- The aggregate expenditure for the three years under review was above the budgeted expenditure while both functional and economic resource allocations are weak. On the positive side, contingency expenditure is very low. Revenue outturn was not far from the budgeted level, whereas, the results are less positive for the variation in revenue composition. The risks to fiscal discipline are also mitigated by the following factors: (i) off-budget operations are very low (PI-6), (ii) the recording and reporting of debt and guarantees is adequate and a medium-term debt management strategy.
- Macro-economic and fiscal forecasting and the budget preparation process perform well. Although a fiscal strategy is developed annually, no report is prepared by the government on the progress made against its fiscal strategy.
- The medium-term perspective in expenditure budgeting performs poorly. Medium-term strategic plans are prepared for some ministries, but none are costed.
- Public Investment Management does not sufficiently reflect generally accepted good practice in project management.
- The indicators related to revenue collection are also performing relatively well with the exception that there is no assessment of arrears in the revenue collections and the risk-based approach on revenue risk management is still underdeveloped.
- The system of allocating transfers to local governments was not rule-based.
- The specific service delivery performance indicator, which can demonstrate the efficiency with which services are delivered, is poor.
- The public procurement domain does not perform adequately overall.

- Oversight arrangements for external audit and legislative scrutiny of audit reports are undermined by the fact that AGO has not reported on the annual financial statements for the years 2016 and 2017, although the 2018 audit report on the accounts of the whole of government accounts was submitted to the legislature on January 2020.

Figure 1: Summary of PEFA scores by indicator



Impact of PFM performance on budgetary and fiscal outcomes

Aggregate Fiscal Discipline

Aggregate expenditure for the three years under review was above the budgeted expenditure. The deviation between actual and budget was modest, under 10% (PI-1). That said, both functional and economic resource allocation have room for improvement, though the variation between actual and budgeted expenditure was less than 15% in 2 of the 3 years assessed for both expenditure by functional and economic category (PI-2). Such reallocations are not in line with the original budget and indicate that there are gaps in the budget planning process and /or in the control of the budget execution process. This negatively impacts efficient fiscal discipline and service delivery. On the positive side, contingency expenditure is very low, at 1.3% on average for the 3 years under review, well within the 3% level considered as good practice. Revenue outturn was not far from the budgeted level, with actual revenue materializing between 97% and 106% of budgeted revenue 2 of the 3 years assessed. The results are less positive for the variation in revenue composition, which was between 10% and 15% in 2 of the 3 years assessed.

The stock of expenditure arrears was low in FY 2017 and FY 2018, at 2% of the total budget and 0.3% respectively, though higher in FY 2019 at 7%, though still below 10%. The risks to fiscal discipline are also mitigated by the following factors: (i) off-budget operations are low (PI-6), (ii) the recording and reporting of debt and guarantees is adequate and a medium-term debt management strategy, covering existing and projected government debt, with a horizon of at least three years, is developed and made public. All in all, the performance of these indicators fairly contributes to the attainment of aggregate fiscal discipline.

The total amount of revenue arrears as a percentage of collections is very high, at 89% at the end of 2019. Internal controls of budget execution (PI-23 to PI-25) are well functioning, even though best practices of risk based internal audit are not being used. The procurement domain (PI-24) performs poorly at the overall level.

Strategic Allocation of Resources

The five indicators concerned with policy-based fiscal strategy and budgeting, PIs 14 to 18, received mixed ratings. Macroeconomic and fiscal forecasting (PI-14) and the budget preparation process (PI-17) perform well and are scored at B and A respectively. The indicator relating to fiscal strategy is scored C as, although a fiscal strategy is developed annually, the estimates of all proposed changes in revenue and expenditure were incorporated into the report for FY 2019 only. Moreover, no report is prepared by the government on the progress made against its fiscal strategy. The indicator relating to the medium-term perspective in expenditure budgeting (PI-16) performs poorly and is rated D. The annual budget presents estimate of expenditure for the budget year and the two following fiscal years allocated by administrative, economic classification or functional classification. That said, aggregate expenditure ceilings are approved by the government before the first budget circular is issued, but for the budget year only. Medium-term strategic plans are prepared for some ministries, but none are costed. As a result of the mixed performance record for this group of indicators, the process to allocate budgetary resources is not fully in accordance with the strategic objectives stated by the Government in its development policies.

Moreover, Public Investment Management (PI-11) does not sufficiently reflect generally accepted good practice in project management. Other indicators that contribute to the strategic allocation of resources function better. Notably, the comprehensiveness of budget documentation and budget classification, PI-6 and PI-5 respectively, both rated B. The indicators related to revenue collection (PIs 19 and 20) are also performing relatively well with the exception that there is no assessment of arrears in the revenue collections and the risk-based approach on revenue risk management is still underdeveloped.

Efficient Use of Resources for Service Delivery

In this respect, the PFM system in the GoM does not work particularly well. This is demonstrated by the low score for the processes that plan services in public investment management (PI-11), and medium-term in expenditure budgeting (PI-16). Moreover, for FY 2019, the system of allocating transfers to local governments (PI-7) was not rule-based. That said the budget preparation process (PI-17) performs very well and is rated A and provides ceilings for budget estimates to the budget entities that have been pre-approved by Cabinet.

As a result, the rating related to the specific service delivery performance indicator (PI-8), which can demonstrate the efficiency with which services are delivered, is poor, with all dimensions rated D, except the first dimension, on the performance plans for service delivery, which is rated A, as strategies and corresponding actions together with their objectives are clearly laid out, published and are mapped by programmes and functions of the government. Output indicators are identified with quantified targets. Outcomes are clearly defined with most outcomes tied to a measurable target. This is prepared at the whole of government level, and therefore covers all ministries. Public Asset Management (PI-12) performs well under dimension 1 on financial assets monitoring which is scored B, and less well on the monitoring of nonfinancial assets and the transparency of asset disposal, both scored C.

The mechanisms in place to reduce possible leakages in the system, such as payroll controls (PI-23), internal controls on non-salary expenditure (PI-25) and internal audit (PI-26) are not adequate but not poor either, and rated at C+, C+ and C respectively. Financial data integrity demonstrates good accounting controls as the last dimension on financial data integrity processes performs well, with access and changes to records restricted and recorded, and resulting in an audit trail (PI-27.4). The public procurement function does not perform adequately overall.

Lastly, oversight arrangements for external audit and legislative scrutiny of audit reports (PIs-30 and PI-31) are undermined by the fact that AGO has not reported on the annual financial statements for the years 2016 and 2017, although the 2018 audit report on the accounts of the whole of government accounts was submitted to the legislature on January 2020. Moreover, no effective follow-up system established by AGO to monitor the implementation of the audit recommendations by the audited entities. As to legislative scrutiny of the annual audit reports, it cannot be assessed as no reports have been submitted to the legislature for scrutiny in the period covered by the assessment.

Performance changes since the previous PEFA assessment (if applicable)

Based on the 2011 method, between the 2014 and the 2020 Assessment, the results on performance changes over time are very good. As most indicators have improved in performance between 2014 and 2020, and the number of PIs that have improved is over 17 times the number that has deteriorated the overall performance of the PFM system has fundamentally changed for the better. Only 1 indicator of the 28 assessed deteriorated in performance, namely 4 % of total. Of the 26 remaining, 2 (also 7 % of total) are not comparable, as PI-28 could not be assessed in 2020, and PI-7 was Not Rated in 2014. For most PIs, i.e. 17 out of 28, namely 61 % of total, performance improved. For the remaining 8, or 29% of total, there is no change in performance. This is shown in Table 01. Annex 4 gives the details of performance change.

Table 0.1: Changes in the ratings since 2014 using the 2011 framework

Deteriorations in ratings and performance		No change		Improvements in ratings and performance	
Indicators	Number	Indicators	Number	Indicators	Number
PI-1	1	PI-2, PI-6, PI-8, PI-15, PI-20, PI-23, PI-26, PI-27	8	PI-3, PI-4, PI-5, PI-9, PI-10, PI-11, PI-12, PI-13, PI-14, PI-16, PI-17, PI-18, PI-19, PI-21, PI-22, PI-24, PI-25	17
Not comparable					
Indicators	Number				
PI-7, PI-28	2				

Aggregate fiscal discipline

Aggregate fiscal discipline has improved overall. Although there is no improvement for the indicators PI 1,2,3 taken together as the performance for PI-1 has deteriorated, that of PI-2 has stayed the same, and that of PI-3 has improved, budget credibility has improved as a result of : (i) decrease in the stock of arrears; (ii) improved budget preparation process including budget ceilings that have been approved by Cabinet; (iv) improved quality of the in-year budget reports allowing direct comparison to the original budget; (v) improved payroll controls and controls on non salary expenditure; (vi) a more performing internal audit function.

Strategic resource allocation

The observable changes that promote strategic allocation of resources identified are: (i) an improved budget preparation process; (ii) improved predictability of in year resource allocation; (iii) a slightly more performing

medium-term perspective in expenditure budgeting, which nonetheless remains weak; (iv) a slightly more performing procurement function, which also remains weak; (v) improved performance for the 3 indicators relating to tax (PIs 13, 14, 15).

Efficient use of resources for service delivery

Performance under the indicator measuring the tracking of resources received by service delivery units, PI-23, has remained unchanged since the PA. That said, an improved budget preparation process, and improved predictability of in year resource allocation promote a more efficient use of resources for service delivery, as do a slightly more performing a slightly more performing medium-term perspective in expenditure budgeting and procurement function. The fact that payroll controls and controls on non-salary expenditure have improved in performance, and that the internal audit function has strengthened since 2014, also promotes a more efficient use of resources for service delivery.

Figure 2: Comparison over time: Evolution by indicator 2011 framework

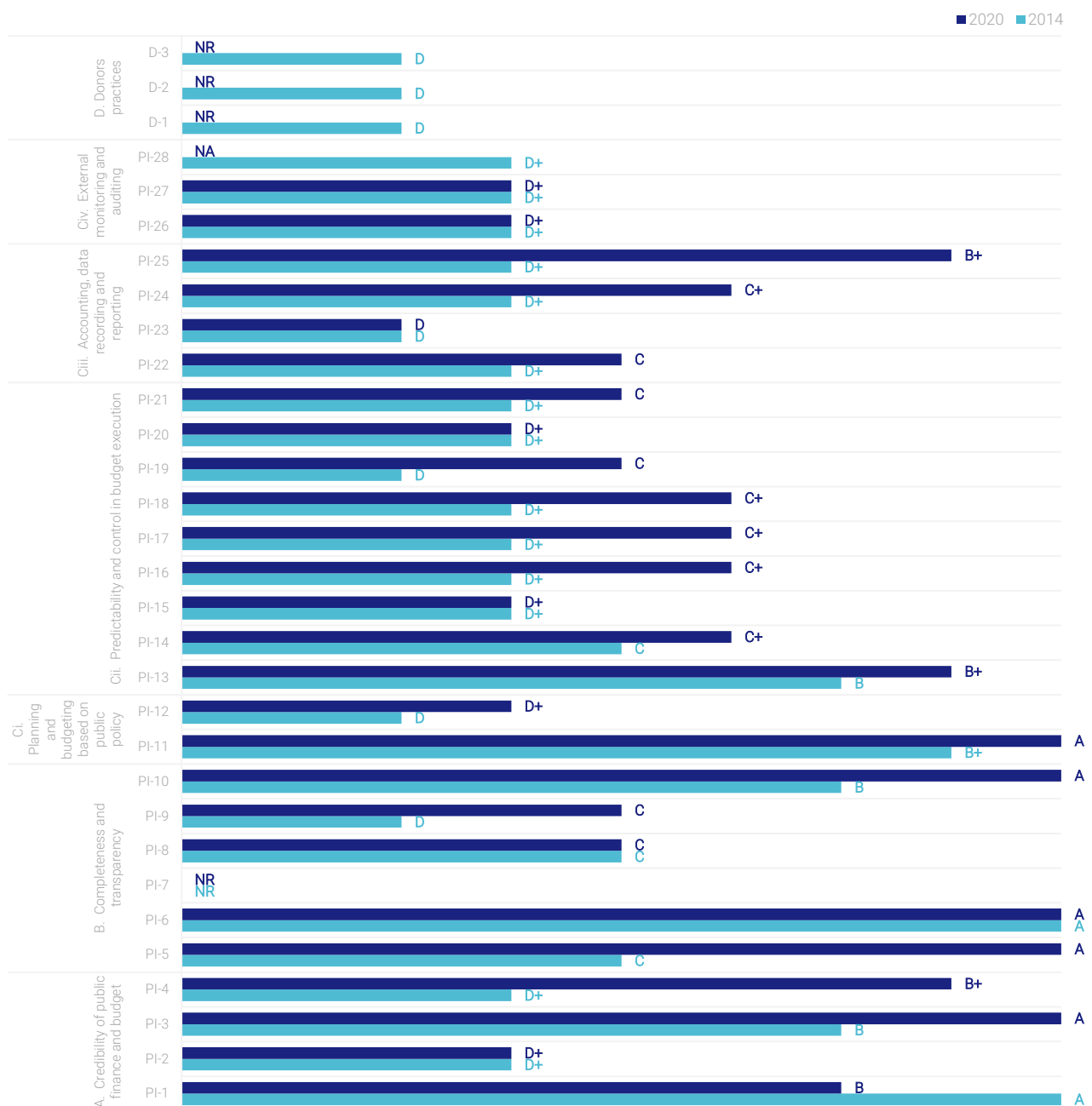


Table 1: Overview of the scores of the PEFA indicators

PFM performance indicator		Scoring method	Dimension score				Overall Score
			i	ii	iii	iv	
I. Budget reliability							
PI-1	Aggregate expenditure outturn	M1	B				B
PI-2	Expenditure composition outturn	M1	C	B	A		C+
PI-3	Revenue outturn	M2	A	C			B
II. Transparency of public finances							
PI-4	Budget classification	M1	B				B
PI-5	Budget documentation	M1	B				B
PI-6	Central government operations outside financial reports	M2	D*	D*	D*		D
PI-7	Transfers to subnational governments	M2	D	A			C+
PI-8	Performance information for service delivery	M2	A	D	D	D	D+
PI-9	Public access to fiscal information	M1	A				A
III. Management of assets and liabilities							
PI-10	Fiscal risk reporting	M2	D	D	C		D+
PI-11	Public investment management	M2	C	B	D	C	C
PI-12	Public asset management	M2	B	C	C		C+
PI-13	Debt management	M2	B	C	B		B
IV. Policy-based fiscal strategy and budgeting							
PI-14	Macroeconomic and fiscal forecasting	M2	A	A	C		B+
PI-15	Fiscal strategy	M2	D	C	D		D+
PI-16	Medium-term perspective in expenditure budgeting	M2	C	D	D	D	D
PI-17	Budget preparation process	M2	A	A	A		A
PI-18	Legislative scrutiny of budgets	M1	A	B	A	C	C+
V. Predictability and control in budget execution							
PI-19	Revenue administration	M2	A	B	C	D	C+
PI-20	Accounting for revenue	M1	A	A	C		C+
PI-21	Predictability of in-year resource allocation	M2	D	A	C	C	C+
PI-22	Expenditure arrears	M1	B	A			B+
PI-23	Payroll controls	M1	C	A	B	C	C+
PI-24	Procurement management	M2	D	D	D	B	D+
PI-25	Internal controls on non-salary expenditure	M2	A	C	D		C+
PI-26	Internal audit	M1	C	C	C	C	C
VI. Accounting and reporting							
PI-27	Financial data integrity	M2	C	D	C	B	C
PI-28	In-year budget reports	M1	A	A	B		B+
PI-29	Annual financial reports	M1	B	C	A		C+
VII. External scrutiny and audit							
PI-30	External audit	M1	C	D	D	A	D+
PI-31	Legislative scrutiny of audit reports	M1	NA	NA	NA	NA	NA

1. PFM Context in Maldives

1.1. Country Economic Situation

1. A collection of 26 natural atolls situated in the Indian Ocean. The Maldives covers a land area of 298 square km spread across 90,000 square km of water, with the islands forming a narrow chain 820 km in length (north to south) by 130 km in width (east to west).
2. The total population of the Maldives was 402,071 persons in the 2014 Census, of which 338,434 persons were resident Maldivians and 63,637 were foreigners. The population is spread across 20 administrative atolls and 188 inhabited islands. The capital, Male, is the main, financial, commercial and industrial center of the Maldives, occupying a land area of approximately 193.2 hectares, with more than 35 % of the total population.
3. The diverse and unique marine biodiversity and ecosystems surrounding the Maldives are fundamental to the economy and livelihoods of the people of the Maldives. With multiple industries, including fisheries, agriculture, tourism and handicrafts benefitting directly from the biological resources, any disruption to such biodiversity and ecosystems will have a significant impact on the Maldives economy.
4. The Maldivian economy is heavily dependent on tourism, which is the major source of foreign exchange earnings and government revenue and has been the principal driver of growth in the past four decades. Tourism is the primary economic activity in the Maldives, accounting directly for close to a quarter of total production, and indirectly contributing to the growth in sectors such as transport, telecommunication and trading, among others. The major market for Maldives tourism has traditionally been the European market. In the past few years, however, the country has witnessed a surge in tourist arrivals from China. The rise of the Chinese middle class and the increase of visitors from China is one of the long-term trends affecting the tourism industry and economy in the country generally.
5. In recent years, growth in the tourism sector has maintained its share in the economy. More specifically, over the past 3 years, bed nights grew at over 10% on average; arrivals grew by 8%, 7% and 15% in 2017, 2018 and 2019 respectively. Construction has contributed significantly to GDP growth due to large-scale infrastructure projects being undertaken to diversify the economy and increase its resilience. The country's medium-term fiscal plan is anchored by large multi-year investment projects fueled by an increase in public and private investments.
6. The fisheries sector is a critical contributing sector for the country's national economy and forms the most important primary economic activity in almost all of the country's inhabited islands. Fisheries remain a large source of employment, the largest source of physical exports, one of the few local industries supplying the tourist resorts, and a major source of food supply for the local market.
7. The main determinant of the general price level in the Maldives largely depends on the government policies and the global commodity prices. The national inflation rate for the year 2017 was 2.8 percent as the government implemented new tariffs on tobacco and sugary drinks. In addition, global oil prices also soared that year, further pushing the prices. The main reasons for the deflation of 2018 were the government policies aimed at subsidizing utility companies to harmonize electricity prices across the country and the subsidy on

staple foods. In 2019, the general price level in the Maldivian market has fairly stable.

8. If we consider the government debt for the period 2017 to 2019, it shows an increase over the years mainly due to the rise in external debt. 2017 was the year in which the Maldives issued its first sovereign bond in the international securities market. Total debt in 2017 stood at 57.6% of GDP while in 2019 it stood at 59.8%.

Table 1.1: Selected Economic Indicators

	2017	2018	2019
National Income			
Real GDP growth (% change)	6.8	6.9	5.7
GDP per capita (USD)	6,613.4	10,384.7	10,668.4
Mid-year population			
GDP at current prices (USD millions)	4,725.9	5,317.4	5,696.3
Prices			
Consumer price inflation (% change, end of period)	2.8	-0.1	0.2
External Sector			
Exports of goods and services (% change)	24.3	6.6	6.3
Imports of goods and services (%change)	11.1	25.4	-2.4
Current account balance (% of GDP)	-21.7	-26.1	-21.5
External debt			
Total debt (% of GDP)	57.6	58.5	59.8

Source: Ministry of Finance, Maldives Monetary Authority.

^{1/} Figure for 2019 is a projection.

^{2/} Figures for 2017, 2018 and 2019 are revised estimates. Figures for 2020 are projections.

Challenges

9. The tourism sector is inherently linked to many other sectors such as wholesale, retail trade and transportation, the indirect contribution or spill over generated from tourism is much higher. Developments in the tourist source markets which have an impact on arrivals and bed nights could therefore have a significant impact on the Maldivian economy, with the possibility of the effects being quickly propagated to other related sectors as well. This in turn has a direct impact on government revenues as well.
10. Being a country almost fully dependent on imports, increases in public expenditure is likely to necessitate an increase in imports, thus deteriorating the current account deficit. In particular, as seen in the recent past, an increase in the number and magnitude of public sector infrastructure investments will lead to an increase in the import of construction materials. This highlights the importance of maintaining government expenditure at sustainable levels, and phasing out public sector investments through a clear mechanism of prioritization. Otherwise, deterioration in the current account deficit could lead to an increase in the demand for foreign currency, ultimately leading to pressures on the Rufiyaa exchange rate.

11. As the Assessment Team writes the report, the CoVID-19 pandemic is anticipated to have significant impact on the economy and government revenue. The outbreak has seen significant drops in tourist arrivals and a rise in cancellations, and with high dependency on the tourism sector, is expected to have adverse effects on GDP as well as government receipts arising from this sector. Conversely, the outbreak has increased government spending on healthcare to meet the rising demand, as well as on other mitigating measures. Overall decline in domestic consumption is also expected as a result of the measures taken by the government to mitigate the effects of the outbreak in Maldives.

1.2. Fiscal and Budgetary Trends

12. The fiscal trends of the last three years indicate a worsening of the overall deficit; from 3.0 percent of GDP in 2017 to 5.7 percent of GDP in 2019. This was mainly due to a higher growth in total expenditure compared to the growth in total revenue. Notably, expenditure on Public Sector Investment Programs (PSIPs), social benefits (such as food, water and electricity subsidies and the Universal Health Insurance) has seen a significant growth during the past three year. In addition, with the establishment of the new administration in 2018, significant changes to government revenue and expenditure was notable in 2019; reflecting the implementation of new policies during the year.
13. The medium term fiscal strategy for 2020 to 2022 is for the budget deficit to gradually reduce and reach a budget surplus over the long term while maintaining the support of the fiscal measures in economic growth.

Table 1.2: Actual Budgetary Allocation by Function (as a % of total expenditure)

	2017	2018	2019
General Public Services	4.7%	4.5%	4.9%
Defense	5.8%	5.6%	5.0%
Public Order & Safety	11.1%	10.0%	10.4%
Economic Affairs	18.4%	23.0%	25.7%
Environmental Protection	4.7%	5.1%	4.1%
Housing & Community Amenities	7.0%	3.6%	5.7%
Health	17.3%	13.8%	13.2%
Recreation, Culture & Religion	3.7%	3.5%	2.6%
Education	13.4%	13.0%	13.4%
Social Protection	13.9%	18.1%	14.9%
Total	100.0%	100.0%	100.0%

Source: Ministry of Finance

In order to sustain expenditure, the government has introduced new revenue measures over the past three years in addition to new policy expenditure initiatives.

14. A major component of government expenditure was for the compensation of employees. Although spending on employee compensation increased from 2018 to 2019, the share of total expenditure declined as a result of the rise in total expenses due to the increase in other expenses such as trainings and scholarships, travel and repairs and maintenance. Further, expenditure incurred on use of goods and services shows an increase due to the government initiative to develop tertiary healthcare service centres in 5 regions (and therefore spending on consumables), commencing from 2019.

Table 1.3: Actual Budgetary Allocation by Economic Classification (as a % of total expenditure)

	2017	2018	2019
Compensation of employees	37.5%	34.6%	33.7%
Use of goods and services	12.0%	11.8%	13.2%
Consumption of fixed capital	0.0%	0.0%	0.0%
Interest	4.9%	5.4%	5.7%
Subsidies	1.5%	4.4%	4.1%
Grants	1.4%	1.1%	1.5%
Social benefits	6.2%	7.6%	5.4%
Other expenses	36.6%	35.1%	36.5%
Total	100.0%	100.0%	100.0%

Source: Ministry of Finance

1.3. Financial overview

15. Tables 1.4, 1.5, and 1.6 below outline the structure of the public sector and central government operations in the Government of Maldives.

Table 1.4: Structure of the public sector (number of entities and financial turnover)

2019	Public Sector				
	Government subsector		Social security funds	Public corporation subsector ¹	
	Budgetary Unit	Extra Budgetary Units		Non-financial public corporations*	Financial public corporations*
Number of entities	53	4	NA	28	4
Financial Turnover (millions MVR)	22,940.9	71.5	NA	22,088.3	2,787.5

* For Public Corporations the latest full year figures are available for 2018. Financial information not available for some corporations.

¹ <https://www.finance.gov.mv/public-finance/public-enterprises>

Table 1.4: Aggregate fiscal data

millions MVR unless specified otherwise	Actuals		
	2017	2018	2019
Total revenue	20,385.2	22,336.9	24,297.6
Own Revenue	20,041.4	21,517.1	22,229.2
Grant	343.8	819.8	2,068.4
Total Expenditure	22,497.6	26,522.8	29,062.6
Non-interest expenditure	21,400.6	25,082.6	27,415.8
Interest expenditure	1,096.9	1,440.3	1,646.8
Overall Deficit²	(2,238.9)	(4,299.9)	(4,992.3)
Primary Deficit	(1,142.0)	(2,859.6)	(3,345.5)
Net financing	2,238.9	4,299.9	4,992.3
External	3,041.8	5,712.8	1,893.6
Domestic	(802.9)	(1,412.9)	3,098.7
Overall Deficit as a % of GDP	-3.0	-5.2	-5.7

Table 1.5: Financial structure of central government – actual expenditure (in currency units)

2019	Central government			
	Budgetary unit	Extra budgetary Units	Social security funds	Total aggregated
Revenue	22,940.9	71.5	NA	23,012.40
Expenditure	28,491.2	52.7	NA	28,543.90

Source: Monthly Fiscal Developments – December 2019, Financial statements of extra budgetary units.

1.4. Institutional arrangements for PFM

16. The public sector in Maldives consists of the central government, public enterprises, and local councils. The central government consists of 21 ministries including the President's Office, 32 independent agencies or statutory bodies, 31 public enterprises (excluding joint venture companies and companies undergoing liquidation), and 4 extra-budgetary units. The subnational government of the Maldives is constituted of the local councils, which include 179 island councils, 18 atoll councils and 3 city councils, for a total of 200. For the purpose of the budget, these ministries, independent offices, and local councils jointly, are designated as accountable government agencies (AGA), and within each AGA are several business areas sometimes

² Overall and primary deficit is calculated after deducting subsidiary loan repayments from total revenue

referred to as cost centers. Public enterprises have their own budget approved by their respective board of directors. Subsidies to public enterprises are budgeted and transferred during budget execution.

17. Maldives is a presidential republic, with the President as head of the executive. The Minister of Finance is responsible for compiling the government budget from the inputs given by the government agencies, and proposes the fiscal policy, to be deliberated in the first instance by the cabinet. In proposing new projects and new policies to the budget the Ministries follow the Strategic Action Plan 2019-2023, the current administration's five-year National Development Plan.
18. Once the budget is compiled it is submitted to the People's Majlis, which is the legislative branch. The 19th People's Majlis has 87 members. The Peoples Majlis has 18 standing committees of which two permanent ones– the public accounts committee and the economic affairs committee carry out public finance related activities. The budget committee is a temporary standing committee formed with the members of the two committees to review the budget. In addition, the state-owned enterprises committee is responsible for monitoring SoEs.
19. The Maldives Inland Revenue Authority (MIRA) is the tax administration and collection agency while Maldives Customs Service (MCS) collects import duties. The Auditor General's Office is the independent supreme audit institution. Cash management is carried out by the MoF and the Treasury Single Account is maintained at the Maldives Monetary Authority (MMA). The MMA acts as a fiscal agent for the government, sells treasury bills and is also involved in the management of government cash reserves.
20. There are four extra-budgetary units: The Capital Market Development Authority, the Civil Aviation Authority, the Bar Council and the Maldives Pension Administration Office.
21. The Ministry of Finance (MoF) is the lead agency on public financial management and fiscal policy in Maldives. The MoF comprises several departments including the Fiscal Affairs Department (FAD), Treasury & Public Accounts Department (TPAD), Resource Mobilization & Debt Management Department (RMDMD), Corporate Affairs Department (CAD) and secretariat support services to four boards—the Privatization & Corporatization Board (PCB), the National Tender Board (NTB), National Pay Commission (NPC) and State Internal Audit Committee (SIAC). The organizational chart of MoF is attached in Annex 1
 - a. FAD is responsible for implementing and managing fiscal policy by formulating, monitoring and implementing the national budget.
 - b. TPAD is responsible for the implementing and strengthening the centralized payments system, managing the state cash flow including the execution of government expenditures based on its revenues, controlling all public funds and investing state funds.
 - c. RMDMD is responsible for mobilizing resources for development projects prioritized by the government for grant or loan financing, reviewing progress of externally funded projects, setting the government's debt policy, recording and reporting of debt and sovereign guaranteed debt and handling transactions related to debt servicing.
 - d. The CAD is responsible for the administrative functioning of the MoF, including human resources, legal affairs, finance and accounts, and ICT.

- e. The PCB is mandated by 'Law of Privatization, corporatization, monitoring and Evaluation of Government businesses' to carry out privatization, corporatization, monitoring, evaluation, selling of public shares from SOEs, government shareholding companies and commercial government businesses.
 - f. The NTB is mandated to regulate and administer the public procurement function by formulating fair, equitable, transparent, competitive and cost-effective policies, procedures and processes for the procurement of goods and services, works, consultancy services; and induce accountability of government agencies in relation to tender. National Tender undertakes all procurements above MVR 2.5 million.
 - g. The NPC is mandated by the "National Pay Policy Act" to determine the salary and benefit of the public servants, and benefit given in resignation from or termination of employment or tenure of membership; and to determine the salary and benefits, and benefit given in resignation from or termination of employment or tenure of membership of those determined by an Act of parliament.
 - h. The SIAC assists the Minister of Finance in the discharge of legal legislative responsibilities related to oversight and governance of the Internal Audit of all Government Accountable Offices, Public Offices, State Owned Enterprises and others as mandated under statutes or regulations.
22. The usual internal control procedures in the PFM area in the GoM are related to the budget and treasury operation and the accounting procedures, which are designed to prevent fraud and identify weaknesses and errors. These procedures are formalized in the financial laws, being the key PFM legal framework, as well as in various internal provisions, manuals and rules. These cover the following requirements broken down to the five elements of internal control:
23. **Control environment:** According to the Constitution of the Republic of Maldives 2008, the powers of the state are vested to three branches, being Legislature, the Executive and the Judiciary. Furthermore, separate laws govern the independent institutions, such as the Auditor General's Office, Maldives National Defence Force, Maldives Police Service, etc. The control environment for the public expenditure is stipulated by the Public Finance Act (2006), Public finance regulation (2011) and the Fiscal responsibility Act (2013).
24. **Risk assessment:** Risk assessment function is basically the responsibility of the internal audit units. State Internal Audit Committee appointed by the Minister of Finance pursuant to Public Finance regulation has decided to establish a decentralized function for Internal Audit at the State. Hence, an internal audit function will be established at public offices where the budget exceeds MVR 100 Million. It is envisaged that the function would be fully established within the next three years across government.
25. Risk identification and assessment is being carried out for the Ministry of Finance by its Internal Audit Function. Similarly, Internal Audit Functions of the Maldives Police Service, Ministry of Education, Judicial Service Commission and the National Defence Force carries out an inform risk assessment process for the purpose of selecting auditable areas, on an annual basis.
26. **Control activities:** The finance management of the state is governed by the public finance act and regulation. And SAP information system is used for processing and approval of payments in the government ministries. However, public offices located at the islands use manual accounting system for recording, processing and approval of transactions.

27. Local government authority of the Maldives is the oversight body of Atoll and Island Councils. It has implemented an accounting system to record, process and authorizes revenue and expenditure transactions, which is planned to be integrated with the SAP accounting system. Recently government has granted local council the authority to award and implement projects below MVR 5 Million.
28. Ministries and Independent Institutions use SAP system and request for payments, which are then centrally approved by the Treasury and Public Accounts Division (TPAD) of the Ministry of Finance. There is segregation over authorizing, processing, recording and reviewing of transactions across the government agencies pursuant to PFA and PFR. And segregation of duties is ensured through SAP system user controls.
29. **Information and communication:** As required by the Public Finance Regulation clause 16.0, the annual consolidated financial statements are expected to be prepared by the Ministry of Finance and submitted to the Auditor General's Office within four months (a), the Head of Internal Audit Division shall report to the Minister or Internal Audit Committee. PFR clause 16.03 (c) states that the internal audit function of each ministry shall report to its internal audit Sub Committee, established by the respective minister of the ministry. The Research and Publication unit in the Fiscal Affairs Department (FAD) produces and publishes weekly, monthly, and quarterly fiscal developments reports. MIRA shares collection details of major revenues with the central agency (Ministry of Finance), monthly and MIRA's revenue collection details are published on the website, monthly, quarterly and annually. The taxpayers in Maldives have easy access to the up-to-date information, via the office branches, MIRA website, and online portal
30. **Monitoring:** The Audit Act (02/2007) requires Auditor General to submit his / her reports to the Peoples' Majlis. The Public Accounts Committee scrutinizes reports on ad hoc basis. The legislative power of Internal Audit is derived from the Public Finance Act 03/2006 (PFA), clause 41 which states that The Minister, or a person appointed by the Minister to do so, may at any time inspect the financial and accounting records of a government agency. The Decentralization Administration Act 07/2010, clause 106 also grants the minister of finance the authority to inspect the financial and accounting records of local councils. The authority to audit is further detailed in the Public Finance Regulation (PFR) dated February 2017, chapter 16, "State Internal Audit" which states that the minister may delegate this authority to the internal auditors to check the financial records of the government agencies.

1.5. Other Key Features of PFM and Its Operating Environment

31. The system is highly centralised with the MoF approving expenditure. After Parliament has voted the budget, the MoF has extensive powers to reallocate the budget among ministries and budget units. MIRA is responsible for collecting most of the revenues, with customs collecting the remaining. The expenditure and revenue of EBU which is unreported is low, at below 1% of total expenditure.
32. AGO performs all its financial statement audits based on the audit guidelines developed from the International Standards of Supreme Audit Institutions (ISSAIs). There are approximately 15 ministries and 19 statutory bodies in the Maldives for which the Auditor General is mandated to provide an audit opinion on their financial statements by 31st May. There are approximately 650 sub-entities and 232 departments or sub-agencies operating under ministries and statutory bodies. As per Article 212 of the Constitution and Section 9 and 10 of the Audit Act, the AG is mandated to conduct financial statement audits and financial management

and prepare and publish reports on all government ministries, departments operating under government ministries; other government agencies and offices; all offices and organizations operating under the legislative authority; independent commissions and independent offices established in accordance with the Constitution and law; all offices and organizations operating under the judicial authority; any other institution or organization required by law to be audited by the Auditor General; any institution primarily funded by the State and any business entity, in which shares are owned by the State. The mandate of the AGO is thus wide and the type of audit it carries out is a modern ex-post audit. The AGO enjoys full independence.

33. Although the meetings of the Budget Committee of Parliament and the budget debates are broadcasted live on television, explicit arrangements for public consultation are not specified in the standing orders of Parliament. All Parliament hearings on individual audit reports are broadcasted on national television, as well as on Parliamentary broadcast feed, which can be rebroadcasted by any TV channel, except for strictly limited circumstances such as discussions related to sensitive issues. The committee reports are taken to the full chamber of the legislature for approval, and the committee reports are published on the official website (<https://majlis.gov.mv/>).

1.6. Legal and regulatory arrangements for PFM

34. The current Constitution of the Maldives enacted in 2008 sets out a clear separation and division of power between the executive, judicial and parliamentary branches of government³⁴. The constitution provides for the executive power to be vested in the President, judicial power to be vested in the courts and the legislative power to be vested in the People's Majlis (parliament). The President of the Maldives is both the head of government and head of state. The incumbent President was elected in November 2018. The Constitution was most recently amended in December of 2019 and brought about changes to the structure and the term of office of the elected officials of local government administrative divisions (i.e. the city, atoll and island councils). Public finance management issues stated in the constitution include; the submission of the budget to the People's Majilis by the Minister of Finance, the approval of the budget by parliament, limitations on the executive's power to enter into agreements relating to state property, incur debt and raise taxes in addition to the regulation of the sale, transfer, lease mortgage and destruction of state property and use of state treasury reserves.
35. The public sector of the Maldives consists of the, public enterprises, and local councils. The central government consists of 20 ministries, 27 statutory bodies including independent institutions, 32 public enterprises, and local councils. Public enterprises may be established (where 100% of the initial share capital is held by the Government) through presidential decree or a statute and registration through the Companies Registrar. Companies that are not wholly owned by the Government may be registered via the standard company registration process. For purposes of management of the budget, ministries, independent agencies, and local councils are designated as Accountable Government Agencies (AGA). Public enterprises have their own budget approved by their board of directors. However, planned subsidies are budgeted and transferred

³<https://storage.googleapis.com/presidency.gov.mv/Documents/ConstitutionOfMaldives.pdf>

⁴<https://www.wipo.int/edocs/lexdocs/laws/en/mv/mv001en.pdf> (translation)

during budget execution. The Privatization and Corporatization Board established under the Privatization Act (2013)⁵ is tasked with monitoring and evaluating public enterprise performance⁶. Appointments to the Board of Directors of Public Enterprises are made by the Privatization and Corporatization Board based on the recommendations of the President.

Legal and regulatory arrangements for PFM

36. The public financial administration is primarily governed by the Public Finance Act 2006⁷, the Fiscal Responsibility Act 2013⁸ and the Public Finance Regulations⁹ ("PFR") issued by the Ministry of Finance under the Public Finance Act. Parliamentary oversight of the public financial administration is enabled via the Fiscal Responsibility Act and the Public Finance Act which provides for several mandatory disclosures to be made to parliament. The Public Finance Act broadly provides for the principles and procedures for control and management of the finances and property of the state.
37. The PFR describes the public finance related rules, procedures and processes to be adhered to by the Public Offices and statutory bodies. This includes rules to be adhered to regarding public procurement, budget preparation and execution, auditing, debt management, accounting standards and corrective action to be taken for non-compliance. The PFR is a harmonized system of public finance management that is applicable to the Government and applies equally to all public offices including independent institutions, government ministries and local councils. The MoF regularly issues guidelines and circulars pursuant to sections of the PFR to set out measures in greater detail and to clarify public finance related issues. A Finance Executive appointed to each Public Office is tasked with ensuring compliance with the Public Finance regulation and report to the Financial Controller. The Decentralization Act stipulates that the Secretary General of the local council shall fulfil the role of Finance Executive for each council.
38. The Ministry of Finance periodically conducts reviews of the public finance issues and the Public Finance Regulation is updated from time to time. The current edition of the PFR was published in 2017 and last amended in October 2020.
39. Public procurement in Maldives is governed by Chapter 10 of the PFR. The procurement practices in Chapter 10 of the PFR are applicable to all procurement by Public Offices using public, except for public enterprises. The procurement system in Maldives is centralised through the National Tender Board for large value tenders, and de-centralised for smaller value tenders.
40. The Fiscal Responsibility Act 2013 (FRA) requires the government to submit a Statement of Fiscal Strategy, Budget Position Report and the Medium-Term Debt Strategy to parliament annually. This statement sets out the medium-term fiscal framework and annual expenditure ceilings that are consistent with achieving the fiscal objectives. The FRA requires adherence to certain fiscal rules such as the balance budget rule and the debt rule. The debt rule requires the Government to work towards achieving a debt to GDP ratio of 60%.

⁵Privatization, Corporatization Monitoring and Evaluation Act (no: 03/2013)

<http://www.finance.gov.mv/public/attachments/blkC6wJ06lchIXIC5URrZneH0GY13wTMKmesZG9R.pdf>

⁶S.12 Privatisation Act ⁷<http://www.finance.gov.mv/public-finance-actAct> (No: 3/2006)

⁸<http://www.finance.gov.mv/fiscal-responsibility-act> (No: 7/2013)

⁹Regulation no: 2017/R-20 <http://www.finance.gov.mv/public-finance-regulation>

Additionally, the FRA requires the information to be provided to the Parliament of any borrowing made by the government or issuance of a sovereign guarantee within 30 days of such borrowing or issuance of a guarantee. The FRA also restricts the borrowing powers of the local councils.

41. Chapter VIII of the Constitution provides for the decentralized administration of the administrative divisions of the Maldives. The President is empowered to create constituencies, posts, island councils, atoll councils and city councils as provided in law. Article 234 of the constitution stipulates that local authorities shall be provided with an annual budget and may raise funds. Additionally, the councils are empowered to own property and incur liabilities subject to statutory limitations. The principal legal instrument regulating the powers, structure and functioning of the councils is the Decentralization Act 2010. Extensive amendments to the Decentralization Act came into effect in December 2019.

Recent developments

42. The amendments to the Decentralisation Act resulted in increased fiscal and political decentralization of the councils. Nonetheless, whilst the changes enable increased fiscal decentralization, the grants provided by the central government still form the majority of the council's budget and the councils are required to act in accordance with the public finance laws applicable to all public offices, with limited exceptions. Considering the recent amendments, the MoF has published a guideline and a budget circular regarding the preparation of the budget which requires the setting of a level of budget appropriations, virement rules and a 5% restriction for expenditure in excess of the domestic budget for budgetary units. The guideline also includes details of the fiscal formula used for calculating government grants allocated to local councils. The councils are provided with funding in the form of a block grant and have a greater level of discretion to structure their spending whilst in compliance with the PFR.
43. A significant change in tax policy is the introduction of personal income tax for the first time in Maldives under the Income Tax Act (2019). Taxation under the Income Tax Act is set to commence from 2020. The Income Tax Act sets out the taxation regime for the taxation of personal and business income, and consequently, the Business Profit Tax Act (2010) has been repealed. The Bank Profit Tax Act (Law number 9/85) and the Taxation of Petroleum Companies Operating in Maldives Act (1989) shall also be repealed from the date of commencement of taxation under the Income Tax Act. In terms of revenue administration, the Tax Administration Act¹⁰ has undergone significant reforms in 2019 that changes the administrative framework of the Maldives Inland Revenue Authority (MIRA), and simplifying procedures on making an appeal to the Tax Appeal Tribunal.
44. The Ministry of Finance has established a centralised Internal Audit function in accordance with the Public Finance Regulations¹¹. The State Internal Audit Committee is tasked with verifying the reliability of Public Financial Statements, Public Bank Account and Public Funds operated in the name of the State and identifying the risks (adverse effects to financial operations) in various operations of government offices and verifying whether public properties and monies and accounting records are been maintained in accordance with the Public Finance Regulation.

¹⁰ no: 3/2010

<https://www.mira.gov.mv/TaxLegislation/second-amendment-to-the-tax-administration-act-English-.pdf>

[https://www.mira.gov.mv/laws_regulations/Tax%20Administration%20Act%20Consolidated%20Version%20\(E\).pdf](https://www.mira.gov.mv/laws_regulations/Tax%20Administration%20Act%20Consolidated%20Version%20(E).pdf)

¹¹ Chapter 16 PFR

45. Internal Audit units have been established in a select number of ministries and statutory bodies with plans to establish an internal audit unit in every Accountable Government Agency. Additionally, a Procurement Policy Board has been established by Presidential Decree in February 2020 to strengthen the public procurement system and formulate procurement policies. The setting of policy by the Procurement policy Board creates separation between the formulation of procurement policy and its implementation by the Public Offices and the National Tender Board.
46. Under the PFA the Auditor General is tasked with setting accounting standards and policies to be followed by all government offices. Additionally, the external audit functions of the Government are carried out by the Auditor General. The Auditor General may delegate, authorize its external audit functions to approved auditors. Notwithstanding that the PFR is not applicable to the SoEs; the Auditor General conducts audits of the SoEs under the powers granted under the Audit Act 2007.
47. The annual budget formulation process begins in March/April when the Ministry of Finance issues the first Budget Circular calling for New Policy Initiatives. In June, the second budget call circular is issued to create the baseline budgets. The fiscal year of the Government of Maldives is from the 1st to the 31st of January. The MoF is required to submit the National Budget to the Parliament two months prior to the end of each calendar year. The MoF is responsible for the formulation, monitoring, and evaluation of public finance management reform. The MoF has previously completed a PEFA assessment in 2009 and 2014. Reforms are initiated by the MoF management in cooperation with the line ministries and any reforms that require changes to statute are approved by the Attorney General's Office. The Ministry of Finance is responsible for overseeing public financial management and is responsible for setting the fiscal policy in the Maldives. Departments within the MoF are tasked with overseeing the formulation and expenditure of the national budget, cash management, debt issuance and borrowing, and the treasury and accounting functions of the Government. Cash management is carried out by the MoF and the Treasury Single Account is managed by the Maldives Monetary Authority (MMA). The MMA acts as a fiscal agent for the government, sells treasury bills and is also involved in the management of government cash reserves.

1.7. PFM Reform process

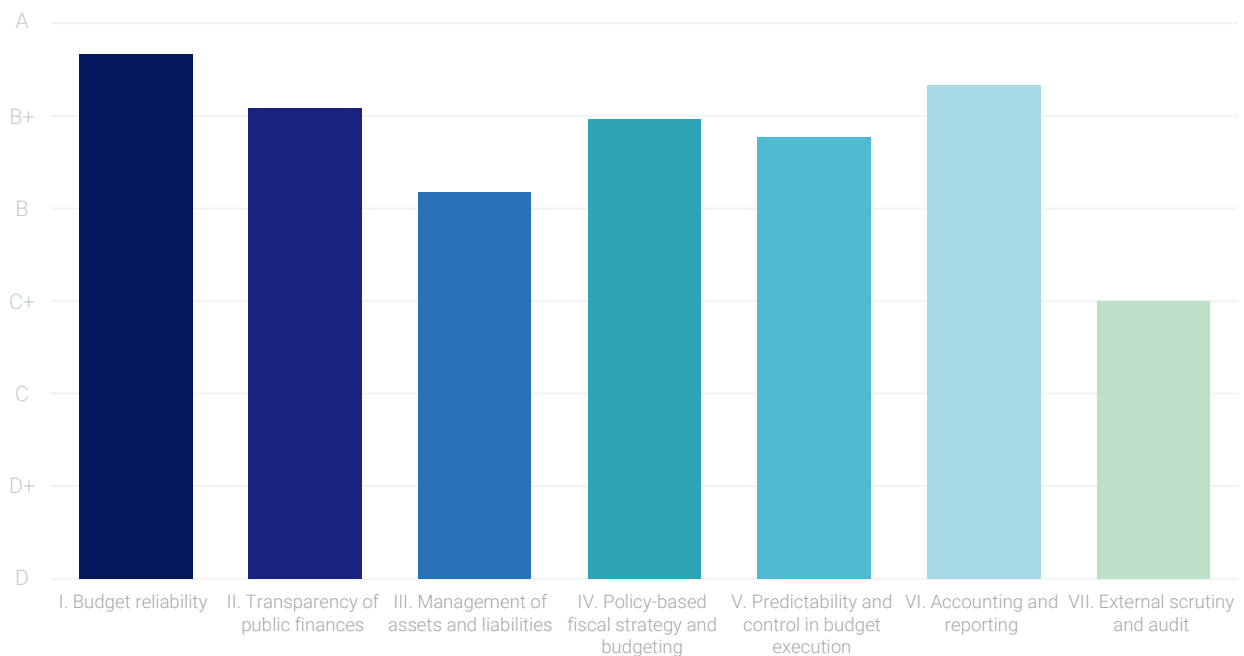
48. The Public Finance Management reform actions in Maldives are designed to respond to the challenges found in the system, to improve efficiency and effectiveness of public spending and improve in the tax regime. The goals of the PFM reform carried out include strengthening fiscal discipline, ensuring 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. The Maldives did formulate a Reform Action Plan for 2014 to 2018 following the 2014 PEFA, and most of the weaknesses identified in the 2014 assessment have been the key priority areas for PFM reform in recent years.
49. The Maldives also formulated a five year Strategic Action Plan in 2019, which includes the overall government policy objectives to be achieved from 2020 to 2025. This plan foresees measures that would improve PFM in the coming years. These PFM reform are pursued by the MoF primarily through PFM reform programs supported by development partners such as World Bank, IMF, USAID, and ADB. These programs mainly focus on the following key areas:

- ii. Fiscal and macroeconomic reforms
- iii. Strengthening debt and cash management
- iv. Strengthening State-Owned Enterprise (SOE) governance and oversight
- v. Procurement reforms
- vi. External Audit of the Public Sector
- vii. Strengthening of the Public Accounting system (PAS) and asset management

50. All PFM reform programs are led by the MoF. A dedicated unit has been formed within the Public Finance Modernization Section of MoF under the World Bank Public Financial Management Systems Strengthening Project, responsible for overseeing the overall PFM reform actions carried out and is answerable to the Minister of Finance. To address the difficulties that has arisen since COVID-19 pandemic began, through this unit, MoF was able evolve the system to cater most of the challenges. However there is much to improve in the IFMIS to seamlessly to work remotely on longer time horizon. Moreover, with new normal working environment, MoF team has been oriented to modern colligating platforms including MS Teams, however we are long way of optimizing the use of new technology to maximum extent. In addition, with the help of WB PFM project, MoF has established the back up system for the public accounting system. A disaster recovery system has been set up off the premises along with regular back up system, however there are some technical issues with disaster recovery system and backing up of content servers. No main weakness has been identified in the GoM reform program.

Detailed analysis of PFM performance

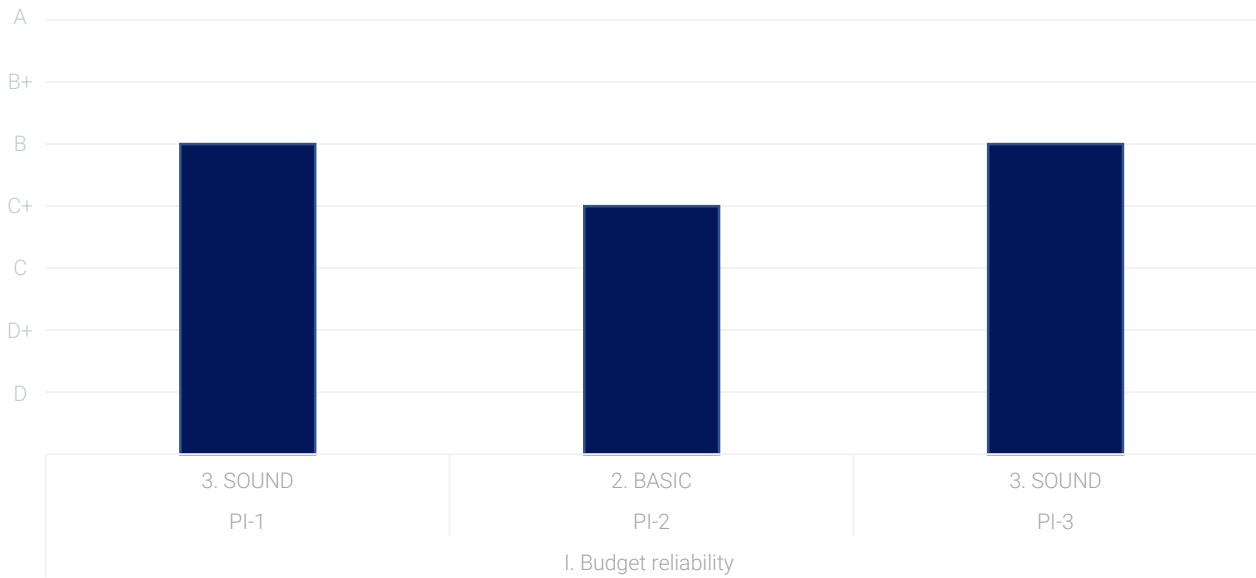
Figure 2.0: Summary of PEFA scores by pillar



PILLAR ONE: Budget reliability

51. What does Pillar I measure? The government budget is realistic and is implemented as intended. This is measured by comparing actual revenues and expenditures (the immediate results of the PFM system) with the original approved budget.

Figure 2.1: Pillar 1-Summary of PEFA scores



Overall performance: key strengths and weaknesses

- 52.** Both revenue and expenditure budgets, at aggregate levels, are reliable. Even though expenditure budget is reliable at the aggregate level, it is less reliable at the both the functional and economic composition levels, due to continuous reallocations that raise questions about budget credibility. The contingency vote limit is well respected.
- 53. Analysis:** Both revenue and expenditure budgets, at aggregate levels, are reliable (PI-1 and PI-3). Aggregate revenue outturn deviated only 3% from the budget in the last two years but the composition outturn was found to be less credible, though it has shown an improvement in the last three years from 27.5% to 11.1% (PI-3.2). Even though expenditure budget is reliable at the aggregate level, it is less reliable at the both the functional and economic composition levels with a score of 'C+' (PI-2.1 and PI-2.2). The continuous budget reallocations also raise questions about budget credibility as well as the delivery of government services based on its original policy intent. The government also respects the limit on contingency vote, which is currently below 2% - actual average variance is 1.3% over the last three years (PI-2.3).

PI-1. Aggregate expenditure outturn

54. What does PI-1 measure? This indicator measures the extent to which aggregate budget expenditure outturn reflects the amount originally approved, as defined in government budget documentation and fiscal reports. There is one dimension for this indicator.

Coverage: Budgetary central government (BCG).

Time period: Last three completed fiscal years.

Indicator / Dimension	Score
PI-1. Aggregate expenditure outturn	B
1.1. Aggregate expenditure outturn	B

55. General description of the system in place in Maldives: guidelines and formal mechanism specified in advance do exist to increase the total budget, whereby a supplementary budget has to be proposed to the parliament for approval as per the Constitution, the Public Finance Act and the Public Finance Regulation. The financial statements of the Government of Maldives are prepared annually and are comparable with the approved budget.

56. Recent or ongoing reform activities: None

1.1 Aggregate expenditure outturn

Performance level and evidence for scoring

Year	Budget (millions MVR)	Actual (millions MVR)	% Out-turn
2017	22,209.4	22,497.6	101.3%
2018	24,894.6	26,522.8	106.5%
2019	27,342.3	29,062.6	106.3%

Source: Approved Budget 2017, 2018, 2019, 2020. (InGoM, the approved budget includes the budget execution data).

57. The GoM presented budget supplement for FY 2017 and 2019. The budget numbers in the above table does not reflect the approved budget supplement for the respective years. The aggregate actual expenditure was between 90% and 110% of the approved budget in the last three completed fiscal years. It was 101.3%, 106.5% and 106.3% in 2017, 2018 and 2019 respectively. The calculations upon which the Table is based are reported in Annex 5. Hence, the score for the present dimension is B.

58. Possible causes of PFM performance identified during the PEFA assessment: Good budget discipline and realistic planning resulted in less deviation between budget and actual expenditure outturn.

PI-2. Expenditure composition outturn

59. What does PI-2 measure? This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. It contains three dimensions and uses the M1 (WL) method for aggregating dimension scores.

Coverage: BCG.

Time period: Last three completed fiscal years.

Indicator / Dimension	Score
PI-2. Expenditure composition outturn (M1)	C+
2.1. Expenditure composition outturn by function	C
2.2. Expenditure composition outturn by economic type	B
2.2. Expenditure from contingency reserves	A

60. General description of the system in place in Maldives: In-year adjustments and virements within a government agencies' budget and across agencies are at the discretion of the Ministry of Finance, initiated at the request of government agencies. Maldives does not have an Appropriation Act, however a "Virement and Appropriations Procedure" specifying a mechanism to adjust the budget was instituted in May 2019.

61. Recent or ongoing reform activities: None.

2.1. Expenditure composition outturn by function

62. Performance level and evidence for scoring: Variance in expenditure by functional classification was less than 15% in two of the last three years (2018 and 2019). In 2017, the variance was at 15.3%. The calculations upon which the Table is based are reported in Annex 5. Hence, the score for the present dimension is C.

Table 2.1: Budget and Actual Expenditure Allocations by Functional Classification (MVR millions)

Functional Head	2017			2018			2019		
	Budget	Actual	% Var.	Budget	Actual	% Var.	Budget	Actual	% Var.
General Public Services	2,114.4	993.4	54.5%	1,163.3	1,108.0	11.2%	1,244.0	1,331.1	1.2%
Defence	1,051.8	1,225.6	12.9%	1,221.1	1,376.3	5.1%	1,258.3	1,347.5	1.1%
Public Order & Safety	2,526.5	2,342.5	10.1%	2,307.9	2,477.1	0.0%	2,512.0	2,818.3	3.6%
Economic Affairs	3,465.6	3,882.2	8.6%	5,560.4	5,677.7	4.8%	5,347.7	6,932.0	19.7%
Environmental Protection	1,059.0	987.6	9.6%	1,428.0	1,253.4	18.2%	1,690.2	1,104.4	39.7%
Housing & Community Amenities	1,347.1	1,485.9	6.9%	1,850.5	890.9	55.1%	1,709.9	1,546.1	16.5%
Health	3,312.2	3,663.9	7.2%	2,915.4	3,408.1	9.0%	3,094.2	3,556.9	6.1%

Functional Head	2017			2018			2019		
	Budget	Actual	% Var.	Budget	Actual	% Var.	Budget	Actual	% Var.
Recreation, Culture & Religion	745.8	790.2	2.7%	720.6	853.8	10.4%	844.3	709.7	22.4%
Education	2,803.0	2,832.9	2.1%	2,874.1	3,207.0	4.0%	3,400.1	3,625.2	1.6%
Social Protection	2,072.5	2,946.4	37.8%	3,016.7	4,484.8	38.6%	3,829.0	4,033.8	2.7%
Total Expenditure*	20,498.1	21,150.7	15.3%	23,058.1	24,737.1	14.6%	24,929.8	27,004.9	10.7%

Source: Approved Budget 2017, 2018, 2019, 2020.

*Total expenditure is excluding budget contingency and interest expenditure. This is also excluding budget supplement.

63. Possible causes of PFM performance identified during the PEFA assessment: In-year adjustments and virements within a government agencies' budget and across agencies is at the discretion of the Ministry of Finance, initiated at the request of government agencies. Maldives does not have an Appropriation Act, however a "Virement and Appropriations Procedure" specifying a mechanism to adjust the budget was instituted in May 2019. Significant in-year budget adjustments to budget allocations are frequent.

2.2. Expenditure composition outturn by economic type

64. Performance level and evidence for scoring: Variance in expenditure composition by economic classification was less than 10% in two of the last three years (2018 and 2019). In 2017, the variance was at 10.9%. The calculations upon which the Table is based are reported in Annex 5. Hence, the score for the present dimension is C.

Table 2.2: Estimates and Actual Budgetary Allocations by Economic Classification (MVR millions)

Economic Head	2017			2018			2019		
	Budget	Actual	% Dev.	Budget	Actual	% Dev.	Budget	Actual	% Dev.
Compensation of Employees	8,253.7	8,388.8	0.1%	9,028.0	9,760.0	4.9%	9,529.2	9,760.0	3.7%
Use of Goods and Services	2,171.2	2,645.2	20.0%	3,030.1	3,825.6	4.5%	3,255.6	3,825.6	10.5%
Interest	1,411.4	1,096.9	23.5%	1,436.5	1,440.3	6.2%	2,001.5	1,646.8	22.7%
Subsidies	130.0	334.8	153.6%	594.0	1,099.3	73.2%	1,073.3	1,180.6	3.4%
Grants	279.7	288.1	1.4%	264.6	294.0	4.0%	350.7	428.9	15.0%
Social Benefits	818.1	1,386.8	66.9%	1,133.8	2,027.0	67.3%	1,426.6	1,559.3	2.7%
Other Expenses	8,845.3	8,106.9	9.7%	9,007.5	9,051.3	6.0%	9,294.3	10,250.5	3.7%
Total Expenditure	1,909.4	22,247.6	10.9%	24,494.6	6,177.4	9.9%	6,931.3	28,651.7	6.0%

Source: Approved Budget 2017, 2018, 2019, 2020. The GoM presented budget supplement for FY 2017 and 2019. The budget numbers in the above table does not reflect the approved budget supplement for the respective years.

65. Possible causes of PFM performance identified during the PEFA assessment: In-year adjustments and virements within a government agencies' budget and across agencies at the discretion of the Ministry of Finance, initiated at the request of government agencies. Maldives does not have an Appropriation Act, however a "Virement and Appropriations Procedure" specifying a mechanism to adjust the budget was instituted in May 2019. Significant in-year budget adjustments to budget allocations are frequent but budget appropriations have been improved over the years under the PFM strengthening project.

2.3. Expenditure from contingency reserves

66. Performance level and evidence for scoring: The component refers to actual expenditure charged to the contingency vote compared to the original budget for aggregate expenditures. To manage the risk of further unforeseen expenses, a contingency item has been included in the budget to cover any costs associated with natural disasters, a sharp increase in international food and prices and other unforeseen events. However, flexibilities in budget virements contributes to the reduced share of the contingency vote. MOF has total flexibility in making budget virements, if it does not exceed the total approved budget figure. A contingency line is included in the budget estimates and actual expenditure, which is part of the budget documentation. As shown in the table below, actual expenditure charged to the contingency vote was less than 3% of the original budget in all the three completed FYs 2017-2019. Hence, the score for the present dimension is A.

Table 2.3: Contingency share of original budget, FYs 2017- 2019

Year	Contingency share of original budget	Average contingency share
2017	1.1%	1.3%
2018	1.4%	
2019	1.5%	

Source: Approved Budget 2017, 2018, 2019, 2020.

67. Possible causes of PFM performance identified during the PEFA assessment: The government has consistently adhered to the practice of not spending beyond the approved contingency vote and for urgent and unforeseen events, which reflects a good budget practice.

PI-3. Revenue outturn

68. What does PI-3 measure? This indicator measures the change in revenue between the original approved budget and end-of-year outturn. It contains two dimensions and uses the M2 (AV) method for aggregating dimension scores.

Coverage: BCG.

Time period: Last three completed fiscal years.

Indicator / Dimension	Score
PI-3. Revenue outturn	B
3.1. Aggregate revenue outturn	A
3.2. Revenue composition outturn	C

69. General description of the system in place in Maldives: The Maldives Inland Revenue Authority (MIRA) is the tax administration and collection agency while Maldives Customs Service (MCS) collects import duties. The Maldives Inland Revenue Authority (MIRA) collects around 75% of total government revenue. The rest of the MDAs are responsible for the collection of duties, fees and dividends. The Treasury and Public Accounts Department (TPAD) of the Ministry of Finance is responsible for ensuring that the relevant data relating to government receipts is posted and reconciled in the Public Accounting System (PAS) on a regular basis. Similarly, on a monthly basis, the MoF prepare monthly fiscal developments report, which includes revenue broken down by revenue type consolidating revenue data obtained from all government revenue generating entities.

70. Recent or ongoing reform activities: None

3.1. Aggregate revenue outturn

Table 3.1: Comparison of Budgeted & Actual Revenue (MVR millions)

Budget	2017			2018			2019		
	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%
Total revenue	22,032.5	20,385.2	92.5%	22,612.9	22,336.9	98.8%	23,540.1	24,297.6	103.2%

Source: Approved Budget 2017, 2018, 2019, 2020.

71. Performance level and evidence for scoring: Actual revenue was between 97% and 106% of budgeted revenue in at least two of the last three completed fiscal years. It was 92.5%, 98.8% and 103.2% for the years 2017, 2018 and 2019 respectively. Hence, the score for the present dimension is A.

72. Possible causes of PFM performance identified during the PEFA assessment: Collection of tax revenue, which accounts for around 70% of total revenue, was close to the target. This is a result of good planning and effective tax collection by MIRA.

3.2. Revenue composition outturn

Table 3.2: Revenue Composition Outturn FYs 2017-2019(MVR millions)

Year	Budget	Actual	Composition Variance
2017	22,032.5	20,385.2	27.5%
2018	22,612.9	22,336.9	12.1%
2019	23,540.1	24,297.6	11.1%

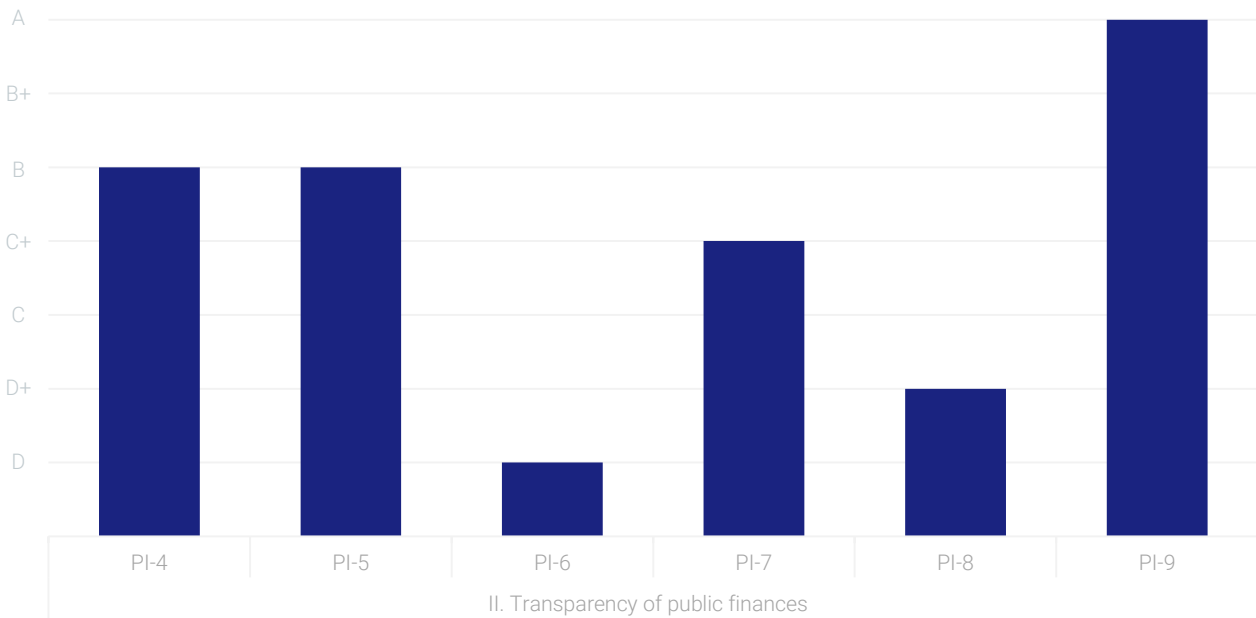
Source: Approved Budget 2017, 2018, 2019, 2020.

- 73. Performance level and evidence for scoring:** This dimension measures the variance in revenue composition during the last three years. It includes actual revenue by category compared to the originally approved budget. In 2017, the composition variance was at 27.5%. However, in FYs 2018 and 2019, the composition variance is below 15% of the budgeted amount. The calculations upon which the Table is based are reported in Annex 5. Hence, the score for the present dimension is C.
74. Possible causes of PFM performance identified during the PEFA assessment: In 2017, the composition variance was at 27.5% mainly due to unrealized new revenue measures which were projected. This has improved in 2018 and 2019.

PILLAR TWO: Transparency of public finances

75. What does Pillar II measure? Information on public financial management is comprehensive, consistent, and accessible to users. This is achieved through comprehensive budget classification, transparency of all government revenue and expenditure including intergovernmental transfers, published information on service delivery performance and ready access to fiscal and budget documentation.

Figure 2.2: Pillar 2-Summary of PEFA scores



76. Overall performance: key strengths and weaknesses

- Budget documentation is found to be satisfactory.
- Almost all central government operations are part of the financial report.
- The allocation of transfers to local Parliaments is not rule-based.
- Information on annual transfers to Parliaments is managed through the regular budget process, and a period of 6 weeks allowed to complete the budget planning.
- Strategies and corresponding actions together with their objectives are clearly laid out.
- All information related with budget is made public. However, public access to procurement information is limited.

77. Analysis: The budget formulation and execution are based on administrative, economic and functional classification, using GFS standards at 4-digit level and COFOG standards at class level and can produce consistent documentation according to those standards (PI-4) scores 'A'. The classification of the Charts of Accounts (CoA) allows full comparison to the budget for the recurrent and capital expenditures and hence, full coverage and comparability of reports (PI-28.1) scores 'A'.

78. Budget documentation includes most of the required elements (PI-5) scores. It includes basic elements such as forecast of the fiscal deficit or surplus or accrual operating result, previous year's budget outturn, current fiscal year's budget, and additional elements such as deficit financing, macroeconomic assumptions, debt stock and documentation on the medium-term fiscal forecasts. However, financial assets and summary information of fiscal risks are not included. Almost all central government operations are part of the financial report, and hence this allows the central government to have a complete picture of revenue and expenditures across every category. Generally, expenditure outside financial reports is less than 1%, and revenue under 5% of total BCG expenditure/revenue (PI-6). This would imply a score of 'A', but since the data for one EBU for FY 2019 (as well as FY 2018) was not available, the score is D*.
79. The allocation of transfers to local councils is not rule-based (PI-7.1) scores 'D'. Nevertheless, information on annual transfers to local councils is managed through the regular budget process, and a period of 6 weeks could complete the budget planning (PI-7.2) scores 'A'. Due to this, the annual financial statements include all transfers (PI-29.1).
80. Main weaknesses identified in the transparency of public finances are related with performance information for service delivery, where information is not published on the outputs, outcomes or activities of most ministries and in-kind allocations are not reflected in the records. However, strategies and corresponding actions together with their objectives are clearly laid out, published and are mapped by programmes and functions of the government (PI-8). A strong point to note is the public access to fiscal information where most information related with budget are made public in the website (PI-9). The taxpayers in Maldives have easy access to the up-to-date information, via the office branches, MIRA website, and online portal (PI-19). Public access to procurement information is limited where procurement plans, data on resolution of procurement complaints and annual procurement statistics are not made available to the public (PI-24).

PI-4. Budget classification

- 81. What does PI-4 measure?** This indicator assesses the extent to which the government budget and accounts classification is consistent with international standards. There is one dimension for this indicator.

Coverage: BCG.

Time period: Last completed fiscal year.

Indicator / Dimension	Score
PI-4. Budget classification	B
4.1. Budget classification	B

- 82. General description of the system in place in Maldives:** The Maldives' Chart of Accounts (COA) reflects administrative, economic and functional classifications for formulation, execution, and reporting. The classifications can be, and are, easily mapped to international standards, such as GFS and COFOG. This process was applicable to FY 2019.

- 83. Recent or ongoing reform activities:** The Budget Preparation and Execution Manual propose a strengthened Chart of Accounts. The government has also identified the need to update the Chart of Accounts to migrate to fully to GFSM 2014. Further work is planned under Public Finance Management Strengthening Project to update the CoA and promulgate the improved CoA to all levels of government. Meanwhile, a recent IMF TA mission has assisted the authorities to complete the mapping of the existing CoA to GFSM 2014.
84. The government is actively working on preparing the budget on a new comprehensive program structure based on the Strategic Action Plan (SAP) of the government. The new program structure will be mapped to COFOG classification to produce fiscal data on functional classification.

4.1. Budget classification

- 85. Performance level and evidence for scoring:** The general ledger classification of the CoA is mapped to GFS 1986 economic classification at the 4-digit level for all revenue and expenditure and published annually¹². The administrative classification¹³ is consistent with the latest GFS standard and can capture and report data for the budgetary central government. Budget and fiscal data are classified across UN COFOG classification using programs, sub-programs and activities dimensions of the CoA. The COFOG was used as a substitute for programs since Budget 2018, including in FY 2019. The functional classification is produced at COFOG “class” level (4-digit breakdown) and is published in the budgets¹⁴ submitted to the parliament. Functional classification is also applied during budget execution and reporting. This process was applicable to FY 2019. Hence, the score for the present dimension is B.

PI-5. Budget documentation

- 86. What does PI-5 measure?** This indicator assesses the comprehensiveness of the information provided in the annual budget documentation, as measured against a specified list of basic and additional elements. There is one dimension for this indicator.

Coverage: BCG.

Time period: Last budget submitted to the legislature.

Indicator / Dimension	Score
PI-5. Budget documentation	B
5.1. Budget documentation	B

¹²GL: <https://budget.gov.mv/en/economic-classification>

GFS: <http://finance.gov.mv/publications/statistical-releases/government-finance-statistics>

¹² <https://budget.gov.mv/en/office-expenditure/total>

¹² <https://budget.gov.mv/en/functional-classification>

¹³ <https://budget.gov.mv/en/office-expenditure/total>

¹⁴ <https://budget.gov.mv/en/functional-classification>

87. General description of the system in place in Maldives: As part as the annual budget preparation process, the MoF prepares a budget book that includes at least forecast, previous year budget outturn and current year budget, deficit financing, macroeconomic assumptions and debt stock. The last budget submitted to the legislature was for FY 2020 and the requirements are met for 4 basic elements out of 4 and 4 additional elements out of 8. Hence, the score for the present dimension is B.

88. Recent or ongoing reform activities: A recent organizational restructuring of the Ministry has created a revenue and tax policy unit under the fiscal affairs department. Recent work undertaken includes work on tax policy that will enable the unit to quantify tax expenditures.

5.1. Budget documentation

Performance level and evidence for scoring

No.	Element / Requirements	Met (Yes/No)	Evidence Used	Comment
Basic Elements				
1	Forecast of the fiscal deficit or surplus or accrual operating result.	Yes	Budget Book.	
2	Previous year's budget outturn presented in the same format as the budget proposal.	Yes	Budget Book.	
3	Current fiscal year's budget presented in the same format as the budget proposal. This can be either the revised budget or the estimated outturn.	Yes	Budget Book.	
4	Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous year with a detailed breakdown of revenue and expenditure estimates.	Yes	Budget Book.	
Additional Elements				
5	Deficit financing, describing its anticipated composition.	Yes	Budget Book.	
6	Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate.	Yes	Budget Book and Budget Speech.	
7	Debt stock, including details at least for the beginning of the current fiscal year presented in accordance with GFS or another comparable standard.	Yes	Budget Book.	
8	Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or another comparable standard.	No		

No.	Element / Requirements	Met (Yes/No)	Evidence Used	Comment
9	Summary information of fiscal risks, including contingent liabilities such as guarantees, and contingent obligations embedded in structure financing instruments such as public-private partnership (PPP) contracts, and so on.	No		
10	Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programs.	No (partial information only)	Budget Book.	Major public investments and the estimates of the budgetary impact of revenue policies are explained, but the budgetary impact of changes to expenditure programs are not fully accounted for.
11	Documentation on the medium-term fiscal forecasts.	Yes	Budget Book.	Medium term projections of expenditure, revenue, and fiscal balance are included in the budget book.
12	Quantification of tax expenditures.	No		

89. Possible causes of PFM performance identified during the PEFA assessment: Most of the budget documentation is included in the budget book and budget documentation. However, financial assets, summary information of fiscal risks, explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programs and quantification of tax expenditures are not part of the budget documentation.

PI-6. Central government operations outside financial reports

90. What does PI-6 measure? This indicator measures the extent to which government revenue and expenditure are reported outside central government financial reports. It contains three dimensions and uses the M2 (AV) method for aggregating dimension scores.

Coverage: Central Government.

Time period: Last completed fiscal year.

Indicator / Dimension	Score
PI-6. Central government operations outside financial reports	D
6.1. Expenditure outside financial reports	D*
6.2. Revenue outside financial reports	D*
6.1. Financial reports of extrabudgetary units	D*

- 91. General description of the system in place in Maldives:** For the last completed fiscal year, 2019, the Assessment identified four extra-budgetary units that were not reported in the government's financial reports: Maldives Pension Administration Office, Capital Market Development Authority, Maldives Civil Aviation Authority and the Bar Council of the Maldives. The Maldives National University and the Islamic University of Maldives are two institutions that are included in the government budget that also has extra budgetary elements in the form of part of their revenue and expenditure approved by their respective university councils.
92. The Maldives Pension Administration Office (MPAO) is established under the Maldives Pension Act (2009) as an independent legal entity. The MPAO is responsible for managing and administering the pensions schemes established under the Pension Act, including the Maldives Retirement Pension and the Maldives Old Age Basic Pension.
93. The Capital Market Development Authority (CMDA) is an independent institution established under the Maldives Securities Act (2006) responsible for the development of the capital market in the Maldives and the regulation of the capital market entities, including the Maldives Pension Administration Office.
94. The Maldives Civil Aviation Authority (CAA) was established by the People's Majlis under Maldives Civil Aviation Authority Act (2012) to regulate the civil aviation of the Maldives by establishing rules and regulations and determine its policy.
95. The Bar Council of the Maldives (BC) was established under the Legal Professions Act (2019) as an independent institution responsible for licensing lawyers to practice law in the Maldives and regulating and sanctioning the profession.
96. The Maldives National University (MNU) was established under an act of parliament. The Maldives National University Act (2011) states that the government should allocate funding annually to the University to perform its functions. Additionally, MNU may raise their own revenue or receive grants, which can only be spent for the University, as approved by the MNU Council.
97. The Islamic University of Maldives (IUM) was established under an act of parliament. The Maldives Islamic University Act (2015) states that the government should allocate funds to the IUM annually equal to the amount of the budget approved for the University by the parliament adjusted for the revenue independently raised by the University. As per the act the university may accept grants and engage in revenue raising activities, which should be spent as approved by the IUM Council (Majlis).
- 98. Recent or ongoing reform activities:** The SAP formulated in 2019 incorporates a monitoring framework. From 2020 onwards, all policies and actions included in the SAP will be reviewed against the outputs, outcomes and targets defined. The review process will be undertaken quarterly, which contributes to a comprehensive annual review, the results of which will be published as a progress report. The details of the monitoring mechanism are detailed in the published SAP document. Also, the Ministry of Finance is working to adopt a programme based budget in 2021, which includes a monitoring mechanism to track progress of the performance of budgetary programmes. This will be a complement to the monitoring mechanism of the SAP, as budgetary programmes will be strongly aligned with the policies and activities in the SAP.

6.1. Expenditure outside financial reports

Table 6.1: Extra budgetary expenditure for FY 2019 or latest available FY

Name of extra budgetary unit	Expenditure (MVR)	Financial Year
Capital Market Development Authority	10,275,604	2018
Civil Aviation Authority	22,245,759	2018
Bar Council*	199,573	2019
Maldives Pension Administration Office	38,799,733	2018
Maldives National University**	64,616,201	2017
Islamic University of Maldives**	11,415,763	2018
EBU Total	147,552,633	
BCG Total	26,522,842,831	

Source: EBUs financial statements. *Note: The Bar Council was established in 2019. **Note: Only includes their expenditure incurred in addition to the budget approved by the parliament

99. Expenditure outside government financial reports is less than 1% of total BCG expenditure based on the available data. However, this dimension is assessed based on FY 2018 and 2019 data only. Since data for Maldives National University was available up to FY 2017 only at the time of assessment, the score for this dimension is D*.

100. Possible causes of PFM performance identified during the PEFA assessment: Except the above listed extra budgetary units, all other expenditure of budgetary and extra budgetary units is reported in government financial reports.

6.2. Revenue outside financial reports

Table 6.2: Extra budgetary revenue for FY 2019 or latest available FY

Name of extra budgetary unit	Revenue (MVR)	Grant (MVR)	Net Revenue (MVR)	Financial Year
Capital Market Development Authority	10,575,441	10,000,000	575,441	2018
Civil Aviation Authority	22,256,652	20,000,000	2,256,652	2018
Bar Council	7,516,000	7,500,000	16,000	2019
Maldives Pension Administration Office	49,857,393	0	49,857,393	2018
Maldives National University	317,550,570	159,472,198	158,078,372	2017
Islamic University of Maldives	39,613,423	31,366,789	8,246,634	2018
EBU Total	447,369,479	228,338,987	219,030,492	
BCG Total			21,389,394,874	
EBU/BCG (%)			1.0%	

Source: EBUs financial statements. *Note: The Bar Council was established in 2019.

101. Performance level and evidence for scoring: Based on available data at the time of the assessment, revenue outside government financial reports is less than 5% of total BCG revenue. Revenue of the EBUs accounts for less than 1% of total BCG, in parallel to expenditure. That said, there is own revenue received by the University, which accounts for the differential, bringing total extra/budgetary revenue to less than 5% of BCG. However, this dimension is assessed based on FY 2018 and 2019 data only. Since data for Maldives National University was available up to FY 2017 only at the time of assessment, the score for this dimension is D*.

102. Possible causes of PFM performance identified during the PEFA assessment: Except the above listed extra budgetary units, all other revenue of budgetary and extra budgetary units is reported in government financial reports.

6.3. Financial reports of extrabudgetary units

103. Detailed financial reports of majority of extra budgetary units are submitted to government annually within nine months of the end of the fiscal year. All the EBUs produce ex-post financial statements audited by the Auditor General or independent auditing firms sanctioned by the Auditor General's Office. The information includes details of the actual revenue and expenditure, assets and liabilities, and guarantees and long-term obligations. By their respective Acts:

- The Maldives Pensions Administration is required to submit the financial statements to their regulator, the Capital Market Development Authority, and make public the financial information.
- The Capital Market Development Authority is required to prepare audited financial statements within four months of the end of the calendar year and submit to their board of directors and publish once approved by the board.
- The Maldives Civil Aviation Authority is required to prepare financial statements within four months of the end of the calendar year, approved by the board, submitted to the Minister and copied to the People's Majlis.
- Bar Council is required to submit their audited financial statements to the People's Majlis within 60 days of the end of the financial year.
- The Maldives National University is required to submit annual audited financial statements including details of revenue and expenditure, assets and liabilities, in an Annual Report compiled and submitted to the President, the People's Majlis and minister in charge of higher education, before 1st of March in the following year.
- The Islamic University of Maldives is required to maintain and submit annual financial statements including details of revenue and expenditure, assets and liabilities, in an Annual Report to the President, the People's Majlis and the minister, before 1st of March of the following year.

Table 6.3: Timing of Submission of audited financial statements by EBU

Name of extra budgetary unit	Date submitted	Financial Year
Capital Market Development Authority	20-March-2019	2018
Civil Aviation Authority	25-April-2019	2018
Bar Council*	27-February-2020	2019
Maldives Pension Administration Office	25-March-2019	2018
Maldives National University	6-February-2020	2017
Islamic University of Maldives	31-December-2019	2018

Source: EBUs financial statements. *Note: The Bar Council was established in 2019.

104. Performance level and evidence for scoring: Three out of the six EBUs submitted and approved their audited financial statements within three months of the financial year end, in the time period considered. One of the EBUs, the CAA, has four months to submit its statements, and submitted its audited financial statements within 6 months of the financial year end. The Maldives National University and the Maldives Islamic University does not submit audited financial statements in their annual reports, as per their respective acts and the audited financial statements for the latest available financial year has been produced substantially after the completion of the financial year. However, this dimension is assessed based on FY 2018 and 2019 data only. Since data for Maldives National University was available up to FY 2017 only at the time of assessment, the score for this dimension is D*.

105. Possible causes of PFM performance identified during the PEFA assessment: The rules and regulations of Maldives require extra budgetary units to report their financial activities to regulators, minister, and board or to the People’s Majlis.

PI-7. Transfers to subnational governments

106. What does PI-7 measure? This indicator assesses the transparency and timelines of transfers from central government to subnational governments with direct financial relationships to it. It considers the basis for transfers from central government and whether subnational governments receive information on their allocations in time to facilitate budget planning. It contains two dimensions and uses the M2 (AV) method for aggregating dimension scores.

Coverage: CG

Time period: Last completed fiscal year.

Indicator / Dimension	Score
PI-7. Transfers to subnational governments	C+
7.1. System for allocating transfers	D
7.2. Timeliness of information on transfers	A

107. General description of the system in place in Maldives: The subnational government of the Maldives constitute the local councils, which include 179 island councils, 18 atoll councils and 3 city councils, for a total of 200. Chapter 8 of the Constitution provides for the decentralization administration of the Maldives, while the Decentralization Act governs the powers and responsibilities of the local authorities.

108. The local councils in the GoM comply with the GFS 2014 definition of “local” government units. GFS identifies “state” and “local” government units. Both state and local governments are covered by the term “subnational government” in PEFA. Specifically, state and local governments (i) have authority over smaller geographical areas than do central governments; (ii) have the authority to own assets, (iii) incur liabilities, and/or engage in transactions in their own rights.

109. Recent or ongoing reform activities: The 8th Amendment of the Decentralization Act implemented in 2019 mandates the allocation of 5 percent of total revenue estimated for the fiscal year, excluding revenue earmarked for a specific purpose, new revenue measures, rent from land, islands, lagoons, and reefs, plus 40 percent of revenue from rent received from land, islands, lagoons, and reefs to local councils as unconditional grants. These allocations to individual councils are determined under a disclosed, rule-based system. The variables which influence the allocations are the resident population, land area, distance to the Male’, distance to the capital of the administrative atoll and the past performance of the local council. This rule-based system has been adopted and was used in allocating transfers to local councils for the fiscal year 2020.

7.1. System for allocating transfers

110. Performance level and evidence for scoring: The allocation of transfers to local councils for the fiscal year 2019 was not rule-based. The allocation was determined based on historical expenditure levels and additional budget requests by councils. Hence, the score for the present dimension is D.

111. Possible causes of PFM performance identified during the PEFA assessment: The government of Maldives was not applying a rule-based system for allocating transfers. The new rule-based allocating system has been adopted and used in allocating transfers in fiscal year 2020.

7.2. Timeliness of information on transfers

112. Performance level and evidence for scoring: The process by which local councils receive information on their annual transfer allocation is managed through the regular budget calendar. A budget circular with indicative allocations, together with instructions for budget planning is issued mid-year. The information provided is the same as all government agencies. The circular instructing the preparation of the budget for 2019 was issued on July 17, 2018. The deadline for the submission of the budgets was set for August 29, 2018, allowing six weeks to complete their budget. The instructions/actions of the circular are generally adhered by all councils’ budgets were received on time. *Hence, the score for the present dimension is A.*

113. Possible causes of PFM performance identified during the PEFA assessment: information on annual transfers is managed through the regular budget calendar which is generally adhered to.

PI-8. Performance information for service delivery

114. What does PI-8 measure? This indicator examines the service delivery information in the executive’s budget proposal or its supporting documentation, and in year-end reports or performance audits or evaluations, as well as the extent to which information on resources received by service delivery units is collected and recorded. It contains four dimensions and uses the M2 (AV) method or aggregating dimension scores.

Coverage: CG.

Time period: Dimension 8.1: Performance indicators and planned outputs and outcomes for the next fiscal year. Dimension 8.2: Outputs and outcomes of the last completed fiscal year. Dimensions 8.3 and 8.4: Last three completed fiscal years.

Indicator / Dimension	Score
PI-8. Performance information for service delivery	D+
8.1. Performance plans for service delivery	A
8.1. Performance achieved for service delivery	D
8.1. Resources received by service delivery units	D
8.1. Performance evaluation for service delivery	D

8.1. Performance plans for service delivery

115. Performance level and evidence for scoring: The Strategic Action Plan (SAP) formulated and published in 2019 identifies all the priority policies and programmes of the central government (budgetary and extra-budgetary units) for the period 2020 to 2023. Strategies and corresponding actions together with their objectives are clearly laid out and are mapped by programmes and functions of the government. Where relevant, output indicators are identified with quantified targets. In the case of outcomes, they are clearly defined with most outcomes tied to a measurable target. The lead implementing agency is identified for each strategy, together with other supporting agencies that will work to achieve the targets. Detailed level activities are also developed internally within all ministries and extra-budgetary units in addition to the published guiding document of the SAP. In the budget preparation government agencies are instructed to present New Policy Initiatives (new projects and programs) in accordance to the SAP. The SAP is the main guideline for prioritizing these programmes and projects in the budget (from budget 2020 onwards). The budget document also outlines how the budget is allocated to the 5 themes of the SAP. The SAP document outlines the annual review and publication mechanism, with the first annual review and publication set for the end of 2020. This process is conducted separately from the budget. The score for the present dimension is A.

Score	Program objectives	Key performance indicators		Planned outputs (quantity)	Planned outcomes (Measurable)	Activities	Materiality (No. of ministries)
		Output indicators	Outcome indicators				
A	Y	Y	Y	Y	Y	Y	All (100%)

116. Possible causes of PFM performance identified during the PEFA assessment: The formulation and publishing of the Strategic Action Plan (SAP) with policy or program objectives, key performance indicators, outputs to be produced, and the outcomes planned enabled the government to have robust performance plans for service delivery.

8.2. Performance achieved for service delivery

117. Performance level and evidence for scoring: Currently, information is not published on the outputs, outcomes or activities of most ministries and extra-budgetary units. Hence, the score for the present dimension is D.

118. Possible causes of PFM performance identified during the PEFA assessment: The government of Maldives does not have the practice of publishing performance achieved for service delivery.

8.3. Resources received by service delivery units

119. Performance level and evidence for scoring: All financial resources received by frontline service delivery units of the Ministry of Education and the Ministry of Health are recorded. These records are disaggregated by the source of funds and are compiled annually. However, records of in-kind resources, albeit being a small component of total resources received by service delivery units, are not maintained consistently which leads to underreporting of the total resources allocated to service delivery units. Hence, the score for the present dimension is D.

120. Possible causes of PFM performance identified during the PEFA assessment: Even though financial resources received by service delivery units are recorded through the regular financial system of the government, the service delivery units do not have the practice of recording in-kind resources received.

8.4. Performance evaluation for service delivery

121. Performance level and evidence for scoring: Evaluations of performance and effectiveness of service are not carried out in most ministries and extra-budgetary units. Ministries and extra-budgetary units produce budget execution reports, but these do not include any information on performance or service delivery. The exception is the Ministry of Education, which carries out an annual review of its performance internally, but the findings of the review are not published. The expenditure of Ministry of Education constitutes around 12% of total expenditure. Hence, the score for the present dimension is D.

122. Possible causes of PFM performance identified during the PEFA assessment: Ministries and extra-budgetary units are not required to regularly perform evaluations on efficiency and effectiveness of services in a systematic way through program or performance evaluations.

PI-9. Public access to fiscal information

123. What does PI-9 measure? This indicator assesses the comprehensiveness of fiscal information available to the public based on specified elements of information to which public access is considered critical. There is one dimension.

Coverage: BCG.

Time period: Last completed fiscal year.

Indicator / Dimension	Score
PI-9. Public access to fiscal information	A
9.1. Public access to fiscal information	A

124. General description of the system in place in Maldives: MoF publishes most of the budget documentation, budget execution reports, audited financial statements and macroeconomic forecasts on its website (www.finance.gov.mv) on a timely basis.

125. Recent or ongoing reform activities: None.

9.1. Public access to fiscal information

126. Performance level and evidence for scoring: The table below shows the information for the completed fiscal year 2019 against the five basic and four additional elements required. The government makes available to the public nine elements, including all four basic elements in accordance with the specified timeframe. Hence, the score for the present dimension is A.

No.	Element/Requirements	Met (Yes/No)	Evidence Used/Comments
Basic Elements			
1	Annual Executive Budget Proposal Documentation.	Yes.	The Proposed Budget Book is available to the public on the MoF website the same day it is submitted to Parliament. The dates of submission to parliament are stated under PI-17.3 (www.finance.gov.mv).
2	Enacted Budget.	Yes.	The approved budget (the Budget Book) is made available to the public on the MoF website within two weeks from the approval by Parliament (www.finance.gov.mv). The budget for FY 2019 was approved on November 28, 2018 and published up to December 11, 2018.
3	In-Year Budget Execution Reports.	Yes.	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). Refer PI-28.2 for date of issuance of in-year budget execution reports for FY 2019).
4	Annual Budget Execution Report.	Yes.	The last in-year report includes the figures for the whole year and is considered as the Annual budget execution report. This is made available to the public within one month of issuance.

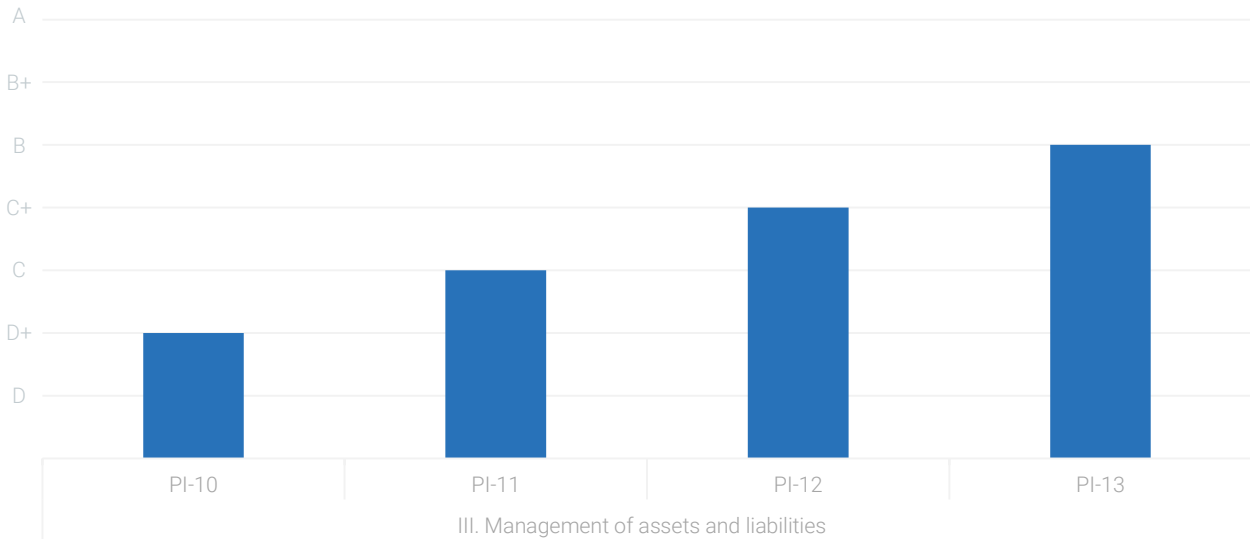
No.	Element/Requirements	Met (Yes/No)	Evidence Used/Comments
5	Audited Annual Financial Report, Incorporating or Accompanied by the External Auditor's Report.	Yes.	The audited Annual Financial Report is published accompanied by the External Auditor's Report on the Auditor General's Office website (www.audit.gov.mv) within 12 months of the end of the FY. The last audit report for the FY 2018 was published in December 2019.
Additional Elements			
6	Pre-budget Statement.	No.	The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt in the PEFA Framework is that it is made available to the public at least four months before the start of the fiscal year. A pre-budget statement is formulated in the form of the Fiscal Strategy Statement, which is also published. The last issued statement was published in October 2018, but prepared and sent to Majlis in July 2019. This, it was not published before four months so the requirement regarding timely publication is not met. Under section 10 of the Fiscal Responsibility Law, the minister of finance is required by law to submit the medium-term fiscal strategy before the 31 July of each year. No specific deadline for publishing in the gazette is given under the law. Hence the legal requirement is met (but not the Framework requirement). The Fiscal Strategy statement includes the broad parameters for the estimated expenditure, revenue, and debt.
7	Other External Audit Reports.	Yes.	All non –confidential reports on CG consolidated operations are made available to the public within six months of submission on the Auditor General's Office website (www.audit.gov.mv).
8	Summary of the Budget Proposal.	Yes.	The summary document of the budget proposal is prepared in the local language and is available on the MoF website on the same day in which the draft budget is submitted to the Parliament. Summarised and simplified information on the budget is also made available on the MoF website on the same day in both English and in the local language. A mobile application for the summary budget proposal has also been developed.
9	Macroeconomic Forecasts.	Yes.	Key macroeconomic forecasts (ref. PI-14.1) are included in the Budget Book that is made available to the public on the MoF website within two weeks from the approval by Parliament (www.finance.gov.mv).

127. Possible causes of PFM performance identified during the PEFA assessment: The government of Maldives has a good practice of publishing all the budget, budget execution and audit reports in the MoF website (www.finance.gov.mv).

PILLAR THREE: Management of assets and liabilities

128. What does Pillar III measure? Effective management of assets and liabilities ensures that public investments provide value for money, assets are recorded, and managed, fiscal risks are identified, and debts and guarantees are prudently planned, approved, and monitored.

Figure 2.3: Pillar 3-Summary of PEFA scores



129. Overall performance: key strengths and weaknesses

- Fiscal risk reporting is found to be weak at aggregate level;
- Public corporations do not submit their audited financial statements on time;
- Foreign financed projects are better appraised than those domestically financed;
- Lifecycle investment project costing is not conducted for any of the PSIPs;
- Information on the physical work progress is collected by each implementing agency. However, it does not align with the financial plan and the schedule;
- Investments in state owned and public corporations are valued based on acquisition cost, not market value;
- Most of the fixed assets are recorded in the public accounting system except land and buildings, heritage places, Lagoons, inhabited island, etc which are recorded manually;
- Debt management is generally found to be strong.

130. Analysis: Fiscal risk reporting is found to be weak at aggregate level mainly because local councils do not submit financial statements on time. Public corporations also do not submit their audited financial statements on time (PI-10). Foreign financed projects are better appraised than those domestically financed. Some development partners conduct economic analysis using their own methodology, but in most cases are not published. Feasibility studies are conducted to assess some major investment. Technical selection is carried out and all projects are being selected by the President's Office based on standard criteria for project selection. Lifecycle investment project costing is not conducted for any of the PSIPs. Information on

the physical work progress is collected by each implementing agency. However, it does not align with the financial plan and the schedule (PI-11).

131. Investments in state owned and public corporations are valued based on acquisition cost and the financial performance of these public corporations are monitored, evaluated and published annually; after assessing key financial areas such as dividend, ROI and liquidity ratios. Records of treasury loans disbursed to public corporations and the dividend receivable from public corporations to government are also maintained (PI-12). Most of the fixed assets are recorded in the public accounting system except land and buildings, heritage places, Lagoons, inhabited island, etc which are recorded manually. Procedures and rules for the transfer or disposal of nonfinancial assets are established though partial information on transfers and disposals is included in financial reports (PI-12).
132. Debt management is generally found to be strong where domestic and foreign debt and guaranteed debt records are complete, accurate, and updated quarterly. A current medium-term debt management strategy is publicly reported and comprehensive management and statistical reports covering debt service, stock, and operations are produced at least annually (PI-13).

PI-10. Fiscal risk reporting

133. What does PI-10 measure? This indicator measures the extent to which fiscal risks to central government are reported. Fiscal risks can arise from adverse macroeconomic situations, financial positions of subnational governments or public corporations, and contingent liabilities from the central government's own programs and activities, including extra-budgetary units. They can also arise from other implicit and external risks such as market failure and natural disasters. This indicator contains three dimensions and uses the M2 (AV) method for aggregating dimension scores.

Coverage: Dimension 10.1: CG-controlled public corporations. Dimension 10.2: Subnational government entities that have direct fiscal relations with the CG. Dimension 10.3: CG.

Time period: Dimensions 10.1, 10.2, and 10.3: Last completed fiscal year.

Indicator / Dimension	Score
PI-10. Fiscal risk reporting	D+
10.1. Monitoring of public corporations	D
10.2. Monitoring of subnational governments	D
10.3. Contingent liabilities and other fiscal risks	C

134. **General description of the system in place in Maldives:** To oversee and monitor the public corporations, "Public Enterprises monitoring Unit" (PEMU) was formed as a part of Ministry of Finance on 1 March 1995 and the name was changed to "Public Enterprise monitoring and Evaluation Board" (PEMEB) in 11 November 1998.

135. With the adoption of the Privatization and Corporatization Act in 2013, a Privatization and Corporatization Board was formed, and the secretary work of the board was performed by PEMEB. This Board consists of a total of seven members appointed by the President of Maldives, including the Chairman and Vice Chairman of the Board. In 2019, the name of the unit was changed to "Secretariat of Privatization and Corporatization Board" (PCB).¹⁵

136. According to the Act, the functions of the privatization and Corporatization board are:

- To organize, carry out, implement, look after and control the privatization of government businesses;
- To determine the procedure of privatization and get them approved by the President of Maldives;
- To monitor all the stages of privatization of government businesses;
- Implement the procedures for choosing the people to be appointed by the Government to the Board of the public corporations, and then appoint them;
- Evaluate the fiscal status and budget analysis, the use of the capital allotted by the government, maintain the accounts and implement the procedures for the distribution of annual profits, determine the actions to be taken against companies that does not generate a profit, discuss with the relevant authorities about what to do about entities that fail to produce a profit even after taking action against them except the places that are run for community services by public corporations;
- Investigate the fiscal performance and the budget of public corporations;
- Investigate the use of the capital allotted by the government and make any investigations related to increasing the capital of public corporations;
- Carry out research on taking loans with the government as the guarantor and investigate the use of such funds taken by public corporations.

137. The Act also stipulates the reporting requirements of public corporations. These include:

- Estimated budget of the Board for the upcoming year should be sent to the Ministry of Finance including the estimated income, recurrent expenditure and capital expenditure according to the financial act and regulation of the state.
- An annual Report detailing the works carried out by the Board within the financial year should be submitted to the President of Maldives and the Parliament within three months after the end of each financial year.
- At the end of June and December of each year, the Board should submit a report to the secretariat containing the work carried out by the Board during those 6 (six) months, main proposals received and accepted by the Board

138. There are currently 32 public corporations in total; 20 of them are fully owned (100%) by the government. Government has majority shareholding (50%-99%) of 6 out of the 32 and the remaining 6 are minority

¹⁵ The Privatization and Corporation Act is available at <http://www.finance.gov.mv/public-finance/legislation/acts/privatization-corporatization-act>.

shareholding (11%-49%) companies. The government also has shares in 29 joint venture companies where CG holds 5 to 10 percent of shares (refer to PI-12).

139. **Recent or ongoing reform activities:** None.

10.1. Monitoring of public corporations

140. Performance level and evidence for scoring: It can be derived from the table below that;

- 53% companies, in value, have submitted the audited financials within six months from the end of the financial year.
- 72% of companies, in value, have submitted their audited financial statements within 9 months of the end of the fiscal year.

141. It must be noted that all the Public Corporations in the above table submit quarterly reports to PCB and PCB follows up with those companies who do not sent the reports as per the schedule. (All Public Corporations are required to submit quarterly reports within 15 days of the end of the quarter).

142. As stated, above PCB publishes a financial performance review of quarterly reports. However, performance is less than required for a C score as a major company (HBC, accounting for 29% of the sector in value) did not submit the audited financial statements within 9 months.

143. The score for the present dimension is D.

Table 10.1: % of Pubic Corporations submitting audited financial statements to PCB

#	Company	Category	Date of Submission of most recent audited accounts	Financial year to which the audited accounts refer	Number of months between the end of the financial year and the date of submission	Operating profit for the most recent audited year	As a % of total operating profit of SOEs	Published (Y/N)
1	HOUSING DEVELOPMENT CORPORATION (HDC)	A	29-Dec-19	2018	> 9 months	2,606,444,428	29%	N
2	BANK OF MALDIVES (BML)	Public	29-Apr-19	2018	< 6 months	2,082,318,000	23%	Y
3	MALDIVES AIRPORTS COMPANY LTD (MACL)	A	29-Jul-19	2018	< 9 months	1,401,048,795	16%	Y
4	DHIVEHI RAAJJEYGE GULHUN PLC	Public	29-Apr-19	2018	< 6 months	1,102,647,000	12%	Y
5	MALE WATER AND SEWERAGE COMPANY (MWSC)	A	22-May-19	2018	< 6 months	503,151,969	6%	Y
6	STATE TRADING ORGANIZATION PLC (STO)	A	8-May-19	2018	< 6 months	380,472,026	4%	Y
7	MALDIVES PORTS LIMITED (MPL)	A	17-Jun-19	2018	< 6 months	276,639,233	3%	Y
8	ISLAND AVIATION SERVICES LTD (IASL)	B	30-Jul-18	2017	< 9 months	209,791,251	2%	N
9	MALDIVES ISLAMIC BANK (MIB)	Public	29-Apr-19	2018	< 6 months	174,590,165	2%	Y
10	STATE ELECTRIC COMPANY LTD (STELCO)	A	18-Jun-19	2018	< 6 months	160,516,991	2%	Y
11	HOUSING DEVELOPMENT FINANCING CORPORATION PLC (HDFC)	C	25-Apr-19	2018	< 6 months	126,306,836	1.4%	Y
12	MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC (MTCC)	A	14-Jul-19	2018	< 9 months	83,214,909	1%	Y
13	MALDIVES TOURISM DEVELOPMENT CORPORATION	Public	25-Jul-19	2018	< 6 months	27,809,908	0.3%	Y
14	GULHIFALHU INVESTMENTS LIMITED*	C	8-Aug-19	2018	< 9 months	6,004,543	0.07%	N
15	MALDIVES SPORTS CORPORATION (MSCL)	E	18-Jun-19	2018	< 6 months	960,000	0.01%	Y
16	AASANDHA COMPANY LIMITED	E	26-Dec-19	2018	> 9 months	-	0%	N
17	MALDIVES MARKETING AND PUBLIC RELATIONS CORPORATION (MMPRC)	E	8-Dec-19	2016	> 9 months	(2,932,893)	0.0%	N
18	THILAFUSHI CORPORATION LIMITED*	C	8-Aug-19	2018	< 9 months	(5,941,976)	-0.1%	N
19	MALDIVES CENTER FOR ISLAMIC FINANCE (MCIF)	E	24-Jun-19	2018	< 6 months	(7,175,922)	-0.1%	Y
20	MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION (MITDC)	E	30-Dec-18	2017	> 9 months	(8,009,352)	-0.1%	N
21	MALDIVES HAJJ CORPORATION LTD (MHCL)	E	1-Nov-19	2018	> 9 months	(15,743,411)	-0.2%	N
22	KAHDHOO AIRPORTS COMPANY LTD (KAACL)	E	29-Oct-18	2016	> 9 months	(19,816,045)	-0.2%	N
23	FENAKA CORPORATION (FENAKA)	E	30-Jun-19	2017	> 9 months	(23,636,701)	-0.3%	N
24	ADDU INTERNATIONAL AIRPORT (AIA)	E	18-Jun-19	2018	< 6 months	(54,252,419)	-0.6%	Y
25	WASTE MANAGEMENT CORPORATION (WAMCO)	E	16-Sep-18	2017	< 9 months	(59,227,514)	-0.7%	N

Source: data from PCB.*THL and GIL have been merged and formed a company called* Greater Male Industrial Zone Ltd* in 2018.

144. Possible causes of PFM performance identified during the PEFA assessment: Even though an annual Report detailing the works carried out by the Board of public corporations within the financial year is required be submitted to the President of Maldives and the Parliament within three months after the end of each financial year, this is not being respected by most public corporations.

10.2. Monitoring of subnational governments

145. Performance level and evidence for scoring: As per the Decentralization Act, councils have to submit their audited financial statements of the previous year to the Local Government Authority (LGA) by the 10th March. In 2019, only six councils met this deadline, although 130 councils (representing 62 percent as a share of budget allocated to councils in 2019) submitted their financial statements to the LGA within the first six months of the year. However, as the law does not require the publication of the audited financial statements, this is currently not being done except on an ad hoc, voluntary basis by a few councils. Hence, the score for the present dimension is D.

Table 10.2: Submission of SNG financial statements to the AG Office and LGA

#	Council	Unaudited Financial statement published? (y/n)	Date on which financial statement for 2018 was submitted to AG Office and LGA	2019 budget (MVR)
1.	HA. Atoll Council	Yes	19-mar	6,500,000
2.	HA. Thuraakunu Council	Yes	17-mar	2,180,000
3.	HA. Molhadhoo Council	Yes	20-mar	1,600,000
4.	HA. Hoarafushee Council	Yes	14-mar	4,480,000
5.	HA. Ihavandhoo Council	Yes	03-mar	3,490,000
6.	HA. Kelaa Council	Yes	31-mar	3,290,000
7.	HA. Vashafaru Council	Yes	10-apr	1,930,000
8.	HA. Dhidhdhoo Council	Yes	14-mar	3,720,000
9.	HA. Filladhoo Council	Yes	25-mar	2,110,000
10.	HA. Maarandhoo Council	Yes	31-mar	2,410,000
11.	HA. Thakandhoo Council	Yes	20-mar	1,820,000
12.	HA. Utheemu council	Yes	04-mar	2,340,000
13.	HA. Muraidhoo Council	Yes	09-apr	1,940,000
14.	HA. Baarashu Council	Yes	21-mar	2,500,000
15.	HDh. Nolvivaranfaru Council	Yes	31-mar	2,900,000
16.	HDh. Nellaidhoo Council	Yes	25-mar	2,240,000
17.	HDh. Nolvivaramu Council	Yes	19-mar	2,480,000
18.	HDh. Kurinbee Council	Yes	14-mar	1,850,000
19.	HDh. Kulhudhuffushi Council	Yes	31-mar	6,030,000
20.	HDh. Kumundhoo Council	Yes	15-mar	2,810,000

#	Council	Unaudited Financial statement published? (y/n)	Date on which financial statement for 2018 was submitted to AG Office and LGA	2019 budget (MVR)
21.	HDh. Vaikaradhoo Council	Yes	11-apr	3,210,000
22.	Sh. Atoll Council	Yes	31-mar	6,360,000
23.	Sh. Kanditheemu Council	Yes	17-mar	2,630,000
24.	Sh. Foakaidhoo Council	Yes	21-mar	2,700,000
25.	Sh. Narudhoo Council	Yes	27-mar	2,380,000
26.	Sh. Lhaimagu Council	Yes	11-feb	2,020,000
27.	Sh. Komandoo Council	Yes	18-mar	2,370,000
28.	Sh. Maangoodhoo Council	Yes	31-mar	2,140,000
29.	Sh. Funadhoo Council	Yes	26-mar	3,250,000
30.	N. Atoll Council	Yes	18-mar	4,840,000
31.	N. Henbadhoo Council	Yes	20-mar	1,550,000
32.	N. Kendhikulhudhoo Council	Yes	09-apr	2,590,000
33.	N. Kudafaree Council	Yes	30-mar	2,070,000
34.	N. Magoodhoo Council	Yes	21-mar	1,660,000
35.	N. Manadhoo Council	Yes	10-apr	2,660,000
36.	N. Holhudhoo Council	Yes	24-feb	2,700,000
37.	N. Velidhoo Council	Yes	31-mar	3,670,000
38.	R. Atoll Council	Yes	28-mar	6,100,000
39.	R. Alifushee Council	Yes	13-feb	3,000,000
40.	R. Vaadhoo Council	Yes	17-mar	1,780,000
41.	R. Rasgetheemu Council	Yes	27-mar	2,090,000
42.	R. Angolhitheemu Council	Yes	13-mar	2,290,000
43.	R. Hulhudhuffaaruu Council	Yes	11-mar	2,530,000
44.	R. Ungoofaaruu Council	Yes	30-mar	4,000,000
45.	R. Maakurathu Council	Yes	14-mar	2,580,000
46.	R. Maduhvaree Council	Yes	01-apr	2,690,000
47.	R. Inguraidhoo Council	Yes	31-mar	2,580,000
48.	R. Meedhoo Council	Yes	31-mar	3,000,000
49.	R. Fainu Council	Yes	17-mar	1,670,000
50.	R. Kinolhahu Council	Yes	19-mar	1,990,000
51.	B. Atoll Council	Yes	26-mar	4,940,000
52.	B. Kudarikilu Council	Yes	31-mar	2,210,000
53.	B. Kamadhoo Council	Yes	31-mar	1,550,000
54.	B. Kendhoo Council	Yes	17-mar	2,500,000
55.	B. Kihaadhoo Council	Yes	18-mar	1,780,000

#	Council	Unaudited Financial statement published? (y/n)	Date on which financial statement for 2018 was submitted to AG Office and LGA	2019 budget (MVR)
56.	B. Dharavandhoo Council	Yes	26-mar	2,940,000
57.	B. Maalhohu Council	Yes	14-feb	2,040,000
58.	B. Eydhafushi Council	Yes	31-mar	3,840,000
59.	B. Thulhaadhoo Council	Yes	30-mar	2,840,000
60.	B. Hithaadhoo Council	Yes	14-mar	2,230,000
61.	B. Fehendhoo Council	Yes	04-mar	1,520,000
62.	B. Goidhoo Council	Yes	25-mar	2,070,000
63.	Lh. Atoll Council	Yes	17-mar	4,840,000
64.	Lh. Kurendhoo Council	Yes	17-mar	3,130,000
65.	K. Gaafaru Council	Yes	30-mar	2,470,000
66.	K. Dhiffushi Council	Yes	17-mar	1,950,000
67.	K. Huraa Council	Yes	28-mar	2,620,000
68.	K. Himmafushi Council	Yes	20-mar	2,300,000
69.	K. Maafushee Council	Yes	20-mar	2,500,000
70.	K. Guraidhoo Council	Yes	31-mar	3,850,000
71.	AA. Atoll Council	Yes	31-mar	4,000,000
72.	AA. Rasdhoo Council	Yes	13-mar	2,560,000
73.	AA. Ukulhahu Council	Yes	13-mar	3,900,000
74.	AA. Mathiveri Council	Yes	28-mar	2,380,000
75.	AA. Feridhoo Council	Yes	27-mar	1,870,000
76.	AA. Himandhoo Council	Yes	14-mar	1,960,000
77.	ADh. Atoll Council	Yes	20-mar	4,550,000
78.	ADh. Hanyaameedhoo Council	Yes	25-mar	2,410,000
79.	ADh. Kunburudhoo Council	Yes	14-apr	1,960,000
80.	ADh. Mahibadhoo Council	Yes	17-mar	2,520,000
81.	ADh. Maamigili Council	Yes	03-apr	2,550,000
82.	V. Atoll Council	Yes	13-mar	3,860,000
83.	V. Felidhoo Council	Yes	14-mar	2,200,000
84.	V. Keyodhoo Council	Yes	31-mar	2,220,000
85.	M. Atoll Council	Yes	31-mar	4,200,000
86.	M. Veyvash Council	Yes	04-apr	2,100,000
87.	M. Mulee Council	Yes	31-mar	2,230,000
88.	M. Naalaafushi Council	Yes	31-mar	1,750,000
89.	M. Kolhufushi Council	Yes	17-mar	2,220,000
90.	F. Atoll Council	Yes	12-mar	4,960,000

#	Council	Unaudited Financial statement published? (y/n)	Date on which financial statement for 2018 was submitted to AG Office and LGA	2019 budget (MVR)
91.	F. Feeali Council	Yes	14-mar	2,670,000
92.	F. Nilandhoo Council	Yes	31-mar	4,500,000
93.	Dh. Atoll Council	Yes	30-mar	4,500,000
94.	Dh. Rinbudhoo Council	Yes	30-mar	1,910,000
95.	Dh. Kudahuvadho Council	Yes	31-mar	4,200,000
96.	Th. Atoll Council	Yes	12-mar	5,720,000
97.	Th. Burunee Council	Yes	28-mar	2,040,000
98.	Th. Vilufushi Council	Yes	26-mar	3,000,000
99.	Th. Madifushi Council	Yes	31-mar	2,260,000
100.	Th. Dhiyamigili Council	Yes	28-apr	2,500,000
101.	Th. Kandoodhoo Council	Yes	04-mar	2,210,000
102.	Th. Hirilandhoo Council	Yes	30-mar	2,700,000
103.	Th. Veymandoo Council	Yes	14-mar	2,130,000
104.	Th. Kinbidhoo Council	Yes	05-mar	2,050,000
105.	Th. Omadhoo Council	Yes	25-mar	2,230,000
106.	L. Atoll Council	Yes	28-mar	5,960,000
107.	L. Kalaidhoo Council	Yes	14-feb	2,410,000
108.	L. Maabaidhoo Council	Yes	17-mar	2,570,000
109.	L. Mundoo Council	Yes	25-mar	1,830,000
110.	L. Gamu Council	Yes	31-mar	5,840,000
111.	L. Maavashu Council	Yes	08-apr	2,770,000
112.	L. Fonadhoo Council	Yes	30-mar	3,510,000
113.	L. Maamendhoo Council	Yes	19-mar	2,120,000
114.	L. Hithadhoo Council	Yes	30-mar	2,350,000
115.	L. Kunahandhoo Council	Yes	31-mar	2,320,000
116.	GA. Atoll Council	Yes	31-mar	5,000,000
117.	GA. Kolamaafushi Council	Yes	30-mar	2,300,000
118.	GA. Maamendhoo Council	Yes	31-mar	2,720,000
119.	GA. Nilandhoo Council	Yes	17-mar	2,700,000
120.	GA. Dhaandhoo Council	Yes	21-mar	2,440,000
121.	GA. Dhevadhoo Council	Yes	25-mar	2,340,000
122.	GA. Gemanafushi Council	Yes	17-mar	2,800,000
123.	GA. Kanduhulhudhoo Council	Yes	11-mar	1,610,000
124.	GDh. Atoll Council	Yes	20-mar	6,500,000
125.	GDh. Madaveli Council	Yes	17-mar	3,120,000

#	Council	Unaudited Financial statement published? (y/n)	Date on which financial statement for 2018 was submitted to AG Office and LGA	2019 budget (MVR)
126.	GDh. Nadalla Council	Yes	21-mar	2,260,000
127.	GDh. Vaadhoo Council	Yes	01-apr	2,330,000
128.	GDh. Thinadhoo Council	Yes	17-mar	4,450,000
129.	Addu City Council	Yes	31-mar	22,346,932
130.	Fuvahmulaku City Council	Yes	31-mar	3,749,595
Total 2019 council's budget				639,016,743.6
Budget of the councils that submitted audited statements within six months of year end				397,206,527.8
In % of total				62%

Source: LGA and SA Team calculations

146. Possible causes of PFM performance identified during the PEFA assessment: The Decentralization Act does not require the publication of the audited financial statements.

10.3. Contingent liabilities and other fiscal risks

147. Performance level and evidence for scoring: This dimension assesses monitoring and reporting of the central government's explicit contingent liabilities from its own programs and projects. Significant contingent liabilities are defined as those with a potential cost in excess of 0.5 percent of total BCG expenditure and for which an additional appropriation by the legislature would be required. However, this dimension does not assess explicit contingent liabilities arising from public corporations or subnational governments as they are assessed under dimensions 10.1 and 10.2 respectively.

148. As per the International Public Sector Accounting Standards (IPSAS) cash basis accounting principles and in accordance with section 38 of Public Finance Act (3/2006), Ministry of Finance is required to report on all contingent liabilities of the public body in the annual financial report. Ministry of Finance prepares the Statement of Government Guarantees under this Act and provides details and status of Guarantees on behalf of the Government including the outstanding commitments of those guarantees annually.

149. The Medium-Term Debt Management Strategy (MTDS) prepared in accordance with Fiscal Responsibility Act (FRA; 7/2013) highlights important measures to be taken to manage the external debt including strengthening the Sovereign Guarantee Issuance Guideline in order to minimise the risks associated with loan guarantees. It also mentions that a sovereign development fund has been established to act as a buffer in case of increased fiscal burden from increase in debt servicing cost.

150. In the Strategy, under 'Risks in the Debt Portfolio' the following macroeconomic risks are described and quantified. Although very relevant for the GoM fiscal position, various types of fiscal risks are not quantified in the report.

- a. Refinancing risk
- b. Interest rate risk

c. Currency risk

151. The below table 10.3.1 shows main categories of contingent liabilities that are captured by the GoM fiscal reports. Based on the analysis and supporting evidence, the score for the present dimension is C.

Table 10.3.1: Explicit/Implicit contingent liabilities and their incorporation in GoM fiscal reports.

Explicit / Implicit	Indirect (contingent) liabilities	Applicable to GoM and included in a GoM Fiscal Report.
Explicit liabilities (Legal obligation, no choice)	Guarantees for borrowing and obligations of private sector	Observed
	Guarantees for trade and exchange rate risks	Not observed
	Guarantees for private investments	Observed
	State insurance schemes (deposit insurance, public pension fund)	Observed
Implicit liabilities (Expectations – political decision)	Defaults of sub-national governments and other obligations	Not observed
	Defaults of SOEs on nonguaranteed debt	Not observed
	Liability clean-up in entities being privatized	Not observed
	Bank failures (support beyond state insurance)	Not observed
	Failures of nonguaranteed pension funds, or other social security funds	Not observed
	Environmental recovery, disaster relief	Not observed

PI-11. Public investment management

152. What does PI-11 measure? This indicator assesses the economic appraisal, selection, costing, and monitoring of public investment projects by the government, with emphasis on the largest and most significant projects. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores.

Coverage: CG.

Time period: Last completed fiscal year.

Indicator / Dimension	Score
PI-11. Public investment management	C
11.1. Economic analysis of investment projects	C
11.2. Investment project selection	B
11.3. Investment project costing	D
11.4. Investment project monitoring	C

153. General description of the system in place in Maldives: Information on investment projects is collected by the MoF during the budget preparation stage. The details in the project form contain some information on the project appraisal phase. This includes feasibility studies, financial assessments, economic assessments and environment impact assessments prepared by budgetary and extra-budgetary units. Under the new budget process formulated by the MoF in 2017, all new projects and programs submitted by budgetary units are reviewed and prioritized by using an internal standard criterion set by MoF staff. The annual budget includes PSIP for the respective year, with the same projects that are expected to carry on in the medium term included in the next 2 years and information on the total project construction cost. The government has mandated the Ministry of National Planning and Infrastructure to monitor all government infrastructure projects, including the donor funded ones.

154. The table below shows the ten projects with the highest investment belonging to the five Ministries with the highest PSIP spending in FY 2019. Of these, only for three projects, total capital cost amounts to at least one percent of total budget expenditure in 2019. These three projects are the ones considered for the purposed of PI-11 as per the Framework guidelines.

Table 11.1: List of major capital investment projects for FY 2019

Name of capital project	Capital cost	Total GoM budget expenditure	% of total budget
Velana International Airport Development (Runway)	6,781,870,200	28,491,191,588	23.8%
SIFCO / POLCO Housing Development Project	319,674,810	28,491,191,588	1.1%
Velana International Airport Development (Terminal)	5,508,981,571	28,491,191,588	19.3%
Provision of Water Supply, Sanitation & Waste Management - OFID Phase 2	212,322,556	28,491,191,588	0.7%
Construction Of 1500 Housing Unit - Phase 2	170,483,054	28,491,191,588	0.6%
Preparing Outer Island for Sustainable Energy Development – POISED	157,642,747	28,491,191,588	0.6%
Hulhumale Island Development Project	128,111,596	28,491,191,588	0.4%
Land Reclamation –Gulhifalhu	122,587,089	28,491,191,588	0.4%
Developing Regional Hospital - S. Hithadhoo	120,251,098	28,491,191,588	0.4%
Construction of King Salman Mosque	112,411,613	28,491,191,588	0.4%

Source: Ministry of National Planning and Infrastructure.

155. The table below shows the three projects whose total capital cost is one percent or more of the total expenditure in FY 2019 and the implementing budgetary unit.

Table 11.2: Development of the Investment Programme

Phase	Activity	Deadline	Responsible Budgetary Unit
1	Velana International Airport Development (Runway)	Ongoing	Ministry of Finance
2	SIFCO / POLCO Housing Development Project	Ongoing	Sifco / Polco
3	Velana International Airport Development (Terminal)	Ongoing	Ministry of Finance

Source: Ministry of National Planning and Infrastructure.

156. Recent or ongoing reform activities: The current focus of PFM reform is to improve monitoring of capital budget execution, namely the PSIP implementation. In this regard, the MoF has developed a portal for line ministries to report progress and monitor project implementation. The portal is expected to play a vital role in decentralizing the project implementation to local councils.

157. The MoF is also working with the Ministry of National Planning and the President's Office to formulate a standard vetting process for screening PSIPs. This is to be published and consistently applied by all line ministries.

11.1. Economic analysis of investment projects

158. Performance level and evidence for scoring: Information on investment projects is collected by the MoF during the budget preparation stage. The details in the project form contain some information on the project appraisal phase. This includes feasibility studies, financial assessments, economic assessments and environment impact assessments prepared by budgetary and extra-budgetary units. Most major investment projects carried out in the Maldives are carried out through foreign financing – either through bilateral or multilateral grants or loans. Foreign financed projects are better appraised than those domestically financed. Some development partners conduct economic analyses on their own methodology, but in most cases, these are not published. As one of the largest infrastructure projects carried out, feasibility studies were compiled for the Velana International Airport Runway Development project and the Velana International Airport Terminal Development project. The two together amount to 97% of total large project expenditure. Based on the analysis and supporting evidence, the score for the present dimension is C.

Table 11.3: Development of the Investment Programme

Name of capital project	Capital cost	Total GoM budget expenditure	% of total budget
Velana International Airport Development (Runway)	6,781,870,200	28,491,191,588	23.8%
SIFCO / POLCO Housing Development Project	319,674,810	28,491,191,588	1.1%
Velana International Airport Development (Terminal)	5,508,981,571	28,491,191,588	19.3%
Velana International Airport Development (Runway & Terminal)	12,290,851,771	Velana International Airport Development (Runway & Terminal) in % of total large project expenditure	97%
Total	12,610,526,581		

Source: Ministry of National Planning and Infrastructure

159. Possible causes of PFM performance identified during the PEFA assessment: Even though economic analysis is conducted for major public investments, the GoM does not have the practice of publishing the reports.

11.2. Investment project selection

160. Performance level and evidence for scoring: Under the new budget process formulated by the MoF in 2017, all new projects and programs submitted by budgetary units are reviewed and prioritized by using an internal standard criterion set by FAD. This applies also to all three large projects selected. This evaluation was carried out by the Ministry of National Planning and Infrastructure in 2019. The prioritized list is sent to the President's Office for final approval and selection to be included in the budget of that respective year. The criteria are not published at this time. Hence, the score for the present dimension is B.

161. Possible causes of PFM performance identified during the PEFA assessment: The MoF does not publish the internal standard criteria for reviewing and prioritizing of major investment projects, though these are applied in selection of projects.

11.3. Investment project costing

162. Performance level and evidence for scoring: The annual budget includes PSIP for the respective year, with the same projects that are expected to carry over in the medium term included in the next 2 years and information on the total project construction cost. No new projects are included in the two years following the budget year. Similarly, the projected recurrent costs of most major infrastructure projects that would be completed in the medium term and carry overs from previous years are not included in the budget figures. Lifecycle costing for any of the PSIPs have not been carried out yet. Hence, the score for the present dimension is D.

11.4. Investment project monitoring

163. Performance level and evidence for scoring: The government has mandated the Ministry of National Planning and Infrastructure to monitor all government infrastructure projects, including the donor funded ones. The President's Office also collects regular updates of the projects and publishes them in a special website¹⁶ including all relevant data. Each implementing agency has a project monitoring unit collecting information on the physical work progress. All the major investment projects are covered by this monitoring. However, it does not align with the financial plan and the schedule. Budgetary and extra-budgetary units are requested to prepare annual cash flow plans for PSIP projects for ease of cash flow management. Payments to contractors relating to the project are made based on the physical work progress. Hence, the score for the present dimension is C.

164. Possible causes of PFM performance identified during the PEFA assessment: The total cost and physical progress of major investment projects are monitored by the implementing government unit, the Ministry of National Planning, but standard procedures and rules for project implementation are not in place.

¹⁶<https://isles.gov.mv/>

PI-12. Public asset management

165. What does PI-12 measure? This indicator assesses the management and monitoring of government assets and the transparency of asset disposal. It contains three dimensions and uses the M2 (AV) method for aggregating dimension scores.

Coverage: Dimension 12.1: CG. Dimension 12.2: BCG. Dimension 12.3: CG for financial assets and BCG for nonfinancial assets.

Time period: Last completed fiscal year.

Indicator / Dimension	Score
PI-12. Public asset management	C+
12.1. Financial asset monitoring	B
12.2. Nonfinancial asset monitoring	C
12.3. Transparency of asset disposal	C

166. General description of the system in place in Maldives: The GoM maintains a record of its holding in public corporations and discloses them in the Ministry of Finance website. In terms of equity in public corporations, the privatization and corporatization act state the procedures and regulatory framework for privatization and corporatization and subsequent transfer or disposal of government shares in public corporations. Under the public Finance regulations, guidelines have been given established in the process for asset transfers and disposals. The agencies follow these guidelines and maintain the details manually.

167. Recent or ongoing reform activities: Under the public accounting strengthening project extensive work has been ongoing to capture the information that is not currently in the system. Meetings with responsible agencies have been conducted and data collection process is still ongoing. Date submission of the information has been extended until end of March 2020. Also new policies are being drafted and implemented. Reconciliation of records by contacting BA's and updating system records is on-going. Currently the following additional reforms are on-going.

- To roll out asset transfers and disposals to agencies. (currently MoF uploads these data)
- Establish public auction portal for assets disposals.
- Integration of the Portal and Public Accounting System.
- Assets via grants roll out. (Currently MoF uploads these data)
- Asset bar-coding via SAP
- PSIP project capitalization work
- All live agencies to use SAP as asset registers and to avoid different manual registers
- The government is in the process to record and maintain all loan information in CSDRMS.

12.1. Financial asset monitoring

168. Performance level and evidence for scoring: The GoM maintains a record of its holding in public corporations and discloses them in the Ministry of Finance website. The government also has shares in joint venture companies. These investments are valued based on acquisition cost and the financial performance of these public corporations are monitored, evaluated and published annually; after assessing key financial areas such as dividend, ROI and liquidity ratios.

169. The government also maintains records of treasury loans disbursed to public corporations the dividend receivable from public corporations to government. However, these loans are maintained in excel files, which is a high risk on the data maintenance. Other financial assets such as cash and receivables are recorded in the Public Accounting System by the budgetary units. Extra-budgetary units record financial assets such as cash and receivables in their respective records. Hence, the score for the present dimension is B.

170. Possible causes of PFM performance identified during the PEFA assessment: The GoM maintains a record of its holdings in all categories of financial assets but these are not recognized at fair or market value, in line with international accounting standards.

12.2. Non-financial asset monitoring

171. Performance level and evidence for scoring: Majority of the non-financial assets are recorded in the public accounting system. Table 12.1 gives a summarization of the asset categories covered in the public accounting system. The records include information on their usage and age. However, the information on Land & buildings, heritage places, lagoons and inhabited islands, is not captured in the Public accounting system. Manual records of these assets are maintained in different agencies.

172. But a consolidated main register of the GOM assets is not available. The period under review covers the last completed fiscal year 2018 and 2019. These records are yet to be imported to the Public Accounting System. Hence, the score for the present dimension is C.

Table 12.1: Summary of non-financial assets and recordings made

Categories	Subcategories	Where	Comment
Fixed Assets	Land & Buildings	Manual record	Informations are available in different agencies. Need to collect and record in SAP with proper valuation. Ongoing work of hiring a firm for asset valuation is in progress. And, SAP configuration tests need to be done.
	Furniture, Fixtures and fittings	Public accounting system	Captured in System. However, transfers, disposal not updated till year 2019. Thus, asset register is not correct. Reconciliation work being done by contacting the BA's. Transfers and disposals from 2020 onwards will be tracked via Neelan Portal and these data will be uploaded to SAP on monthly basis. Records are now received.
	Plant, Machineries, Equipment's, software and IT Hardware	Public accounting system	Captured in System. However, transfers, disposal not updated till year 2019. Thus, asset register is not correct. Reconciliation work being done by contacting the BA's. Transfers and disposals from 2020 onwards will be tracked via Neelan Portal and these data will be uploaded to SAP on monthly basis. Records are now received.

Categories	Subcategories	Where	Comment
	Vehicles	Public accounting system	Captured in System. However, transfers, disposal not updated till year 2019. Thus, asset register is not correct. Reconciliation work being done by contacting the BA's. Transfers and disposals from 2020 onwards will be tracked via Neelan Portal and these data will be uploaded to SAP on monthly basis. Records are now received.
	Tools, instrument and apparatus	Public accounting system	Captured in System. However, transfers, disposal not updated till year 2019. Thus, asset register is not correct. Reconciliation work being done by contacting the BA's. Transfers and disposals from 2020 onwards will be tracked via Neelan Portal and these data will be uploaded to SAP on monthly basis. Records are now received.
	Heritage places	Manual record	Records are manually maintained by BA's. To be started this year
	Lagoons, inhabited island, etc	Manual record	Records are manually maintained. It is planned to discuss with SAP consultant and Accrual committee and start according in 2020.

173. Possible causes of PFM performance identified during the PEFA assessment: TheGoM maintains majority of the non-financial assets but the information on Land & buildings, heritage places, lagoons and inhabited islands, is not captured in the Public accounting system.

12.3. Transparency of asset disposal

174. Performance level and evidence for scoring: In terms of equity in public corporations, the privatization and corporatization act state the procedures and regulatory framework for privatization and corporatization and subsequent transfer or disposal of government shares in public corporations. As per the Act a public corporation should be privatized as per the divestiture sequence plan approved by the president and the privatization and corporatization board must publish detail of public corporations listed for privatization.

175. Under the public Finance regulations, guidelines have been given established in the process for asset transfers and disposals. The agencies follow these guidelines and maintain the details manually. The agencies are required to send the details of assets transfers and disposals to Ministry of Finance. For the asset transfers and disposals, the original purchase cost and auctioned prices details are sent with the information, and these have been included in the financial reports. However, the records have not been updated in the public accounting system in previous years. These transactions are being recorded from year 2020. The period under review covers the last completed fiscal year 2018 and 2019.

176. In the last two years tremendous work has been done to automate this process and update the system. A portal called "Neelan Portal" has been established effective 2019 and all agencies are required to upload the assets that are sent for transfers and disposals via this portal. All Male' based agencies have been given training on this portal. The aim is to integrate this portal to public accounting system so that data records will be updated automatically. All government BA's assets are disposed through this. Thus, records are maintained, and process is transparent. Enhancement of the portal is on-going and data on disposals are now readily available and is monitored. With these new changes, guidelines have been updated and shared among the agencies. Hence, the score for the present dimension is C.

177. Possible causes of PFM performance identified during the PEFA assessment: Information on transfers and disposals is not captured in the public accounting system and hence, these are included in budget

documents, financial reports, or other reports. This is expected to improve with the automation of recording of assets transfers and disposals.

PI-13. Debt management

178. What does PI-13 measure? This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements. It contains three dimensions and uses the **M2 (AV)** method for aggregating scores.

Coverage: Dimensions 13.1 and 13.2: CG. Dimension 13.3: CG, except in federal states.

Time period: Dimension 13.1: At time of assessment. Dimension 13.2: Last completed fiscal year. Dimension 13.3: At time of assessment, with reference to the last three completed fiscal years.

Indicator / Dimension	Score
PI-13. Debt management	B
13.1. Recording and reporting of debt and guarantees	B
13.2. Approval of debt and guarantees	C
13.3. Debt management strategy	B

179. General description of the system in place in Maldives: The primary responsibility of debt recording, and reporting lies with the Debt Management Division (DMD) of Ministry of Finance. This division is further divided into three sections, which include Financing Section, Debt Policy, Strategy and Risk Management Section and Debt Recording and Reporting Section. DMD is responsible for managing public and publicly guaranteed debt with a view to assessing the macroeconomic impact of existing and new borrowing. The Public Finance Act (PFA) of 2006 gives the Minister of Finance the power to raise debt on behalf of the Government and to issue government guarantees in both budgetary and extra-budgetary units. In accordance with Article 20 of the Fiscal Responsibility Act (FRA; 7/2013) Minister of Finance is required to prepare Medium Term Debt Management Strategy (MTDS) and submit to People’s Majlis (parliament) annually.

180. Recent or ongoing reform activities: The ongoing activities include strengthening of debt management functions, in particular to the recommendations under DeMPA on legal framework and fiscal and credit risk assessment. Therefore, a comprehensive debt law is underway. Also, to strengthen the fiscal risk management and credit risk assessment process, MoF is currently reviewing existing sovereign guarantee guidelines. Further, as a recent activity, RMDMD was restructured to better align its functions as per the best practices following the 2019 DeMPA recommendations. In addition, debt office functions segregated within the Ministry such as SG issuance from PEM and T-bill issuance from TPAD were brought back to the Division.

13.1. Recording and reporting of debt and guarantees

181. Performance level and evidence for scoring: In DMD, securities, the external and domestic loans are recorded using the debt management software Commonwealth Secretariat Debt Recording and Management

System' (CS-DRMS). The Maldives Monetary Authority (MMA) records the securities using MS Excel spreadsheet. Comprehensive records on domestic and external debt are compiled and updated monthly. While the publicly guaranteed domestic and external debt are compiled and updated quarterly. With debt servicing, reconciliation of the CSDRMS with the Public Accounting System Records takes place monthly, reconciliation with the creditors' statements is done when the statements come in for each debt service payment. Further, a semi-annual reconciliation of all direct borrowings of the Government are conducted. Information on external and domestic debt was last audited in 2018 and AGO is in the process of finalizing the report. In summary, though domestic and external debt records are completed and accurately updated monthly, however with guarantees it is maintained and reconciled quarterly. A comprehensive management and statistical reports covering debt services and stock are produced semi-annually while stock is done monthly. Hence, the score for the present dimension is B.

182. Possible causes of PFM performance identified during the PEFA assessment: There is a good practice of updating debt records monthly, but guarantees are updated quarterly.

13.2. Approval of debt and guarantees

183. Performance level and evidence for scoring: The Public Finance Act (PFA) of 2006 gives the Minister of Finance the power to raise debt on behalf of the Government and to issue government guarantees after assessing the effects of the borrowing and issuance of the guarantee to the country's economy and public finances, and after getting President's approval. Article 5 stipulates that "when a proposal is made to issue debt or raise a loan in the name of the state or state owned enterprises through the government or for an issuance of a government guarantee, all the proposals must be made to the Minister in accordance with the Public Finance Act." Minister of Finance shall analyse and prepare the relevant documents for the President's approval.

184. In accordance with the PFA, whenever the government borrows, details regarding the borrowing must be sent by the Minister to the Parliament within 30 days from the date of borrowing. In addition, a copy of the assessment report about the borrowing must also be sent to the Parliament."

185. The Fiscal Responsibility Act (FRA) (Act No. 7/2013) establishes fundamental principles of government fiscal policy, including "maintaining Public Debt to Gross Domestic Product at a sustainable rate. One of the performance targets is a ceiling for raising new loans to maximum of 60% debt to previous year's GDP.

186. In summary, all the loan borrowings by the state, as well as lending and issuance of government guarantees must be processed by the Ministry of Finance. Hence, all the loan borrowings and guarantees have to be submitted for decision/approval by the President whenever a new loan is taken, and a new guarantee is issued. However, currently the GoM does not have an annual borrowing plan for the year ended 2019. Therefore, the score for the present dimension is C.

187. Possible causes of PFM performance identified during the PEFA assessment: Primary legislation grants authorization to borrow, issue new debt, and issue loan guarantees on behalf of the central government to entities specifically included in the legislation, the MoF. There are documented policies and procedures providing guidance for undertaking borrowing other debt-related transactions and issuing loan guarantees to one or several entities. Annual borrowing is approved through the budget process. However, currently the GoM does not have an annual borrowing plan for the year ended 2019.

13.3. Debt management strategy

188. Performance level and evidence for scoring: In accordance with Article 20 of the Fiscal Responsibility Act (FRA; 7/2013), the Minister of Finance is required to prepare Medium Term Debt Management Strategy (MTDS) and submit to People's Majlis (parliament) annually. Based on this Act, Debt Management Division (DMD) of Ministry of Finance (MoF) formulates and updates a three-year Medium-Term Debt Management Strategy on a yearly basis. The strategy is further published in the Ministry of Finance's website and is readily available for public reference under the Debt Management Tab¹⁷. The main activities proposed to be undertaken under MTDS 2019 Strategy are:

- b. Introduce more participants into the domestic market
- c. Increase longer term investments in the domestic market
- d. Introducing new and increasing current Islamic finance instruments in the domestic market and investing in such in the international market.
- e. Focus more on seeking grants and technical assistance, and concessional financing from development partners in order to maintain the public debt at a sustainable level.
- f. Strengthen the Sovereign Guarantee Issuance Guideline in order to minimize the risks associated with loan guarantees.
- g. Promote engagement of private sector in development programs initiated by the Government.
- h. Explore new and innovative financing instruments

189. The 2019 Strategy includes a detailed description of the recent developments in the debt portfolio, public debt targets, total public debt to gross domestic product (GDP) target, details of utilization of borrowed funds and target ratios of external and domestic debt. The Strategy also analyses the main risk indicators for the current debt portfolio including interest rate risk, exchange rate risk, fiscal risk, monetary risk and refinancing/rollover risk as well as other risks to debt portfolio such as macroeconomic challenges. Hence, this Strategy aims to outline the policies and actions to mitigate risks related to public debt. To summarize, though annual reporting against debt management objectives is provided to the legislature, government's annual plan for borrowing is not consistent with the approved strategy. Hence, the score for the present dimension is B.

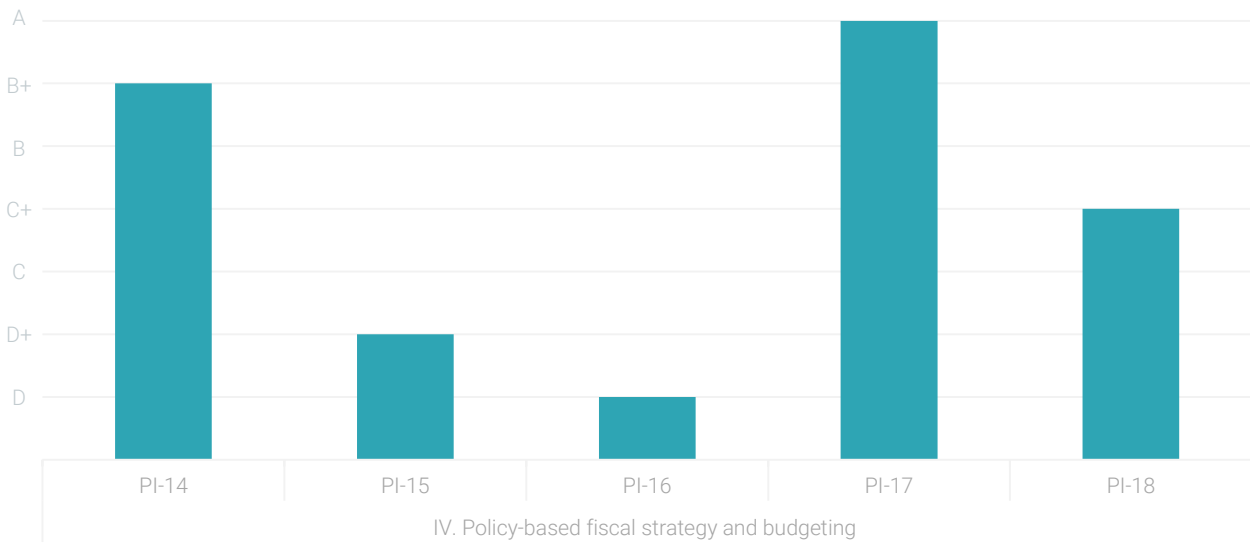
190. Possible causes of PFM performance identified during the PEFA assessment: Even though the GoM has prepared a good Debt Management Strategy (MTDS), the annual plan for borrowing is not consistent with this strategy.

¹⁷<https://www.finance.gov.mv/public-finance/debt-management>

PILLAR FOUR: Policy based fiscal strategy and budgeting

192. What does Pillar IV measure? The fiscal strategy and the budget are prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections.

Figure 2.4: Pillar 4-Summary of PEFA scores



193. Overall performance: key strengths and weaknesses

- The GoM's macroeconomic and fiscal forecasting is robust and verifiable. However, the annual medium-term fiscal strategy does not include the estimates of all proposed changes in revenue and expenditure.
- Aggregate expenditure ceilings are approved by the government before the first budget circular is issued, but for the budget year only.
- Medium-term strategic plans are prepared for some ministries, but none are costed.
- There exists a robust budget preparation process. However, the effectiveness of the budget preparation process is not evidenced with less budget virements because of the existence of large budget reallocations at both functional and economic levels.

194. Analysis: The GoM's macroeconomic and fiscal forecasting is robust and verifiable. The government prepares forecasts of key macroeconomic indicators for the whole economy, which, together with the underlying assumptions, are included in budget documentation submitted to the legislature (PI-14.1). Forecasts of the main fiscal indicators, including revenues (by type), aggregate expenditure, and the budget balance, for the budget year and two following fiscal years are prepared. This helped the budget documentation to include most of the required documents (PI-5). However, the annual medium-term fiscal strategy does not include the estimates of all proposed changes in revenue and expenditure. The fiscal strategy includes the overarching qualitative objectives of fiscal policy, medium term economic projections and medium-term budget projections. But this is undermined due the fact that no report is prepared by the government on the progress made against its fiscal strategy (PI-15). Aggregate expenditure ceilings are approved by the government before the first budget circular is issued, but for the budget year only. Medium-term strategic

plans are prepared for some ministries, but none are costed.

195. There exists a robust budget preparation process. A clear budget calendar exists and is generally adhered to and allows budgetary units at least six weeks from receipt of the BCC to complete their detailed estimates on time. A clear and comprehensive BCC is issued to budgetary units. The BCC reflects ceilings approved by the Cabinet prior to the circular's distribution to the budgetary units. The executive has submitted the annual budget proposal to the legislature at least two months before the start of the FY in each of the last three years (PI-17). However, the effectiveness of the budget preparation process is not evidenced with less budget virements because of the existence of large budget reallocations at both functional and economic levels. (PI-2.1 and PI-2.2).

PI-14. Macroeconomic and fiscal forecasting

196. What does PI-14 measure? This indicator measures the ability of a country to develop robust macroeconomic and fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It also assesses the government's capacity to estimate the fiscal impact of potential changes in economic circumstances. It contains three dimensions and uses M2(AV) for aggregating dimension scores.

Coverage: Dimension 14.1: the whole economy. Dimensions 14.2 and 14.3: CG.

Time period: Last three completed fiscal years.

Indicator / Dimension	Score
PI-14. Macroeconomic and fiscal forecasting	B+
14.1. Macroeconomic forecasts	A
14.2. Fiscal forecasts	A
14.3. Macro fiscal sensitivity analysis	C

197. General description of the system in place in Maldives: The forecasts of the key macroeconomic indicators are produced and deliberated by the Macroeconomic Coordinating Committee (MECC); a multi-agency committee established under Presidential decree. The committee is split into a technical and a policy committee, with the former responsible for coordinating among agencies at the technical level to produce the forecasts and the latter responsible for deliberating on the forecast. The committee is composed of the Ministry of Finance, Maldives Monetary Authority, Ministry of Tourism, Maldives Inland Revenue Authority and National Bureau of Statistics.

198. Recent or ongoing reform activities: A Fiscal Strategy Statement is presented to the President's Office and the People's Majlis in the early stages of the budget process. The macro fiscal sensitivity is modeled based on different macroeconomic assumptions and presented to policy makers in the budget formulation process, although this version is a working document that is not published.

14.1. Macroeconomic forecasts

199. Performance level and evidence for scoring: The forecasts of the key macroeconomic indicators during the review period was produced within and deliberated by the Macroeconomic Policy Coordinating Committee (MEPCC), a multi-agency committee split into a technical and a policy committee, with the former responsible for coordinating among agencies at the technical level to produce the forecasts and the latter responsible for deliberating on the forecast. The committee is composed of the Ministry of Finance, Maldives Monetary Authority, Ministry of Tourism, Maldives Inland Revenue Authority and National Bureau of Statistics. Within the technical committee the macroeconomic forecasts are produced jointly by the Maldives Monetary Authority and the Ministry of Finance. The full committee of members review the forecasts initially at the technical level, upon which is reviewed at the policy level to review and endorse the forecast. The macroeconomic forecasts are developed for the budget year and two following fiscal years and they cover the whole economy. They are elaborated by the MECC. The forecasts, together with the underlying assumptions, are included in the budget report submitted to the legislature. The forecasts are reviewed at least biannually and include GDP growth and inflation. Interest rates and exchange rates are not forecasted as; Maldives maintains a defacto fixed exchange rate regime with the US dollar, and as interest rates are not a tool of monetary and macroeconomic policy utilized in the Maldives (due to weak interest rate transmission to the macroeconomy). Hence, the score for the present dimension is A.

200. Possible causes of PFM performance identified during the PEFA assessment: The GoM has robust macroeconomic forecasts that are reviewed biannually.

14.2. Fiscal forecast

201. Performance level and evidence for scoring: Fiscal forecasts for the budget year and the two following fiscal years are updated based on revised macroeconomic projections and reflect government-approved expenditure and new revenue measures. They cover CG, as the EBUs listed under PI-6 are covered by the fiscal forecasts. The updated revenue projections include the budget balance, are presented by revenue type and the underlying assumptions are explained in the budget report. The updated expenditure estimates are based on the following year estimates of the preceding approved budget as a baseline, which is adjusted to consider the budget and medium-term fiscal impact of post-budget expenditure policy decisions. Variations between the final approved fiscal forecast and the projections included in the previous year's approved budget is explained and published in the budget report. The forecasts have been issued in FYs 2017, 2018 and 2019. Hence, the score for the present dimension is A.

202. Possible causes of PFM performance identified during the PEFA assessment: The GoM prepares robust fiscal forecasts and these forecasts, together with the underlying assumptions and an explanation of the main differences from the forecasts made in the previous year's budget, are included in budget documentation submitted to the legislature.

14.3. Macrofiscal sensitivity analysis

203. Performance level and evidence for scoring: A qualitative assessment of the impact of alternative macroeconomic assumptions is included in the budget report. The Medium-Term Fiscal Framework is used to model the fiscal scenarios based on different assumptions of macroeconomic conditions and other external factors that could impact revenue, expenditure and debt. The macrofiscal sensitivity analysis has been undertaken in FYs 2017, 2018 and 2019. It covers CG, as the EBU's listed under PI-6 are covered by the fiscal forecasts. Hence, the score for the present dimension is C.

204. Possible causes of PFM performance identified during the PEFA assessment: The range of fiscal forecast scenarios is not published, and the budget documents do not include discussion of forecast sensitivities.

PI-15. Fiscal strategy

205. What does PI-15 measure? This indicator provides an analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government's fiscal goals. It contains three dimensions and uses the M2(AV) method for aggregating dimension scores.

Coverage: CG.

Time period: Dimension 15.1: Last three completed fiscal years. Dimensions 15.2 and 15.3: Last completed fiscal year.

Indicator/Dimension	Score
PI-15. Fiscal strategy	D+
15.1. Fiscal impact of policy proposals	D
15.2. Fiscal strategy adoption	C
15.3. Reporting on fiscal outcomes	D

206. General description of the system in place in Maldives: The government prepares an annual medium term fiscal strategy which includes estimates for the medium term (the upcoming budget year and the following two fiscal years) as required by the Fiscal Responsibility Law. The MoF prepared the medium-term fiscal strategy for the period 2020 – 2022, which was endorsed by the Cabinet, submitted to the People's Majilis and published in the Government Gazette in 2019. As per the Fiscal Responsibility Law (No. 7/2013), the Ministry of Finance is required to prepare and submit to the People's Majilisa statement of medium-term fiscal strategy by the end of the month of July of every year and publish the statement in the Government Gazette.

207. Recent or ongoing reform activities: Estimates of all proposed changes in revenue and expenditure were incorporated into the fiscal strategy in 2019, and this change will be maintained going forward. The Ministry of Finance has decided in 2020 to annually study the progress made against the fiscal strategy published during the previous year, and to report the findings as a chapter of the next fiscal strategy document.

15.1. Fiscal impact of policy proposals

208. Performance level and evidence for scoring: The government prepares an annual medium-term fiscal strategy which includes estimates for the medium term (the upcoming budget year and the following two fiscal years) as required by the Fiscal Responsibility Law. However, the estimates of all proposed changes in revenue and expenditure were incorporated into the report for FY 2019 only. Hence, the score for the present dimension is D.

209. Possible causes of PFM performance identified during the PEFA assessment: The GoM has recently started to incorporate the estimates of all proposed changes in revenue and expenditure.

15.2. Fiscal strategy adoption

210. Performance level and evidence for scoring: The fiscal strategy guides the budget preparation process, and sets quantitative, time-based fiscal targets for revenue, expenditure and the corresponding deficit. The MoF prepared the medium-term fiscal strategy for the period 2020 – 2022, which was endorsed by the Cabinet, submitted to the People’s Majilis and published in the Government Gazette in 2019. The strategy sets targets to both budgetary and extra-budgetary units. As per the Fiscal Responsibility Law (No. 7/2013), the Ministry of Finance is required to prepare and submit to the People’s Majilis a statement of medium-term fiscal strategy by the end of the month of July of every year and publish the statement in the Government Gazette.

211. The fiscal strategy includes the overarching qualitative objectives of fiscal policy, medium term economic projections and medium-term budget projections. New revenue measures are identified, together with a timeline for implementation and the incremental revenue impact. In addition to baseline expenditure projections, an envelope for spending on new programmes and projects for the upcoming year was established. The assessment includes an analysis on the dynamics of public debt over the medium term and identified measures that are required to increase the efficiency of fiscal policy implementation. Hence, the score for the present dimension is C.

212. Possible causes of PFM performance identified during the PEFA assessment: The fiscal strategy prepared by MoF includes the overarching qualitative objectives of fiscal policy, medium term economic projections and medium-term budget projections. However, quantitative or qualitative fiscal objectives for at least the budget year and the following two fiscal years are not prepared.

15.3. Reporting on fiscal outcomes

213. Performance level and evidence for scoring: No report is prepared by the government on the progress made against its fiscal strategy. Hence, the score for the present dimension is D.

214. Possible causes of PFM performance identified during the PEFA assessment: The fiscal strategy is prepared for the period 2020 – 2022 and it is expected that MoF will start preparing a report on fiscal outcomes in the future.

PI-16. Medium-term perspective in expenditure budgeting

215. What does PI-16 measure? This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium-term budget expenditure ceilings. It also examines the extent to which annual budgets are derived from medium-term estimates and the degree of alignment between medium-term budget estimates and strategic plans. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores.

Coverage: BCG.

Time period: Dimensions 16.1, 16.2 and 16.3: Last budget submitted to the Legislature. Dimension 16.4: Last budget approved by the Legislature

Indicator / Dimension	Score
PI-16. Medium-term perspective in expenditure budgeting	D
16.1. Medium-term expenditure estimates	C
16.2. Medium-term expenditure ceilings	D
16.3. Alignment of strategic plans and medium-term budgets	D
16.4. Consistency of budgets with previous year's estimates	D

216. General description of the system in place in Maldives: The “last medium-term budget” as relates to the budget approved by the legislature for last completed fiscal year refers to the 2019 Budget. The “current medium-term budget” as relates to the budget approved by the legislature for the current fiscal year refers to the 2020 Budget. The “last budget submitted to the legislature” refers to the 2020 Budget.

217. Recent or ongoing reform activities: A multiyear, multi-sectoral Strategic Action Plan for the government has been compiled for the current presidential term. The new programs and projects proposed by ministries would be aligned to this document. Hence, the costing of the SAP is ongoing.

16.1. Medium-term expenditure estimates

218. Performance level and evidence for scoring: The 2020 Budget presents estimates of expenditure for the budget year and two following fiscal years allocated by administrative, economic, and functional classification. Since the economic classification of expenditure is disaggregated at the four-digit level, the economic classification does not allow ministries and program managers with the flexibility to manage and respond to budgetary pressures within their expenditure ceilings. Hence, the score for the present dimension is C.

219. Possible causes of PFM performance identified during the PEFA assessment: The economic classification does not allow ministries and program managers with the flexibility to manage and respond to budgetary pressures within their expenditure ceilings.

16.2. Medium-term expenditure ceilings

220. Performance level and evidence for scoring: As per the budget calendar for the 2020 Budget, the Fiscal Strategy with the medium-term expenditure ceilings are deliberated by Cabinet and baseline budget ceilings are assigned before the first budget call circular (BCC) is issued. That said, the first BCC was issued for the budget year only and administrative expenditure ceiling were communicated only for the budget year. Hence, the score for the present dimension is D.

221. Possible causes of PFM performance identified during the PEFA assessment: Aggregate expenditure ceilings for the two following fiscal years are not approved by the government before the first budget circular is issued.

16.3. Alignment of strategic plans and medium-term budgets

222. Performance level and evidence for scoring: Medium-term strategic plans are prepared for some ministries, including Education, Health and Environment. The strategic plans are however not costed and cannot this be considered in the evaluation of this dimension. The expenditure policy proposals in the annual budget estimates are instructed to align with the Strategic Action Plan of the government and the sectoral strategic plans. Hence, the score for the present dimension is D.

223. Possible causes of PFM performance identified during the PEFA assessment: The Ministries do not have the practice of costing medium-term strategic plans.

16.4. Consistency of budgets with previous year's estimates

224. Performance level and evidence for scoring: Neither the budget report nor the budget tables focus on explaining the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level. Hence, the score for the present dimension is D.

225. Possible causes of PFM performance identified during the PEFA assessment: The GoM does not have the practice of providing explanations on changes to expenditure estimates.

PI-17. Budget preparation process

226. What does PI-17 measure? This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely. It contains three dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

Coverage: BCG. Time period: Dimension 17.1 and 17.2: Last budget submitted to the Legislature. Dimension 17.3: Last three completed fiscal years.

Indicator / Dimension	Score
PI-17. Budget preparation process	A
17.1. Budget calendar	A
17.2. Guidance on budget preparation	A
17.3. Budget submission to the legislature	A

227. General description of the system in place in Maldives: The budget preparation process is guided by a Budget Calendar. The Budget Calendar is prepared by MoF and includes detailed stages of the budget process from issuance of circular to the approval of the draft budget by the Parliament.

228. Recent or ongoing reform activities: The budget for FY 2021 will include a pilot of program-based budgeting. In this effort, with the support of USAID, the GoM has already tested program budgeting in the 2020 budget with threeline-ministries ((i) Ministry of Fisheries, Agriculture and Marine resources, (ii) Ministry of Defence; and (iii) Ministry of Planning). The pilot program is expected to be rolled out with the 2021 budget via the budget module in SAP.

17.1. Budget calendar

229. Performance level and evidence for scoring: The calendar for the preparation of the 2020 budget was issued to budgetary units as part of the first Budget Call Circular (BCC) issued for the submission of new policy initiatives (NPI). The Budget Calendar includes detailed stages of the budget process from issuance of circular to the approval of the draft budget by the Parliament (Table 17.1). It is clear and adhered to. The BCC was issued on 1st week of April 2019. The deadline for the submission of the budget proposals by budgetary units was last week of June 2019, providing about 8 weeks for them to prepare their proposals. Though a separate circular is issued for recurrent and capital expenditure, they both were issued at the same time and the same deadline for budgetary units' submissions was provided in both. As seen in Table 17.2, all (98,2% in terms of expenditure, and all but one) budgetary units submitted their budget proposals on time. Hence, the score for the present dimension is A.

Table 17.1.1: Budget Calendar

Activity	Planned Date	Responsible Agency
Preparation of Medium-Term Fiscal Framework (MTFF)	1st February – 31st April	Ministry of Finance
Baseline Budget – Technical meetings	15th April – 15th May	Ministry of Finance, Budgetary units
Forecasting revenue, establishing baseline expenditure, propose a summary budget (Fiscal Strategy)	1st – 30th April	Ministry of Finance
Recommendation of the Cabinet for Fiscal Strategy	1st – 31st May	President's Office/ Cabinet
Allocate Baseline Budget Ceilings	15th – 31st May	Ministry of Finance
Budget Circular 1: New Policy Initiatives (NPI) - Programs & Projects	10th April – 30th June	Ministry of Finance
Budget Circular 2: Baseline Budget	1st June – 15th July	Ministry of Finance
Evaluate NPIs and send to Cabinet	1st – 31st July	Ministry of Finance, Ministry of National Planning & Infrastructure
Decision of the Cabinet on NPIs	1st – 15th August	President's Office/ Cabinet
Compilation and evaluation of Budgets	16th July – 31st August	Ministry of Finance
Recommendation of the Cabinet on the budget	1st – 30th September	President's Office/ Cabinet/ Ministry of Finance
Submit to Parliament	15th- 31st October	Ministry of Finance
Approve the Budget by the Parliament	1st – 30th November	Parliament

Source: BCC.

Table 17.2: Timeliness of budget submissions by budgetary units for the 2020 Budget.

In millions of MVR unless stated otherwise	Received on time/late	2019 Executed Expenditure	Received on time over total
President's Office	On Time	184.9	0.6%
People's Majlis	On Time	192.0	0.7%
Judicial Service Commission	On Time	13.9	0.0%
Department of Judicial Administration	On Time	484.3	1.7%
Elections Commission	On Time	104.0	0.4%
Civil Service Commission	On Time	47.7	0.2%
Human Rights Commission	On Time	23.0	0.1%
Anti-Corruption Commission	On Time	32.0	0.1%
Auditor General's Office	On Time	49.2	0.2%
Prosecutor General's Office	On Time	62.4	0.2%
Maldives Inland revenue Authority	On Time	86.3	0.3%
Employment Tribunal	On Time	8.2	0.0%
Maldives Media Council	On Time	5.0	0.0%
Maldives Broadcasting Commission	On Time	8.4	0.0%
Tax Appeal Tribunal	On Time	5.6	0.0%

In millions of MVR unless stated otherwise	Received on time/late	2019 Executed Expenditure	Received on time over total
Local Government Authority	On Time	36.3	0.1%
Information Commissioners Office	On Time	3.5	0.0%
National Integrity Commission	On Time	8.3	0.0%
Ministry of Finance	On Time	2,034.8	7.1%
Ministry of Defence	On Time	12.5	0.0%
Ministry of Home Affairs	On Time	78.4	0.3%
Ministry of Education	On Time	2,852.2	10.0%
Maldives Islamic University	On Time	42.9	0.2%
Maldives National University	On Time	188.1	0.7%
Ministry of Foreign Affairs	On Time	269.1	0.9%
Ministry of Health	On Time	2,021.8	7.1%
Ministry of Economic Development	On Time	66.8	0.2%
Ministry of Tourism	On Time	49.9	0.2%
Ministry of Youth, Sports and Community Empowerment	On Time	270.6	0.9%
Ministry of National Planning and Infrastructure	On Time	1,753.1	6.2%
Ministry of Fisheries, Marine Resources and Agriculture	On Time	103.7	0.4%
Ministry of Islamic Affairs	On Time	275.1	1.0%
Ministry of Environment	On Time	738.9	2.6%
Attorney General's Office	On Time	28.9	0.1%
Ministry of Gender, Family and Social Services	On Time	215.8	0.8%
MOFT / Special Budget	On Time	6,406.0	22.5%
MOFT / Pension Budget	On Time	1,302.1	4.6%
Maldives Police Services	On Time	1,504.5	5.3%
Maldives Customs Services	On Time	210.0	0.7%
National Social Protection Agency	On Time	1,686.7	5.9%
Dharumavantha Group of Hospitals	On Time	1,203.3	4.2%
Councils	On Time	889.1	3.1%
Ministry of Arts, Culture and Heritage	On Time	53.7	0.2%
Maldives National Defence Force	On Time	1,213.2	4.3%
Maldives Immigration	On Time	99.2	0.3%
Maldives Correctional Services	On Time	344.9	1.2%
Ministry of Transport & Civil Aviation	On Time	318.2	1.1%
Ministry of Communication, Science and Technology	On Time	60.7	0.2%
Family Protection Authority	On Time	6.8	0.0%
Ministry of Higher Education	Late	516.0	1.8%
National Disaster Management Authority	On Time	23.0	0.1%

In millions of MVR unless stated otherwise	Received on time/late	2019 Executed Expenditure	Received on time over total
Ministry of Housing & Urban Development	On Time	175.6	0.6%
Maldives International Arbitration Center	On Time	1.7	0.0%
Aviation Security Command	On Time	118.9	0.4%
TOTAL		28,491.2	98.2%

230. Possible causes of PFM performance identified during the PEFA assessment: There exists a strong fiscal discipline at GoM in strictly complying with the Budget Calendar.

17.2. Guidance on budget preparation

231. Performance level and evidence for scoring: The two circulars, one for the preparation of the new policy initiatives and one for the preparation of baseline budget, include ceilings detailed at the administrative level. Together, they cover the total budget expenditure for the full FY. They are clear and comprehensive. The ceilings are both approved by Cabinet before the BCC is sent to budgetary units. Hence, the score for the present dimension is A.

232. Possible causes of PFM performance identified during the PEFA assessment: MoF issues comprehensive and clear budget circular covering total budget expenditure for the full fiscal year reflecting approved ministry ceilings.

17.3 Budget submission to the legislature

233. Performance level and evidence for scoring: The budget was submitted two months before the end of the fiscal year in all past three completed FYs, to comply with the 2nd amendment to the Public Finance Act. The Parliament has completed its review of the budget through the Public Accounts Committee (PAC) of the Parliament before the end of the FY in all three completed FYs. Hence, the score for the present dimension is A.

Table 17.3 Dates of submission of the budget to the Parliament

Fiscal Year	Submission Date	Approved Date
2020	31st October 2019	5 Dec 2019
2019	31st October 2018	28 Nov 2018
2018	31st October 2017	22 Nov 2017

Sources: <http://www.finance.gov.mv/media/news/majlis-approved-the-government-budget-for-2018>, <https://maldivestimes.com/parliament-passes-record-state-budget-for-2018/>, <https://raajje.mv/45458>, <https://maldivesindependent.com/politics/record-budget-passed-for-2020-149631>

234. Possible causes of PFM performance identified during the PEFA assessment: The 2nd amendment to the Public Finance Act is complied with by the GoM and the budget was submitted two months before the end of the fiscal year in all past three completed FYs.

PI-18. Legislative scrutiny of budgets

235. What does PI-18 measure? This indicator assesses the nature and extent of legislative scrutiny of the annual budget. It considers the extent to which the legislature scrutinizes, debates, and approves the annual budget, including the extent to which the legislature's procedures for scrutiny are well established and adhered to. The indicator also assesses the existence of rules for in-year amendments to the budget without ex-ante approval by the legislature. The indicator contains four dimensions and uses the M1 (WL) method for aggregating dimension scores.

Coverage: BCG.

Time period: Dimension 18.1, 18.2 and 18.4: Last completed fiscal year. Dimension 18.3: Last three completed fiscal years.

Indicator / Dimension	Score
PI-18. Legislative scrutiny of budgets	C+
18.1. Scope of budget scrutiny	A
18.2. Legislative procedures for budget scrutiny	B
18.3. Timing of budget approval	A
18.4. Rules for budget adjustments by the executive	C

236. General description of the system in place in Maldives: The Ministry of Finance prepares the medium-term budget and submits to the Legislature for review and approval by the end of October in accordance with the 2nd Amendment to the Public Finance Act (No.: 8/2012). The Standing Order of the Majlis, approved in advance of budget hearings, clearly sets out the procedures for budget scrutiny by the legislature.

237. Recent or ongoing reform activities: Budget appropriation and virement rules were set out for the first time in May 2019 in the Procedure on Budget Appropriation and Virements and were implemented with the 2020 budget. The major change about appropriations is that the budget appropriation by the parliament will now be done at agency level, while only a headline budget ceiling was approved by parliament in the past. With regard to virements, the capital budget is now protected with no allocations allowed out of the public sector investment programme to other programmes.

18.1. Scope of budget scrutiny

238. Performance level and evidence for scoring: The Ministry of Finance prepares the medium-term budget and submits to the Legislature for review and approval by the end of October in accordance with the 2nd Amendment to the Public Finance Act (No.: 8/2012). The budget document includes economic and fiscal forecasts for the medium term, fiscal policy objectives and details of revenue and expenditure, and the parliament reviews these extensively. The Budget Committee leads the scrutiny process, and consults the Ministry of Finance, Maldives Monetary Authority and the Auditor General's Office during the proceedings. Extensive debate on the budget takes place after the committee review stage on the parliament floor. The parliament vote is taken only for the budget of the following fiscal year. Hence, the score for the present dimension is A.

239. Possible causes of PFM performance identified during the PEFA assessment: The 2nd Amendment to the Public Finance Act (No.: 8/2012) is complied with and the legislature rigorously examines the budget document, which includes all the required information.

18.2. Legislative procedures for budget scrutiny

240. Performance level and evidence for scoring: The Standing Order of the Majlis, approved in advance of budget hearings, clearly sets out the procedures for budget scrutiny by the legislature. The Standing Order of the 19th Majlis was followed during the budget proceedings of 2019, and includes the process for submission of the budget, formulation and proceedings of the Budget Committee and the budget debate process. The legislature's procedures to review budget proposals are thus approved by the legislature in advance of the hearings and are adhered to.

241. The Budget Committee accepts written feedback from the public on the budget. The committee meetings and budget debates are also generally broadcasted live on television. That said, explicit arrangements for public consultation are not specified in the standing orders. Internal arrangements include specialized review committees (the Budget Committee), technical support and negotiation procedures. Hence, the score for the present dimension is B.

Table 18.3 The Parliament's approval of the budget for the past three approved budgets.

Approved budget	Date of approval by the Parliament
2018	22 November 2017
2019	28 November 2018
2020	05 December 2019

Source: Budget Committee of Parliament.

242. Possible causes of PFM performance identified during the PEFA assessment: The standing order of the Majlis does not explicitly specify the arrangements for public consultation.

18.3. Timing of budget approval

243. Performance level and evidence for scoring: The fiscal year in the Maldives is set to coincide with the calendar year. The actual dates on which the parliament approved the annual budget is presented below. Therefore, the legislature has approved the annual budget before the start of each of the three previous fiscal years. Hence, the score for the present dimension is A.

244. Possible causes of PFM performance identified during the PEFA assessment: The legislature complies with the budget calendar and approves the budget before the start of the year.

18.4. Rules for budget adjustments by the executive

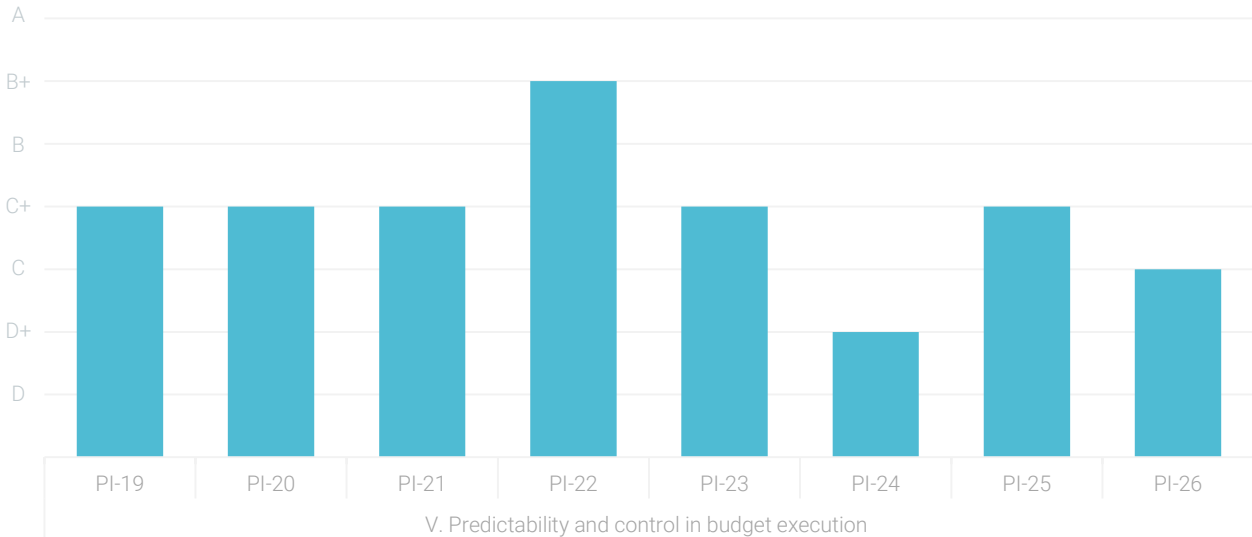
245. Performance level and evidence for scoring: Rules for in-year budget adjustments are laid out, and in-year budget adjustments are at the discretion of the Ministry of Finance based on requests from line ministries and agencies. The exception is that the total budget cannot exceed the ceiling approved by parliament, and this was adhered to in 2019. Hence, the score for the present dimension is C.

246. Possible causes of PFM performance identified during the PEFA assessment: The rules and regulations do not lay out the rules for in-year budget adjustments.

PILLAR FIVE: Predictability and control in budget execution

247. What does Pillar V measure? The budget is implemented within a system of effective standards, processes, and internal controls, ensuring that resources are obtained and used as intended.

Figure 2.5: Pillar 5-Summary of PEFA scores



248. Overall performance: key strengths and weaknesses

- Taxpayers have easy access to the up-to-date information;
- MIRA has good revenue risk management, audit and investigation procedures;
- The main shortcoming on revenue management emanates from revenue arrears monitoring;
- Revenue accounts reconciliation is limited to receipts and payments and assessments and arrears are not included;
- Budgetary units are provided reliable information on commitment ceilings at least one month in advance;
- No consolidation of bank and cash balances is taking place;
- There is a strong system of cash forecasting and monitoring;
- The stock of expenditure arrears is no more than 6% of total expenditure;
- Strong payroll system exists where the majority of payroll is processed through Human Resource and Capital Management (HRCM);
- Procurement data is not periodically submitted to the central procuring agency, National Tender. To this end, there is no complete database and/or statistics on actual procurement by each procurement method;

- The Independent Review Committee (IRC) is responsible to handle procurement complaints and enjoys full independence;
- Public access to procurement information is limited;
- Internal Audit functions are established in all of public offices regarding revenue and majority of public offices regarding expenditure .

249. Analysis: Taxpayers have easy access to the up-to-date information, via the office branches, MIRA website, and online portal regarding their rights and obligations for revenue measures. A Compliance Risk Management Framework has been documented and communicated across the organization to ensure that all compliance activities of MIRA are based on the level of risk associated with the taxpayers. Revenue audit and investigation are based on an audit plan. MIRA has conducted audits and fraud investigation of the majority revenue generating taxpayers. The main shortcoming emanates from revenue arrears monitoring, where arrears stand at 89% of collections at the end of 2019 (PI-19). Information on revenue collections are shared monthly to MoF. The funds generated by MIRA through all the online / card forms are remitted directly into the Public Bank Account. Revenue accounts reconciliation is limited to receipts and payments and assessments and arrears are not included.

250. Budgetary units are provided reliable information on commitment ceilings at least one month in advance. GoM is using the TSA system with a single bank account, the Public Bank Account (PBA) introduced in early 2010s. Separate bank accounts are also maintained outside the PBA, but no consolidation of bank and cash balances is taking place. There is a strong system of cash forecasting and monitoring where cash flow report is prepared daily, with actual cash inflows and outflows of the previous working day (PI-21) and data on the stock, age, and composition of expenditure arrears is generated daily. The stock of expenditure arrears is no more than 6% of total expenditure in at least two of the last three years (PI-22).

251. The majority of payroll is processed through Human Resource and Capital Management (HRCM) module of the SAP financial software for Male' based agencies. Yet, significant ministries do still process payroll of staff employed outside of the software. The authority and basis for changes to personnel records and the payroll are clear and adequate to ensure high integrity of data and retroactive payments are less than 3% of total salary payments. But partial audits or staff surveys have been undertaken within the last three completed fiscal years (PI-23). The relatively strong payroll controls have a positive impact on the credibility of the budget, and it is not surprising that aggregate expenditure (PI-1) is rated 'B'.

252. A fundamental weakness observed relates to procurement management. Procurement data is not periodically submitted to the central procuring agency, National Tender. To this end, there is no complete database and/or statistics on actual procurement by each procurement method. The Independent Review Committee (IRC) is responsible to handle complaints and enjoys full independence. Public access to procurement information is impaired by the fact that basic information such as procurement plans, data on resolution of procurement complaints and procurement statistics are not made public (PI-24).

253. Clear segregation of PFM responsibilities is enshrined in the regulation and the use of SAP provide evidence of appropriate segregation of duties prescribed throughout the expenditure process. Expenditure commitment controls are in place and effectively limit commitments to approved budget allocation for all expenditure, and to projected cash availability for expenditure above a high threshold value. But compliance with payment rules and procedures cannot be authenticated because Internal Audit does not conduct audits

on the compliance of payment processes or procedures (PI-24). Internal Audits are mainly focused on compliance and special audits. Internal Audit functions are established in all public offices regarding revenue and majority of public offices regarding expenditure (PI-26).

PI-19. Revenue administration

254. What does PI-19 measure? This indicator covers the administration of all types of tax and non-tax revenue for central government. It assesses the procedures used to collect and monitor central government revenues. It contains four dimensions and uses M2(AV) method for aggregating dimension scores.

Coverage: CG.

Time period: Dimension 19.1 and 19.2: At the time of assessment. Dimension 19.3 and 19.4: Last completed fiscal year.

Indicator / Dimension	Score
PI-19. Revenue administration	C+
19.1. Rights and obligations for revenue measures	A
19.2. Revenue risk management	B
19.3. Revenue audit and investigation	C
19.4. Revenue arrears monitoring	D

255. General description of the system in place in Maldives: The largest share of government revenue is collected by the Maldives Inland Revenue Authority (MIRA) and the Maldives Customs Service (MCS), both accounting for 88% of total revenue in 2019. The remaining revenue is collected by the other budgetary units and extra-budgetary units. The revenue collected by the EBUs account on average for around 1% of the total revenue. The Tax Acts, Regulations and rules provide for the different types of tax obligations and procedures. The Maldives Inland Revenue Authority (MIRA)'s website contains comprehensive and up-to-date legislations and guides (Taxation Acts, Regulations, Tax Rulings and Treaties) covering all tax types (Income Tax, BPT, GST, Withholding Tax, and Green Tax).

256. Recent or ongoing reform activities: Currently the GoM is undertaking the following reforms:

- Changes to the Tax Administration Act now allows taxpayers to appeal in the Tax Appeal Tribunal by paying only 30% of the tax amount in dispute without fines and interest, instead of clearing the full additional tax amount including fines and interest as per the Tax Administration Act before the revisions.
- Structural and functional changes are being undertaken to accommodate the compliance risk management framework that has been implemented recently to evaluate and treat compliance risks of the taxpayers.
- Process of reviewing efficiency of the existing compliance programs is to be undertaken and new actions plans for assessing and prioritizing risks for all major tax types are to be designed.

19.1. Rights and obligations for revenue measures

- 257. Performance level and evidence for scoring:** The Maldives Inland Revenue Authority (MIRA)'s website contains comprehensive and up-to-date legislations and guides (Taxation Acts, Regulations, Tax Rulings and Treaties) covering all tax types (Income Tax, BPT, GST, Withholding Tax, and Green Tax). The website is designed in a way that it is informative, covering recent tax developments, and deadlines that taxpayers should know. The taxpayers also have the opportunity to go through and make the use of the contents published in MIRA's website such as circulars, news and periodic revenue reports. It is vital to note that the Tax legislations (Acts and Regulations) are published in both English and Dhivehi language (native language of Maldives) as it would be easy for the taxpayers to comprehend the information. Furthermore, taxpayers can check their obligations, submit the tax returns, and pay their tax obligations via the online portal (MIRA Connect). This has made efficiency in recording taxpayer returns and saved a lot of time in administering the taxes.
258. MIRA uses multiple platforms to provide information to taxpayers such as MIRA's website, media interviews, news articles, social media, billboards, information desks, presentation sessions, hotline, email, SMS and mobile application. Taxpayers can access MIRA through almost all these platforms.
259. The taxpayer's obligations are mentioned in Section 26 of the Tax Administration Act stating, (a) to assess the correct amount of tax and pay to MIRA on time, (b) to make deductions only required by the Act, (c) to pay Withholding Tax as mentioned in the law, (d) to maintain all the documents accordance with the requirements and (e) to provide full cooperation to MIRA. In addition, Section 27 of the Tax Administration Act further explains on the requirements of record keeping.
260. Section 42 of the Tax Administration Act gives the right to object in writing, for the taxpayer, within 30 days upon a decision of MIRA. Additionally, Section 44 of the TAA also describes the right to appeal at the Tax Appeal Tribunal, if the taxpayer is still not happy after the objection decision is finalized. On 12 September 2019, redress process and procedures were changed, so that more taxpayers can submit appeals at the courts. It is MIRA's priority to educate taxpayers and informing about their tax obligations and rights. Hence, use of social media such as Facebook, Twitter and Instagram for spreading awareness is used on a day to day basis.
261. Similarly, the Maldives Customs Service also has up-to-date information available in their website in addition to contacts for customer support. All legislative documents and latest data relating to duties, imports and exports are included in the website. In addition, the organisation also uses social media to communicate updates and relevant other information to their stakeholders. However, most legislative texts are not available in the website in English. As the ASYCUDA system has been rolled out, payments can now be made online. Furthermore, Section 108 of the Customs General Regulation specifies the procedure for complains. In accordance with this section, any person dissatisfied with any act committed or omitted by the Customs Service may appeal to the Minister of Economic Development within 30 days to reconsider the matter. Where said person is dissatisfied with the decision made by the Minister, he may initiate a legal proceeding within 6 months from the day such decision was made. Matters of the Maldives Customs Service are appealed to the Civil Court of the Maldives. Hence, the score for the present dimension is A.

262. Possible causes of PFM performance identified during the PEFA assessment: MIRA has a robust website that provides all the relevant information regarding the rights and obligations of taxpayers. Other platforms are also used to provide information to taxpayers.

19.2. Revenue risk management

263. Performance level and evidence for scoring: The largest share of government revenue is collected by the Maldives Inland Revenue Authority (MIRA) and the Maldives Customs Service (MCS), both accounting for 88% of total revenue in 2019. MIRA has implemented a compliance risk management framework to evaluate compliance risks of the taxpayers and to develop appropriate treatment plans according to the nature and level of risk associated with the taxpayers. A dedicated section of MIRA is mandated to identify, assess and prioritize compliance risk based on a pre-determined compliance risk management methodology. Primarily MIRA's compliance efforts are directed towards education and facilitation of the taxpayers to increase voluntary compliance. Nonetheless, in order to maintain fairness and integrity of the tax system, swift and severe actions are taken against those who abuse the tax system.

264. Comprehensive action plans are to be designed to routinely monitor the compliance behaviour to reduce the risk of non-compliance by focusing on the broader obligations of the taxpayers; registration, filing, correct reporting and payment of taxes. Registration risk of the taxpayers are minimized with linkages to other relevant government registration systems, for instance; persons obtaining a business registration at the Ministry of Economic Development (MED) are simultaneously registered for tax, hence reducing the risk of non-registrants. Filing and payments risk of taxpayers are continuously monitored, and appropriate actions are taken against non-compliers according to published policies.

265. All reactive measures, such as audits, assessments and investigations are carried out against high-risk taxpayers identified through a partly structured and systematic approach of risk profiling carried out by the risk management function of MIRA. Furthermore, taxpayer population is segmented according to their revenue (Small, Medium and Large Taxpayers) and dedicated teams have been established to address risks in each segment of the taxpayer population. In order to ensure focus on the most significant issues and makes best use of available resources, audit plans are formulated according to the population and contribution of tax revenue of each taxpayer segment.

Table 19.1: Taxpayer classification for the year 2019

Details		TAXPAYER CLASSIFICATION			
		SMALL	MEDIUM	LARGE	TOTAL
A	Number of Active Registrants	23,722	1,099	1,556	26,377
B	Tax Revenue Contribution	8%	15%	77%	100%
C	Planned Audits	319	315	230	864
D	Coverage of Population (C/A)	1%	29%	15%	3%
E	Coverage of Tax Revenue	1%	2%	22%	25%

Source: Maldives Inland Revenue Authority.

266. Additionally, a specialized team of auditors are responsible for carrying out transfer-pricing audits and a dedicated team of investigators carry out investigations and extensive audits of more serious cases of non-compliance involving repeated offenders and suspected tax evaders. With the rollout of the ASYCUDA system, the Maldives Customs Services can identify risky transactions through the system based on a colour coded structure. Such transactions are investigated by the Maldives Customs Service and necessary action is taken against for non-compliance. A designated department exists within the Maldives Customs Service to undertake such investigations. Hence, the score for the present dimension is B.

267. Possible causes of PFM performance identified during the PEFA assessment: MIRA has implemented a compliance risk management framework to evaluate and mitigate compliance risks of the taxpayers. All reactive measures, such as audits, assessments and investigations are carried out against high-risk taxpayers identified through a partly structured and systematic approach of risk profiling carried out by the risk management function of MIRA.

19.3. Revenue audit and investigation

268. Performance level and evidence for scoring: Under ongoing audit of taxpayers one of the audit areas to check is the taxpayers internal control level. Based on the information received from the said internal control, necessary audit tests can be performed to detect whether there is any understated tax revenue being declared, which involves non-compliance as well. These are then addressed in the final assessment along with any additional amount of tax to be paid.

269. Risk assessment procedures are mentioned in the case-plan along with the risk areas involved in the taxpayer where an audit or investigation is commenced and ensured that the risks identified in both the case planning and conducting stage are being addressed in the audits/investigation of the case. Large businesses, which produce significant tax revenues include multinational transactions and their audits undertaken by transfer pricing audit section, identify significant amount of under declaration of tax resulting from an aggressive tax planning. MIRA ensures the auditors involved in the cases are objective and independent and has a skeptical approach whilst dealing such cases. Although an intelligence unit responsible for detection of tax evasion was in place, the unit was not able to exercise its full authority and discretion, primarily resulting from lack of expertise, resource constraints and difficulties in cooperation and coordination with other government agencies in gathering the necessary data.

270. With the lack of effective detection measures, investigations were further constrained by the statute of limitations in the tax laws. Tax Investigations must be completed within 3 years from the date of offense and sent for prosecution. Notwithstanding the efforts made to conduct investigations, the number of cases in which investigation was successfully completed with enough evidence for prosecution remains insignificant. Furthermore, MIRA does not have prosecutorial powers. The decision to proceed or not to proceed with the prosecution of a case submitted by MIRA is determined by the Prosecutor General after his own evaluation of the case. While prosecution of a few tax evasion cases is ongoing, none has reached a conviction to date. Moreover, penalties for non-compliance are not sufficiently high to deter non-compliance. Table 19.2 below shows the details of the audits completed for the year 2019 against planned audits.

Table 19.2: Targeted and completed audits by MIRA for the year 2019

Description	Completed	Target	%
Large Business Audits	333	386	86%
Corporate Business Audits	189	318	59%
Small Business Audits	188	425	44%
Assessment	46	67	75%
Extensive Audits/Investigation	23	42	55%
Total	779	1,238	63%

Source: Maldives Inland Revenue Authority.

271. The Maldives Customs Service does not have a planned number of audits to be carried out during the year. However, the audits are carried as needed as identified through the ASYCUDA system. The table below shows the number of audits carried out and completed by the Maldives Customs Service in 2019. Hence, the score for the present dimension is C.

Table 19.3: Targeted and completed audits by Customs Service for the year 2019.

	2019
Number of planned audits	39
Number of Audits Completed	27
% of completed audits	69.2%

Source: Maldives Customs Services.

272. Possible causes of PFM performance identified during the PEFA assessment: While the performance of large business audits and assessments by MIRA was better, the performance on other audit streams by both MIRA and Customs Services was too low. Capacity constraints and weak planning contributed to this low achievement.

19.4. Revenue arrears monitoring

273. Performance level and evidence for scoring: Revenue arrears are the amount of taxes and non-tax receipts payable but not paid and their corresponding fines accrued at the end of that respective date. As shown in Table 19.4, the total arrears balance as at the end of 2019 was 89% of total collections for the year. Amounts in arrears of MIRA in table 19.4 has been broadly classified to tax and non-tax revenues, and includes related accrued fines in each category, up to the end of 2019. Tax revenues include all taxes collected by MIRA relating to taxes on income and property, GST, and other taxes such as the Green Tax and Airport Service Charge. Non-tax receipts include fees, charges and property income collected by the MIRA. Most of the collections by the MCS includes receipts from Import Duties. While the arrears balance of MSC was at an acceptable level below 10%, the arrears balance at MIRA was significantly large especially for non-tax revenues. Detailed calculations are attached in Annex 8. MIRA is unable to generate required data relating to arrears age (unable to classify arrears into age groups). The information required to ascertain arrears older

than the last 12 months for MCS has not been made available by the MCS as of writing this report. Hence, the score for the present dimension is D.

Table 19.4: Arrears balance at the end of 2019

(MVR in millions)	Collections by MIRA		Collections by MCS	Total
	Tax	Non-tax		
Total collections	13,102	3,710	3,515	20,327
Arrears (year-end stock)	3,793	13,905	319	18,017
% of arrears	29%	375%	9%	89%
Total Enforced Collection	1,049	280	4	

*The figures here include related fines, in addition to tax and non-tax revenue
Source: MIRA and MSC.

274. Possible causes of PFM performance identified during the PEFA assessment: While MSC follows strong collection procedures of arrears, MIRA's collection procedures of arrears are found to be weak. This is specially reflected in non- tax arrears. Moreover, MIRA does not have prosecutorial powers. The decision to proceed or not to proceed with the prosecution of a case submitted by MIRA is determined by the Prosecutor General after his own evaluation of the case.

PI-20. Accounting for revenue

275. What does PI-20 measure? This indicator assesses procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling tax revenue accounts. It covers both tax and nontax revenues collected by the central government. It contains three dimensions and uses M1(WL) for aggregating dimension scores.

Coverage: CG.

Time period: At the time of assessment.

Indicator / Dimension	Score
PI-20. Accounting for revenue	C+
20.1. Information on revenue collections	A
20.2. Transfer of revenue collections	A
20.3. Revenue accounts reconciliation	C

276. General description of the system in place in Maldives The Maldives Inland Revenue Authority (MIRA), collects around 75% of total central government revenue. The rest of the MDAs are responsible for the collection of duties, fees and dividends. MIRA has established 3 collection points in the capital and 16 branches in the Atolls. Online services are facilitated through MIRA Connect (a user specific portal) and VaaruPay which does not require any pre- registrations. MIRA keeps records of each taxpayer in the SAP revenue management system including data for tax assessments, collections, and arrears.

277. Recent or ongoing reform activities: None

20.1. Information on revenue collections

278. Performance level and evidence for scoring: The Maldives Inland Revenue Authority (MIRA) collects around 75% of total government revenue. The rest of the MDAs are responsible for the collection of duties, fees and dividends. The Treasury and Public Accounts Department (TPAD) of the Ministry of Finance is responsible for ensuring that the relevant data relating to government receipts is posted and reconciled in the Public Accounting System (PAS) on a regular basis. Similarly, on a monthly basis, the central agency (Ministry of Finance) prepare monthly fiscal developments report, which includes revenue broken down by revenue type consolidating revenue data obtained from all government revenue generating entities. Hence, the score for the present dimension is A. The monthly revenue by revenue type for FY 2019 is attached in annex 9.

279. Possible causes of PFM performance identified during the PEFA assessment: The Treasury and Public Accounts Department (TPAD) of the Ministry of Finance receive monthly revenue data broken down by revenue type and a consolidated report is prepared.

20.2. Transfer of revenue collections

280. Performance level and evidence for scoring: MIRA has established 3 collection points in the capital and 16 branches in the Atolls. Online services are facilitated through MIRA Connect (a user specific portal) and VaaruPay which does not require any preregistrations. MIRA also has established multiple online payment methods such as a specialty VISA card for tax payments known as Vaaru card, credit and debit cards, through MRTGS (Maldives Real Time Gross Settlement) system, which is a form of direct bank transfer and through SWIFT or telex transfers for taxpayers transferring the payment from overseas accounts. The funds generated through all these forms are remitted directly into the Public Bank Account, which is controlled by the Finance Ministry. All cash and cheque and POS payments collected are also deposited on the next day to the Public Bank Account. As required under section 5.5 of the Public Finance Regulation published by the Ministry of Finance.

281. Some revenue collected by the atoll and island councils is remitted to the Public Bank Account sporadically, but it is reconciled as soon as notified and it is estimated to be less than 1% of the total revenue. The revenue collected by the Maldives Customs Service is deposited into the Public Bank Account daily. Collecting entities are not allowed to transfer any revenue collected. All transfers of revenue either earmarked or not should be carried out by the Ministry of Finance. Hence, the score for the present dimension is A.

282. Possible causes of PFM performance identified during the PEFA assessment: MIRA is using various types of online tax payment services which helped direct deposit to be made to the Public Bank Account. Other collections are also deposited daily to the Public Bank Account.

20.3. Revenue accounts reconciliation

283. Performance level and evidence for scoring: MIRA keeps records of each taxpayer in the SAP revenue management system including data for tax assessments, collections, and arrears. However, MIRA does not carry out full reconciliation on how much of the amounts levied are (a) not yet due, (b) in arrears (c)

the difference between what is due and what was paid. Reconciliation is done only between collections and deposits into the Public Bank Account. This is completed on a daily, weekly, monthly, quarterly and yearly basis. Bank statements are received to the Finance Ministry and MIRA daily, and are reconciled and updated into MoF SAP revenue management system by MIRA daily. In summary, MIRA, which collects most government revenues, undertakes reconciliation of collections and transfers to public bank account within the standard time. However, it does not perform any further reconciliation involving assessments and arrears. Similarly, the Maldives Customs Service also undertakes reconciliation of collections and transfers to the public bank account within the specified period. Hence, the score for the present dimension is C.

284. Possible causes of PFM performance identified during the PEFA assessment: The SAP revenue management system does not allow the full revenue reconciliation between of assessments, collections, arrears, and transfers to Treasury.

PI-21. Predictability of in-year resource allocation

285. What does PI-21 measure? This indicator assesses the extent to which the central MoF can forecast cash commitments and requirements and to provide reliable information on the availability of funds to budgetary units for service delivery. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores.

Coverage: BCG.

Time period: Dimension 21.1: At the time of assessment. Dimensions 21.2, 21.3 and 21.4: Last completed fiscal year.

Indicator / Dimension	Score
PI-21. Predictability of in-year resource allocation	C+
21.1. Consolidation of cash balances	D
21.2. Cash forecasting and monitoring	A
21.3. Information on commitment ceilings	C
21.4. Significance of in-year budget adjustments	C

286. General description of the system in place in Maldives: The GoM is using the TSA system with a single bank account, the Public Bank Account (PBA) introduced in early 2010s. Separate bank accounts are maintained outside the PBA on the Atolls for central government purposes and by some government institutions such as Maldives National University as well as local councils. Annual cash flow forecast is prepared by TPAD with the input of other MoF departments such as RMDMD, FAD and PEM. As a requirement under the Fiscal Responsibility Act, Ministry of Finance submits the annual cash flow plan to the parliament within 30 days from budget approval. As per the current public finance rules and procedures, budget implementation is only controlled by the total approved budget amount, with in-year adjustments and virements within a government agencies’ budget and across agencies at the discretion of the Ministry of Finance, initiated at the request of government agencies.

287. Recent or ongoing reform activities: GoM is working with MMA and Bank of Maldives (where all other separate bank accounts held at) to implement a fuller functioning TSA system where consolidation would be done of all bank balances. Currently the GoM is preparing the forecasts manually in excel. Going forward the GoM would be moving towards forecasting through BI module in PAS.

288. The *"Virement and Appropriations Procedure"* was gazetted in May 2019. With the procedure in place the government budget is now submitted and approved with appropriations by agencies. Furthermore, all expenditure by budgetary expenditures from their respective domestic budgets must be within the limits in the appropriation structure, with a contingency of 5%. No virements can be made from the budget allocated to the Public Sector Investment Program to other programmes or activities not included in the budget for the project.

289. In 2019 the Ministry of Finance introduced changes to the budget process with the automation of the budget compilation and implementation process through the BPC (budget planning and consolidation) module of the Public Accounts System. As per a Public Finance Circular, salaries, allowances and pensions will be controlled at the higher level of general ledger code. This is expected to substantially reduce the virement requests.

21.1. Consolidation of cash balances

290. Performance level and evidence for scoring: The GoM is using the TSA system with a single bank account, the Public Bank Account (PBA) introduced in early 2010s. Separate bank accounts are maintained outside the PBA on the Atolls for central government purposes and by some government institutions such as Maldives National University. There is no consolidation of bank and cash balances taking place. Hence, the score for the present dimension is D.

291. Possible causes of PFM performance identified during the PEFA assessment: consolidation of cash balances is not a requirement by requirement.

21.2. Cash forecasting and monitoring

292. Performance level and evidence for scoring: Cash flow forecasting and monitoring has much improved over the last 3 years. Contrary to the previous assessment, an annual cash flow forecast is prepared by TPAD with the input of other MoF departments such as RMDMD, FAD and PEM. The forecast is prepared on budgeted, projected revenues and expenditures (both based on historical trends). A cash flow report is prepared daily by TPAD, with actual cash inflows and outflows of the previous working day, to provide the most accurate information. The report also includes an age analysis of all open items for payment in PAS and information on commitments made from raising purchase orders by budget units. The report is shared daily with MoF stakeholders and weekly with MMA.

293. An internal and external cash flow committee is formed by the Minister to monitor and oversee the GoM cash flow. Internal meetings are held every week while external meetings are held every quarter. MMA and MIRA are represented at the external cash flow committee meeting. Updates to the forecasts are carried out weekly internal meetings and quarterly external meetings. Hence, the score for the present dimension is A.

294. Possible causes of PFM performance identified during the PEFA assessment: TPAD has started to prepare an annual cash flow forecast and this is updated regularly.

21.3. Information on commitment ceilings

295. Performance level and evidence for scoring: As a requirement under the Fiscal Responsibility Act, Ministry of Finance submits the annual cash flow plan to the parliament within 30 days from budget approval. Budget units are given their budget to allocate spending requirements for the full year upon approval of the budget for the year, thus giving the full authority for budgetary units to plan commitments for the year. Budget releases are however made on a monthly basis for both recurrent and capital expenditures. Budgetary units are required to raise purchase orders through the Material Management Module of the Public Accounting System and cannot incur spending until the budget release has been approved. The monthly cash flow releases can be revised by the budgetary units depending on commitment requirements and information on available funds can be viewed in the System. However, the Budget Committee has the right to approve/reject cash flow releases and budget virements based on cash flow requirements of the government. The Budget Committee is an internal committee formed within the ministry under the Public Finance Act and Regulation. The committee is comprised of the Financial Controller and staff from relevant departments from the Ministry of Finance. Commitment control for certain expenditure categories like purchase of capital equipment's and foreign air travel are often used as expenditure control measures during the last few months of the year and budget units will need to provide additional information with budget requests. Hence, the score for the present dimension is C.

296. Possible causes of PFM performance identified during the PEFA assessment: Budget releases are made on a monthly basis for both recurrent and capital expenditures and the Budget Committee have the right to approve/reject cash flow releases and budget virements based on cash flow requirements of the government.

21.4. Significance of in-year budget adjustments

297. Performance level and evidence for scoring: Significant in-year budget adjustments to budget allocations are not frequent and are transparent. Clear rules, guidelines and formal mechanism specified in advance do exist to increase the total budget, whereby a supplementary budget must be proposed to the parliament for approval as per the Constitution, the Public Finance Act and the Public Finance Regulation. For the last completed fiscal year of 2019, a Supplementary Budget request, to increase the budget was submitted to Parliament on August 21st, 2019 and approved August 27th, 2019. Hence, the score for the present dimension is A.

Table 21.4a: Supplementary budget for FY 2019

	MVR
Approved Expenditure	27,342,270,907
Supplement	1,703,198,070
Supplement as a percentage of approved expenditure (%)	6.2

Source: Supplementary budget for FY 2019 and Budget Book 2019.

298. Possible causes of PFM performance identified during the PEFA assessment: Significant in-year adjustment to budget allocations was taken place only once in a year and was done in a transparent and predictable way.

PI-22. Expenditure arrears

299. What does PI-22 measure? This indicator measures the extent to which there is a stock of arrears, and the extent to which a systemic problem in this regard is being addressed and brought under control. It contains two dimensions and uses the M1 (WL) method for aggregating dimension scores.

Coverage: BCG.

Time period: Dimension 22.1: Last three completed fiscal years. Dimension 22.2: At the time of assessment.

Indicator / Dimension	Score
PI-22. Expenditure arrears	B+
22.1. Stock of expenditure arrears	B
22.2. Expenditure arrears monitoring	A

300. General description of the system in place in Maldives: Data on stock of expenditure arrears is maintained in PAS. MoF rolled out Materials Management (MM) module of PAS to System to all Male' Based agencies/offices on April 2018, making it mandatory to all agencies to use the MM module when purchasing goods and services, enabling MoF to gain information of expenditure arrears at any date and time.

301. Recent or ongoing reform activities: Various efforts are put towards compliance of Public Finance regulations, mainly to record commitments in the PAS correctly.

22.1. Stock of expenditure arrears

302. Performance level and evidence for scoring: The data on stock of expenditure arrears in PAS is not complete as it does not include expenditures not yet recorded in the PAS. To curb this issue, MoF rolled out Materials Management (MM) module of PAS to System to all Male' Based agencies/offices on April 2018, making it mandatory to all agencies to use the MM module when purchasing goods and services, enabling MoF to gain information of expenditure arrears at any date and time. Expenditure arrears are defined locally as expenses posted to PAS but not processed for payment. All expenditures are to be recorded in the PAS at the time of commitment. As per PFR, all expenditures pending relating to past year should be recorded in PAS within 30 days of the new financial year.

303. At the end of year, no transfers are withheld at banks due to lack of cash in the bank account. Staff payroll, pension, loan obligations were met on time. As shown in table 22.1 below, the stock of arrears was less than 6% in two of the three years assessed. Hence, the score for the present dimension is B.

Table 22.1: Stock of Arrears and Total Budget Expenditures for Fiscal Years (2017-2019)

	FY 2017	FY 2018	FY 2019
Stock of Arrears	465,592,475.94	81,742,361.63	2,055,996,037.13
Share	2.07%	0.30%	7.00%
Total Budget Expenditures	22,497,547,128.00	27,400,344,106.00	29,374,535,881.00

Source: Public Accounting System and FS 2017 and 2018.

304. Possible causes of PFM performance identified during the PEFA assessment: Obligations for purchase of goods and services are not met on time which staff payroll, pension, loan obligations were met on time.

22.2. Expenditure arrears monitoring

305. Performance level and evidence for scoring: With the full rollout of Materials Management module of the Public Accounting System to all Male based agencies/offices on April 2018, a circular was issued (Ref no. 13-D2/CIR/2018/9). The circular made it mandatory to all agencies to use the MM module when purchasing goods and services. This enables MoF to monitor commitments of the GoM. As part of the cashflow forecasting, cashflow reports are generated daily including an age analysis of all the pending payments by vendor classification posted to PAS and weekly updated figures for commitments made by GoM via the MM module not yet posted for payment on PAS. Vendor is chosen as a basis for management's decision-making purpose. This report can also be generated using other bases like expenditure type, agency, programmes etc. Stock prior 2018 is measured by using data from the PAS. Even though MM module was partially rolled out pre 2018, agencies are required to follow the PFR in updating and posting the pending payments within 30 days of new financial year. Hence, the score for the present dimension is A.

306. Possible causes of PFM performance identified during the PEFA assessment: The full rollout of Materials Management module strengthened the expenditure arrears monitoring mechanism.

PI-23. Payroll controls

307. What does PI-23 measure? This indicator is concerned with the payroll for public servants only: how it is managed, how changes are handled, and how consistency with personnel records management is achieved. Wages for casual labor and discretionary allowances that do not form part of the payroll system are included in the assessment of non-salary internal controls, PI-25. This indicator contains four dimensions and uses the M1 (WL) method for aggregating dimension scores.

Coverage: CG

Time period: Dimension 23.1, 23.2 and 23.3: At the time of assessment. Dimension 23.4: Last three completed fiscal years.

Indicator /Dimension	Score
PI-23. Payroll controls	C+
23.1. Integration of payroll and personnel records	C
23.2. Management of payroll changes	A
23.3. Internal control of payroll	B
23.4. Payroll audit	C

308. General description of the system in place in Maldives: MoF has implemented the Human Resource and Capital Management (HRCM) module of the SAP financial software for Male' based agencies. The majority of payroll is now processed through this module. Yet, significant ministries such as the Ministry of Education and the Ministry of Health, do still process payroll of staff employed outside of Male' through the Accounts Payable Module of the SAP financial software. The processing for final payment is carried out by the payroll section of the Treasury and Public Accounts Department (TPAD). Personnel records of civil servants are still maintained by Civil Service Commission through the VIUGA database.

309. For this indicator, the payroll controls of budgetary units only were assessed since the total expenditure of extra-budgetary units is on average less than 1% of the total expenditure.

310. Recent or ongoing reform activities: With the rollout of the HRCM module in the SAP financial software, the MoF has been working towards creating a means of linking the module with the VIUGA and other bespoke software used by budgetary units. The MoF has created a payroll register, which is expected to be in use from June 2020 onwards. The establishment of a payroll register is intended to track all government employee data on a single location. Information in the register are categorized as:(1) personal information;(2) appointment details; and (3) standing allowances. Once the payroll register is rolled out, the payroll staff of TPAD will verify the employees' accuracy before processing each payroll.

311. To ensure accuracy, third-party verifications will take place through the integration of CSC VIUGA and other HR systems that are used by budgetary units. If any discrepancies are identified during verification, the system will flag the inconsistencies and inform the respective budgetary unit. MoF will only process the payroll of those agencies once the inconsistencies are rectified.

23.1 Integration of payroll and personnel records

312. Performance level and evidence for scoring: Since the last PEFA assessment, the MoF has implemented the Human Resource and Capital Management (HRCM) module of the SAP financial software for Male' based agencies. The majority of payroll is now processed through this module. Yet, significant ministries such as the Ministry of Education and the Ministry of Health, do still process payroll of staff employed outside of Male' through the Accounts Payable Module of the SAP financial software. Cash transfers are made to these education/health centres in advance, which includes the staff wages and salaries. This information is available for budgetary central government only. Ministry of Education represents 8.7 percent of the total approved budget of 2020 while Ministry of Health represents 7.0 percent. Ministry of Education and Ministry of Health account for 22.1 percent and 16.9 percent of the total salary expenditure approved for 2020.

313. Each line ministry can insert changes to their respective payroll, while the processing for final payment is carried out by the payroll section of the Treasury and Public Accounts Department (TPAD). Personnel records of civil servants are still maintained by Civil Service Commission through the VIUGA database. Some ministries, such as the Ministry of Health and the Ministry of Education, have their own bespoke human resource management systems implemented to meet their specific requirements. While no reconciliation has been made to reconcile the legacy records of the HR systems used by budgetary units and the payroll HRCM module (such records has not been recorded in the HRCM module), any changes to staff will be identified and reconciled in the HRCM module within the month to which the change in payroll applies. Reconciliation does not take place for budgetary units to which cash transfers are made.

314. Staff hiring and promotion is checked against the approved budget of each respective budget agency. Before a new position is created in payroll, the payroll section of TPAD verifies with the budget formulation section of the Fiscal Affairs Department (FAD) that checks against the staff sheet approved for the year's budget, and the Civil Service Commission, who checks against the approved staff structure.

315. The SAP module allows for verification of reasons for staff being included in the payroll as seen in the table 23.2. Controls are in place for employment and promotion and reconciliation takes place between the personnel records and the payroll every six months. Hence, the score for the present dimension is C.

316. Possible causes of PFM performance identified during the PEFA assessment: No reconciliation has been made to reconcile the legacy records of the HR systems used by budgetary units and the payroll HRCM module), any changes to staff will be identified and reconciled in the HRCM module within the month to which the change in payroll applies.

23.2. Management of payroll changes

317. Performance level and evidence for scoring: Changes to personnel records are made in less than a month, with very few instances where changes take more than a month to complete. Documents of the change can be verified through the E-GOV communication platform. Some ministries maintain the documents of changes to personnel records in their own bespoke HR systems as well. Majority of payroll payments are made through the HRCM module of the SAP. Budgetary units insert changes to the payroll to account for changes during the month before the payroll for the respective month is processed. Almost all changes are accounted for before the next pay period. As seen in Table 23.2, retroactive adjustments account for less than 3 % of the total payroll for the month. Hence, the score for the present dimension is A.

Table 23.2: Retroactive adjustments Nov 2019 to Feb 2020, in MVR

In MVR	Nov 2019	Dec 2019	Jan 2020	Feb 2020
Wages and Salaries	701,053,276	665,307,712	703,200,815	670,516,708
Retroactive Payments	(422,465)	(683,930)	(343,842)	(345,773)
% of Total	-0.06%	-0.10%	-0.05%	-0.05%

Source: Ministry of Finance.

318. Possible causes of PFM performance identified during the PEFA assessment: The use of HRCM module of the SAP enabled budgetary units to insert changes to the payroll to account for changes during the month before the payroll for the respective month is processed.

23.3. Internal control of payroll

319. Performance level and evidence for scoring: There are controls in place in terms of access to the main computerized personnel and payroll records. Three types of access are granted by the MoF to budgetary units relating to the HRCM module; (i) status update; (ii) payroll; and (iii) posting. Generally, two people from each budgetary unit are given access; one for authorizing the final salary process and the other for posting of payroll. While the system allows for the respective budgetary unit to change records, the system also allows for the MoF to identify and track any changes made to past data.

320. The roll out of the HRCM module has centralised the payroll process for most budgetary units other than the large ministries with a number of cost-centres outside of Male'. The MoF is now responsible for producing the final consolidated payroll and payment while the budgetary units are responsible for posting the relevant information to the system. Hence, the authority to change payroll data is restricted and such changes require separate verification within the budget unit and the MoF. The HRCM module also creates a clear audit trail with history of transactions as well as details of authorising officers for payroll. All payroll payments are required to be made through bank transfers ensuring control during the payment process as well. However, internal controls of cost centres outside of Male' are still weak. Most of such cost centres maintain their payroll in Excel format and therefore is prone to errors.

321. Regular refresher and on-the-job trainings are carried out by the MoF to improve the familiarity of the relevant budget unit staff to the HRCM module. Further, a payroll manual is also used for different scenarios to assist payroll staff. Similarly, the VIUGA and the bespoke HR systems used by the budgetary units also have clear and separate roles for the relevant staff. With regards to the bespoke HR systems, authority to the edit personnel records remains with the HR staff of line ministries while the systems create regular data log files. The systems also have the capacity to store relevant documents. The use of E-GOV creates a clear audit trail for significant changes in personnel records. Similarly, the VIUGA system allows for verification and authorisation from budgetary units and the final decision will be made by the CSC. Since basis for changes to personnel records and the payroll are clear and adequate to ensure high integrity of data, the score of this dimension is B.

322. Possible causes of PFM performance identified during the PEFA assessment: The full rollout of the HCRM module enabled the centralized processing of payroll by MoF for most budgetary units and this has strengthened the internal control system on payroll.

23.4. Payroll audit

323. Performance level and evidence for scoring: The Auditor General's Office conducts a payroll audit as part of the annual financial audits of each budget unit. This audit reviews systems only, by taking a sample of business areas only and does not involve a staff survey. No special external audit on the payroll of the Public Accounting System (PAS) was carried out during the years 2017-2019. Broad reviews take place within budgetary units on a regular basis, and similarly with external financial audits, a payroll review is carried out

as part of the broad review. Since partial payroll audits or staff surveys have been undertaken within the last three completed fiscal years, the score for this dimension is C.

324. Possible causes of PFM performance identified during the PEFA assessment: The Auditor General does not have the practice of conducting full payroll audit. However, it conducts partial payroll as part of the annual financial audit.

PI-24. Procurement

325. What does PI-24 measure? This indicator examines key aspects of procurement management. It focuses on transparency of arrangements, emphasis on open and competitive procedures, monitoring of procurement results, and access to appeal and redress arrangements. It contains four dimensions and uses the M2(AV) method for aggregating dimension scores.

Coverage: CG.

Time period: Dimensions 24.1, 24.3 and 24.4: Last completed fiscal year. Dimension 24.2: Last completed fiscal year.

Indicator / Dimension	Score
PI-24. Procurement	D+
24.1. Procurement monitoring	D
24.2. Procurement methods	D
24.3. Public access to procurement information	D
24.4. Procurement complaints management	B

326. General description of the system in place in Maldives: The National Tender Board (NTB) is established under the Ministry of Finance to authorize public procurements above MVR 2.5 Million. National Tender acts as the secretariat to the NTB. The NTB comprises of 7 members and they are appointed by the President of the Maldives for a one-year term. The Public Finance Regulation (PFR) 2017 provides separate thresholds for procurement for which approval is required from National Tender Board, Bid Committees, Finance Executive or the Procurement Officer.

327. Recent or ongoing reform activities: During February 2020, the Procurement Policy Board (PPB) was established by a Presidential decree, as a separate procurement policy body to formulate, enforce and amend, whenever necessary, procurement policies, regulation and guidelines across the public sector and ensuring proper implementation of procurement policy directives. The PPB is mandated to ensure procurement harmonization throughout the state, procurement capacity building through sustainable training programs, establishing KPI's for all implementing agencies, monitoring all procurements, necessary strategic procurement planning for the public sector and developing and implementing a state procurement portal.

328. Development of the Electronic Government Procurement e-GP system is underway, and majority of the system development is to be carried out within this year. A subsequent tender management portal will be developed along with the e-GP system. With the development of such a system, all government procurements shall be undertaken through the central portal, which shall enable us to maintain proper procurement statistics. Public can access all procurement data under a single platform including procurement policies, procurement plans, all on- going tenders and all contract awards.

329. A contract management portal is already developed and is currently in the testing phase. Once properly implemented, Government of Maldives can manage all government contracts under one platform and all contract statistics shall be readily accessible.

24.1. Procurement monitoring

330. Performance level and evidence for scoring: The Public Finance Regulation (PFR) 2017 provides separate thresholds for procurement for which approval is required from National Tender Board, Bid Committees, Finance Executive or the Procurement Officer.

Table 24.1: Procurement thresholds (in MVR)

Approval Bodies	Authorized Amounts
1. National Tender Board	More than MVR 2.5 million
2. Bid Committees	between MVR 35,001 and 2.5 Million
3. Finance Executive	between MVR 2001 and MVR 35,000
4. Procurement Officer	up to MVR 2000

Source: PFR 2017

331. There are four thresholds stipulated in chapter 10 of the Public Finance Regulations. All items below MVR 2,000 can be bought from the market directly without competition. When the values are between MVR 2,001 and MVR 35,000, the regulations stipulate that at least three quotations or three proposals are to be received before making a final selection. When the values of goods/consulting/non-consulting/work contracts are more than MVR 35,000, then invitations should be published, proper evaluations conducted, and records should always be kept when awarding the contract. The regulation mandates all contracts above MVR 35,000.00 to have a contract agreement. All procurements below MVR 2.5 million are carried out by the line agencies and ministries themselves. For all procurement above MVR 2.5 million, the National Tender (NT) of the MOF conducts the procurement on behalf of the spending agencies/ministries. Taking in to account the new Public Finance Regulation which clearly explains the tender process for different thresholds, the regulations do pave the way for open competition for award of contracts. The procurement awards are published in the website of Ministry of Finance.

332. The procurement monitoring function was established within the National Tender since 2017 but had not been fully operational. Currently, the procurement monitoring function is mandated within the recently formed Procurement Policy Formulation and PSIP project monitoring unit. Certain attempts such as instructions to submit quarterly procurement details were requested from all relevant procuring agencies throughout, in the bid to initiate procurement monitoring. Geographical restrictions and lack of proper IT infrastructure to all

islands added on to the hindrances pertaining to proper procurement monitoring. Hence, the score for the present dimension is D.

333. Possible causes of PFM performance identified during the PEFA assessment: National Tender is only able to provide procurement statistics for procurements carried out through the National Tender and is not able to provide an estimate of the number of projects awarded throughout the government, due to lack of a central procurement monitoring mechanism.

24.2 Procurement methods

334. Performance level and evidence for scoring: The open tendering method, the direct or restricted method and the single source method are the three mostly used procurement methods in public procurement carried out. In procurement of consulting services, Quality and Cost based Selection (QCBS) is used for majority of projects. The procedures that need to be followed by the procuring entities are clearly mentioned in the Public Finance Regulation (Chapter 10). The open tendering method is mostly used by the National Tender for awarding contracts. The invitation is published on the Ministry of Finance website (www.finance.gov.mv) and the National Gazette. (www.gazette.gov.mv). Open tendering is carried out through National Competitive Bidding and International Competitive Bidding. In addition, all procuring agencies are mandated to publish all tendering opportunities in the government gazette, and their specific websites. In 2019, 60% of projects tendered through National Tender were through the open tendering method, 4% as direct or restricted tendering and 37% as Single Source Procurement (Table 24.2). However, there is no complete data regarding the procurements done by the other procuring agencies. Hence, the score for the present dimension is D.

Table 24.2 Projects procured through National Tender by method for FY 2019

	Total	Open Bidding	Direct / Restricted	Single Source
Amount	MVR 6,250,748,689.79	MVR 3,735,592,686.86	MVR 225,375,701.18	MVR 2,289,780,301.75
% of total	100%	59.8%	3.6%	36.6%

Source: Projects carried out through National Tender in 2019.

335. Possible causes of PFM performance identified during the PEFA assessment: The open tendering method is mostly used by the National Tender for awarding contracts. However, there is no complete data regarding the procurements done by the other procuring agencies.

24.3. Public access to procurement information

Performance level and evidence for scoring

Element/ Requirements	Met (Yes/No)	Evidence used/ Comments
Legal and regulatory framework for procurement.	Yes	The Public Finance Regulation is available from the website of Ministry of Finance. Public Procurement Mechanism is governed by Chapter 10 of the Public Finance Regulations 2017.
Government procurement plans	No	As per of the Public Procurement Circular 2018/01, all procuring entities are obliged to submit their procurement plan to National Tender. These Procurement plans that have been submitted are not yet publicly available.
Bidding opportunities	Yes	All Tendering opportunities are advertised in national gazette and Ministry of Finance website. Interested parties can access all relevant information without registration.
Contract awards (purpose, contractor and value)	Yes	Contract awards are published on the website of the Ministry of Finance. The National Tender publishes project awards, including project description, winning bidders and awarded values.
Data on resolution of procurement complaints	No	Independent Review Committee is not involved in any capacity in procurement transactions or in the process leading to contract award decisions. The Committee is an Independent body. Resolutions are informed to the bidder in writing. However, the resolutions are not made public.
Annual procurement statistics	No	Annual procurement statistics are not maintained at the state level and MoF only holds data on procurements undertaken through National Tender.

336. The requirements are met for 3 elements out of 6. Hence, the score for the present dimension is D.

337. Possible causes of PFM performance identified during the PEFA assessment: The MoF makes public only some of the procurement information on its website.

24.4. Procurement complaints management

338. Performance level and evidence for scoring: According to Public Finance Regulation 17.12, Bidders can submit complaints to Independent review committee. The Independent Review Committee (IRC) is formed by Minister of Finance which comprises of 5 members. The IRC is fully independent from any process leading to procurement and is currently placed within the Internal Audit Department of Ministry of Finance. The IRC is also responsible to review complaints on EBUs. Rules, regulations and process flows pertaining to complaints submission are publicly available. IRC holds the authority to halt procurement processes. The concerned parties shall submit complaints via a simplified process, without a restrictive fee. The procurement complaint system meets criterion (1), and four of the other criteria. Hence, the score for the present dimension is B.

Element/ Requirements	Met (Yes/No)	Evidence used/ Comments
Procurement complaints/appeal body		
1. Is not involved in any capacity in procurement transactions or in the process leading to contract award decisions.	Yes	The IRC is fully independent from any process leading to procurement and is currently placed within the Internal Audit Department of Ministry of Finance
2. Does not charge fees that prohibit access by concerned parties.	Yes	Bidders are not required to pay service fee to lodge their complaints.
3. Follows processes for submission and resolution of complaints that are clearly defined and publicly available.	Yes	Rules, regulations and process flows pertaining to complaints submission are publicly available.
4. Exercises the authority to suspend the procurement process.	Yes	The regulation indicated that the procurement process shall be suspended until a resolution reached.
5. Issues decisions within the timeframe specified in the rules/regulations	No data	
6. Issues decisions that are binding on every party (without precluding subsequent access to an external higher authority).	Yes	The decisions are binding to every party.

339. Possible causes of PFM performance identified during the PEFA assessment: All the requirements concerning Independent Review Committee (IRC) are met, except element 5, for which no data was available at the time of assessment.

PI-25. Internal controls on non-salary expenditure

340. What does PI-25 measure? This indicator measures the effectiveness of general internal controls for non- salary expenditures. Specific expenditure controls on public service salaries are considered in PI-23. It contains three dimensions and uses the M2 (AV) method for aggregating dimension scores.

Coverage: CG.

Time period: At the time of assessment.

Indicator / Dimension	Score
PI-25. Internal controls on nonsalary expenditure	C+
25.1. Segregation of duties	A
25.2. Effectiveness of expenditure commitment controls	C
25.3. Compliance with payment rules and procedures	D

341. General description of the system in place in Maldives: As per the Public Finance Regulation of the Maldives (PFR), appropriate segregation of duties is prescribed throughout the expenditure process. This also applies to the EBUs. As per circular no. 13-D2/CIR/2018/9 (01 April 2018), all POs should be raised from the Public Accounting Software (SAP), where proper assets are recorded as a commitment on accrual basis. All Male' based MDAs, most notably the Police and Maldives National Defence Force, use the Material

Management Module in the SAP for the consumption of the budget. MDAs may only consume the budget after raising a PO through this module.

342. Recent or ongoing reform activities: None.

25.1. Segregation of duties

343. Performance level and evidence for scoring: As per the Public Finance Regulation of the Maldives (PFR), appropriate segregation of duties is prescribed throughout the expenditure process. The PFR for instance outlines duties for procurement, accounting and reporting processes. Further, chapter 2 of the PFR outlines the fact that every accountable agency having a designated Finance Executive (FE) who reports to the Financial Controller of the Ministry of Finance (MoF). The Financial Controller is responsible for all payments made by of the government and is the head of the Treasury Department of MoF. A designated section in the Treasury and Public Accounting Division (TPAD) is responsible for the reconciliation of Government of Maldives (GoM) payments and revenues with Public Bank Account bank statements. The FE's roles and responsibilities are detailed further in a terms of agreement document, which is signed by each FE. An overseeing mechanism is established by the Internal Audit process. It is also evident that responsibilities are clearly laid out as roles and responsibilities are integrated into the Public Accounting Software (PAS). For instance, with respect to procurement, the system only allows designated staffs to raise a Purchasing Order (PO), approve the PO, and post. Hence, the score for the present dimension is A.

344. Possible causes of PFM performance identified during the PEFA assessment: The Public Finance Regulation of the Maldives (PFR) provides for appropriate segregation of duties throughout the expenditure process and this has been implemented.

25.2 Effectiveness of expenditure commitment controls

345. Performance level and evidence for scoring: As per circular no. 13-D2/CIR/2018/9 (01 April 2018), all POs should be raised from the Public Accounting Software (SAP), where proper assets are recorded as a commitment on accrual basis. All Male' based MDAs, most notably the Police and Maldives National Defence Force, use the Material Management Module in the SAP for the consumption of the budget. MDAs may only consume the budget after raising a PO through this module.

346. There is evidence of deleting/blocking of commitments made against the procedure, such as those not recorded via the MM module of SAP and entries with PO dated after the invoice date. Evidence includes a comparative analysis of PO and Invoice Dates captured from the software. If a commitment is deemed a "fail" in this analysis, the Financial Controller enforces the respective FE to redo the process again. This is a control conducted by the Financial Controller in order to strengthen the Public Accounting System in line with PFR Chapter 2.01, section b (1). With respect to back-dated PO, the software has also been customized to block such entries and broadcast a message requesting the AGA to inform the MoF.

347. Prior to any payments being made, checks are made against "approved" budget allocations through the Business Planning and Consolidation (BPC) module in the SAP, and cash availability through the Public Bank Account (PBA) cash flow forecasting model in the ministry. With respect to the verification of cash availability, this control is mostly conducted to payments of significant value.

348. In summary, expenditure commitment controls are in place and effectively limit commitments to approved budget allocation for all expenditure, and to projected cash availability for expenditure above a high threshold value. However, the materiality computation to corroborate a B score is not feasible due to data limitation. Hence, the score for the present dimension is C.

349. Possible causes of PFM performance identified during the PEFA assessment: The MM Module effectively controls expenditure commitments but with respect to cash availability, the control is mostly conducted to payments of significant value.

25.3. Compliance with payment rules and procedures

350. Performance level and evidence for scoring: All payments must follow the payment procedure as it must pass through the SAP Public Accountancy Software, which is customized to cater to different types of payments. If the justification of the payment is in line with relevant instructions inputted to the software, the payment procedure can move forward. The system also integrates roles, duties, and responsibilities, thus automatically allowing access to designated staff to conduct their designated duty. The system enforces the regular payment procedure by limited access and requesting signatory authorization.

351. Exceptions to regular payments, which normally include salary, infrastructure project, loan and compensation payments, also follow the aforementioned payment procedure. However, these payments are often given precedence and processed faster. It should also be noted that since Internal Audit does not conduct audits on the compliance of payment process or procedure, the enforcement of the procedure cannot be further authenticated. Hence, the score for the present dimension is D.

352. Possible causes of PFM performance identified during the PEFA assessment: As Internal Audit does not conduct audits on the compliance of payment process or procedure, the enforcement of the procedure in the PAS Public Accountancy Software couldn't be authenticated.

PI-26. Internal audit

353. What does PI-26 measure? This indicator assesses the standards and procedures applied in internal audit. It contains four dimensions and uses the M1 (WL) method for aggregating dimension scores.

Coverage: CG

Time period: Dimensions 26.1 and 26.2: At the time of assessment. Dimension 26.3: Last completed fiscal year. Dimension 26.4: Audit reports used for the assessment should have been issued in the last three fiscal years.

Indicator / Dimension	Score
PI-26. Internal audit	C
26.1. Coverage of internal audit	C
26.2. Nature of audits and standards applied	C
26.3. Implementation of internal audits and reporting	C
26.4. Response to internal audits	C

354. General description of the system in place in Maldives: The legislative power of Internal Audit is derived from the Public Finance Act 03/2006 (PFA), clause 41 which states that The Minister, or a person appointed by the Minister to do so, may at any time inspect the financial and accounting records of a government agency. These include budgetary institutions, extra-budgetary units and public corporations. The Decentralization Administration Act 07/2010, clause 106 also grants the minister of finance the authority to inspect the financial and accounting records of local councils. The authority to audit is further detailed in the Public Finance Regulation (PFR) dated February 2017, chapter 16, "State Internal Audit" which states that the minister may delegate this authority to the internal auditors to check the financial records of the government agencies.

355. Public Finance Regulation, Chapter 16, State Internal Audit, covers the establishment of an audit function to audit the state public bank accounts, public funds, audit of the financial statements of the state, and risk management of the state offices. A State Internal Audit Committee (SIAC) has been established by the Minister of Finance pursuant to the PFR clause 16.03 (d) to oversee the State Internal Audit Function (SIAF). SIAC has decided to establish a decentralized audit mechanism and to establish an internal audit function at Public Offices where the annual budget exceeds MVR 100 Million. The charter of the SIAC has been endorsed by the Minister of Finance regarding the role, responsibilities, oversight of internal audit functions, reporting and the overall administration of the committee.

356. According to the PFR clause 16.03 (a), the Head of Internal Audit Division shall report to the Minister or Internal Audit Committee. PFR clause 16.03 (c) states that the internal audit function of each ministry shall report to its internal audit Sub Committee, established by the respective minister of the ministry. SIAC is currently working to finalize a model charter for the internal audit committee and audit functions for the public offices providing guidelines on the composition, role, responsibilities and administration of the committee. Clause 16.03 (d), further states that the Internal Audit Committee shall review the operations of the internal audit functions and analyze the internal audit reports and advice the minister based on those reports.

357. Recent or ongoing reform activities: Since 2019, SIAC has been developing the internal audit function of the government and has been drafting a rollout plan where they plan to establish a decentralized audit mechanism. Based on the budgeted expenditure of the public offices and the potential risk rating of the office, number of internal audit staff required to establish an internal audit function, are being finalized under this rollout plan. Furthermore, to incentivize internal auditors and to attract more skilled staff to the internal audit functions, a salary structure and cadre separate from the civil servants is also being drafted and sent for comments to the Civil Service Commission and National Pay Commission. In addition, under the World Bank's Public Finance Management System Strengthening Project (PSSP) the development of SIAF is being carried out. In order to develop the technical capacity of the internal audit function, an Internal Audit Specialist has been hired. This would streamline the internal audit works of SIAF and other internal audit functions in public offices.

26.1. Coverage of internal audit

358. Performance level and evidence for scoring: Out of 77 public offices, 15 offices have Internal Audit functions established within the organizations. They are Ministry of Finance; Ministry of Education; Maldives Police Service; Maldives National Defence Force (MNDF); Maldives Inland Revenue Authority (MIRA); Ministry of Defence; Ministry of Home Affairs; Ministry of Islamic Affairs; Maldives Customs Service; Ministry of Gender,

Family and Social Services; Local Government Authority (LGA); Auditor General's Office (AGO); Elections Commission; President's Office; and Department of Judicial Administration (DJA). The budget of those public offices represent up to 56% of the total budgeted expenditure of the government and 98% of the total budgeted revenue of the government for the year 2020 respectively.

359. As at the date of the PEFA Assessment, Internal Audit functions are not utilizing identical toolkits during their audit engagements. Each public office has their own methodologies and toolkits regarding audit documentation, reporting and follow-up activities. However, each office does maintain audit engagements documentations and has follow-up facilities in place. The public offices with internal audit functions cover majority of total budgeted expenditure and all of the total budgeted revenue. Hence, the score for the present dimension is C.

360. Possible causes of PFM performance identified during the PEFA assessment: The Internal Audit Function is not established in all public offices. It is established in 15 out of 77 public offices, leading to 56% of expenditure and 98% of revenue coverage.

26.2. Nature of audits and standards applied

361. Performance level and evidence for scoring: According to the evidence and information gathered in the process the internal audit function of the public offices focuses mainly on financial audits, compliance audits and special audits. In addition, internal audit function of Ministry of Education and MNDF had an External Quality Assessment (EQA) carried out by the AGO, according Internal Professional Practices Framework (IPPF) for internal auditing published by the Institute of Internal Auditors (IIA). And it is envisaged by SIAC to carry out EQA for all the public offices that has an internal audit function in the next three years. Hence, the score for the present dimension is C.

362. Possible causes of PFM performance identified during the PEFA assessment: Quality review of all the internal audit functions has not been carried out and the public offices focus mainly on financial compliance rather than the adequacy and effectiveness of the internal controls or the systems established within the offices.

26.3. Implementation of internal audits and reporting

363. Performance level and evidence for scoring: According to the information gathered, all the public offices on average complete 54.5% of the audits planned for the year. It is to be noted that even though the Ministry of Finance did not have an internal audit plan, internal audit engagements were conducted during the FY2019. Majority of the internal audit functions also carried out audits in addition to those included in the annual audit plan, based on requests received or due to risk of noncompliance to public finance laws and regulations. Table below shows the existence of an annual audit plan and their percentages of completion for some of the entities.

Table 26.3: Average rate of completion of audit plans for FY 2019

Public Office	Existence of Annual Audit Plan	Completion percentage of Annual Audit Plan
Ministry of Finance	N	-
Ministry of Education	Y	19%
Maldives National Defence Force	Y	100%
Maldives Inland Revenue Authority	Y	78%
Maldives Police Service	Y	50%
Department of Judicial Administration	Y	80%
Average	-	54.5%

Source: Based on audit plans and audit reports provided by the government agencies

364. All public offices with internal audit functions highlighted the issue of staff shortages. Due to the low number of staff working in the functions, difficulties were faced in achieving the annual plan and reaching full completion. According to the public offices visited during this assessment, heads of the internal audit functions report to the Minister or Heads of the Department or Unit audited, and any other appropriate parties with whom the internal audit reports must be shared with. Hence, the score for the present dimension is C.

365. Possible causes of PFM performance identified during the PEFA assessment: Shortage of internal audit staff resulted in low completion of planned audits.

26.4. Response to internal audits

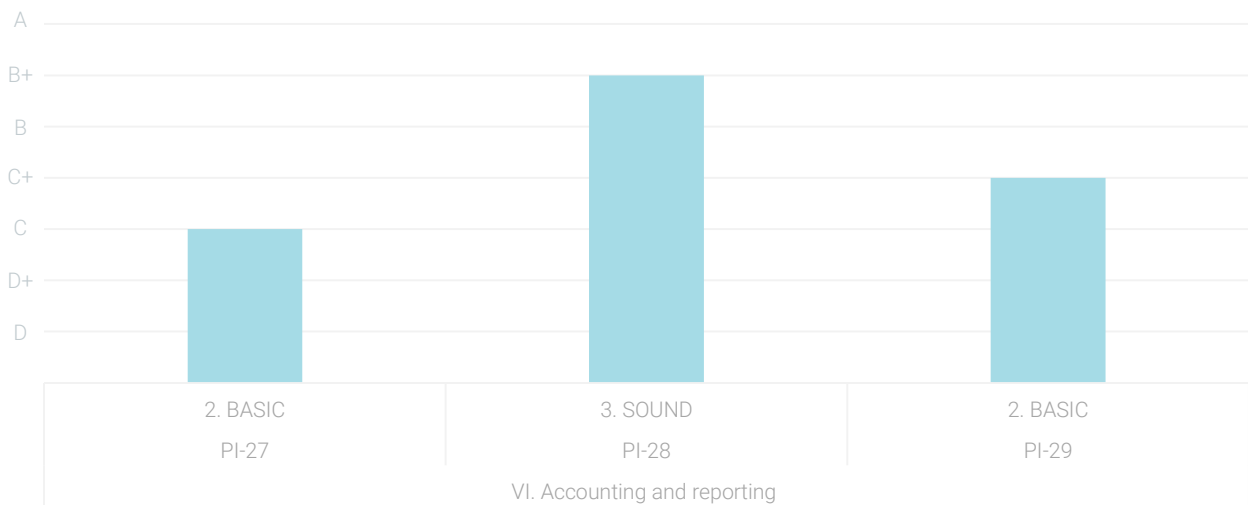
366. Performance level and evidence for scoring: As per the documents collected in this assessment all (i.e 90% or more by value) public offices obtain management comments regarding audit assignments carried out within the year. However, in a few (i.e 25% or more by value, but less than 50%) public offices the management's comments are not obtained in writing. However, the findings of the assignments are shared with the management. As for follow-ups for implementation of recommendations made by the internal auditors, most (i.e 75% or more by value) public offices have a follow-up process for completed engagements. Hence, the score for the present dimension is C.

367. Possible causes of PFM performance identified during the PEFA assessment: some public offices do not have a follow-up procedure for audit recommendations and few public offices do not provide management comments in writing.

PILLAR SIX: Accounting and reporting

368. What does Pillar VI measure? Accurate and reliable records are maintained, and information is produced and disseminated at appropriate times to meet decision-making, management, and reporting needs.

Figure 2.6: Pillar VI-Summary of PEFA scores



369. Overall performance: key strengths and weaknesses

- Bank reconciliation for all active central government bank accounts takes place at least quarterly;
- Suspense accounts are not regularly reconciled and cleared in a timely way;
- Good practice of bank reconciliation coupled with the regular reconciliation and acquittal of advances assures the availability of cash for payment of expenditure;
- In-year budget execution reports are comparable to original budgets and allow meaningful analysis;
- Information on expenditure is only covered at the payment stage, not on commitment stage;
- Most international standards have been incorporated into the national accounting standards;
- The Financial Statements are prepared annually based on the Cash Basis of Accounting.

370. Analysis: Bank reconciliation for all active central government bank accounts takes place at least quarterly, usually within 8 weeks from the end of each quarter and reconciliation of advance accounts takes place annually, within two months from the end of the year. However, suspense accounts are not regularly reconciled and cleared in a timely way. Good practice of bank reconciliation coupled with the regular reconciliation and acquittal of advances assures the availability of cash for payment of expenditure. The Public Accounting System (SAP) helped to effectively restrict access and changes to records and ensures data integrity (PI-27).

371. In-year budget execution reports are comparable to original budgets and allow meaningful analysis. These are prepared weekly, monthly and quarterly. Although there are no material concerns regarding data accuracy and analysis of the budget execution is provided on at least a half-yearly basis, information on expenditure is only covered at the payment stage. This has significant effect on facilitating performance monitoring

and, where necessary, to help identify action needed to maintain or adjust planned budget outturns (PI-28). Most international standards have been incorporated into the national standards and variations between international and national standards are disclosed and any gaps are explained. The Financial Statements are prepared annually based on the Cash Basis of Accounting but does not include all the information about assets and liabilities. Financial statements are submitted within four months(unless subsequently revised) of the end of the fiscal year (PI-29).

PI-27. Financial data integrity

372. What does PI-27 measure? This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data. It contains four dimensions and uses the M2(AV) method for aggregating dimension scores.

Coverage: BCG.

Time period: Dimensions 27.1, 27.2, and 27.3: At the time of assessment, covering the preceding fiscal year.

Dimension 27.4: At time of assessment

Indicator/ Dimension	Score
PI-27. Financial data integrity	C
27.1. Bank account reconciliation	C
27.2. Suspense accounts	D
27.3. Advance accounts	C
27.4. Financial data integrity processes	B

373. General description of the system in place in Maldives: The GoM has a treasury single account; public bank account (PBA). Daily bank statements are received, which are reconciled with the cashbook weekly. Since 2019, all advance payments are processed through public accounting system. Transaction level details are recorded in the system by the respective line agency for all the advance accounts.

374. Recent or ongoing reform activities: Upgrading work is being carried out to incorporate all government bank accounts in the public accounting system. 3 such accounts have already been added as pilot projects. Based on this, all accounts will be added to the public accounting system. Starting from 2020, council will be using SAP compatible web-based system “Viya” to record all their transactions. As the authoritative body Local Government Authority monitors these accounts. When disbursing funds/block grants to councils, MoF will be considering these records; which must be reconciled by the respective council, ensuring timely recording and reconciling.

27.1. Bank account reconciliation

375. Performance level and evidence for scoring: The GoM has a treasury single account; public bank account (PBA). Daily bank statements are received, which are reconciled with the cashbook weekly. But a full

reconciliation is done quarterly. For exceptional reasons classified in the public finance law, some government funds are maintained outside PBA; in temporary accounts. Currently 34 such accounts are maintained for donor funded projects. For these accounts, statements are received to, and reconciled by the respective line agency. MoF does not monitor this. In addition to these accounts, bank accounts are maintained at two universities, with legal provisions in laws. For these accounts, the recording and reconciliation is carried out by the respective university, outside the public accounting system.

376. Majority of the transactions are process through PBA and are reconciled quarterly.21% of the other accounts (projects/university/extra-budgetary units' accounts) are reconciled quarterly, 67% are reconciled on a monthly basis and the remaining 12% are reconciled annually. Hence, the score for the present dimension is C.

377. Possible causes of PFM performance identified during the PEFA assessment: The reconciliation of the Public Bank Account is done weekly while the GoM performs full reconciliation is done quarterly.

27.2 Suspense accounts

378. Performance level and evidence for scoring: Since the last assessment, no major improvements have been identified in this area. Still significant uncleared balances are brought forward from previous periods. The balance of Incorrect Payments is currently at MVR 15,867,914.00. This amount includes a single payment of MVR 15,428,631.06 for which a transaction was recorded in the system. However, in the reports this has not been cleared. Hence, work is on-going to identify the issue in the system. Hence, the score for the present dimension is D.

Table 27.1: Balance of Incorrect Payments from 2011 to 2019

	As at 31.12.2011	As at 31.12.2012	As at 31.12.2013	As at 31.12.2014	As at 31.12.2015	As at 31.12.2016	As at 31.12.2017	As at 31.12.2018	As at 31.12.2019
411102 - Incorrect Payments	293,370	482,078	431,382	416,743	15,845,484	15,845,484	15,843,908	15,841,607	15,867,914

Source: Ministry of Finance

379. Possible causes of PFM performance identified during the PEFA assessment: The effort by the GoM to clear suspense account timely is not strong.

27.3. Advance accounts

380. Performance level and evidence for scoring: Only payment to atoll-based agencies/embassies and petty cash given as advances. Since 2019, all petty cash advances are processed through public accounting system. Transaction level details are recorded in the system by the respective line agency for all the advance accounts. Replenishment is done only after ensuring the transactions are recorded and reconciled in the system. All petty cash advances are cleared annually. Payment to atoll-based agencies/embassies are reconciled and adjusted quarterly. Prior to 2020 the grants given to local councils were considered as

advances. However, starting from 2020 these funds are given as blocked grants to local councils. No major improvements have been identified in the reconciliation of the advances to CG. A similar web-based system is developed by the Ministry of Foreign Affairs to record and reconcile the advances sent to embassies starting from 2020. Going forward, this system or similar ones will be used by the remaining CG agencies to record and reconcile their advances. Hence, the score for the present dimension is C.

381. Possible causes of PFM performance identified during the PEFA assessment: Reconciliation of advance accounts couldn't be done timely due to slow automation of the recording and reconciliation of advance accounts.

27.4. Financial data integrity processes

382. Performance level and evidence for scoring: Majority of the financial data of GoM are kept in the Public Accounting System (SAP). The criteria to be followed while giving the authorizations in public accounting system are predetermined based on the Public Finance Law and regulation, to ensure data integrity. SAP keeps audit trails of all the transactions such as, person accessing the data, person initiating transactions, the time and date of entry, the type of entry, information updated, and files uploaded. Hence, the score for the present dimension is B.

383. Possible causes of PFM performance identified during the PEFA assessment: The use of the Public Accounting System (SAP) contributed to the existence of strong financial data integrity.

PI-28. In-year budget reports

384. What does PI-28 measure? This indicator assesses the comprehensiveness, accuracy and timeliness of information on budget execution. In-year budget reports must be consistent with budget coverage and classifications to allow monitoring of budget performance and, if necessary, timely use of corrective measures. This indicator contains three dimensions and uses the M1 (WL) method for aggregating dimension scores.

Coverage BCG.

Time period: Dimensions 28.1, 28.2 and 28.3: Last completed fiscal year.

Indicator / Dimension	Score
PI-28. In-year budget reports	B+
28.1. Coverage and comparability of reports	A
28.2. Timing of in-year budget reports	A
28.3. Accuracy of in-year budget reports	B

385. General description of the system in place in Maldives: The Research and Publication unit in the Fiscal Affairs Department (FAD) produces and publishes weekly, monthly, and quarterly fiscal developments reports. These reports provide details on the aggregate revenue and expenditure figures for respective time period of the publication and corresponding figures of the preceding year/s.

386. Recent or ongoing reform activities: None.

28.1. Coverage and comparability of reports

387. Performance level and evidence for scoring: The Research and Publication unit in the Fiscal Affairs Department (FAD) produces and publishes weekly, monthly, and quarterly fiscal developments reports. These reports provide details on the aggregate revenue and expenditure figures for respective time period of the publication and corresponding figures of the preceding year/s. For instance, the Quarterly Economic and Fiscal Developments Q4 2019 presented figures of expenditure and revenues for years 2018 (actual), 2019 (approved figures by the Parliament), 2019 (annual change to date).

Table 28.1: Revenue and Expenditure of weekly budget execution reports for fiscal year 2019

Chart of Accounts	In millions of MVR	2019 Approved Budget*	Cumulative as at 26 December 2019
	Total Revenue and Grants	24,056.6	23,393.9
	Tax Revenue	16,506.5	16,077.5
111	Import Duties	3,183.8	3,223.0
113	Business & Property Tax	3,451.4	3,537.2
113003	Business Profit Tax	2,172.1	2,208.8
113006	Withholding Tax	674.0	685.4
	Other Business & Property Taxes	605.3	643.0
114	Goods and Services tax	8,038.4	7,507.7
114002	General Goods & Services Tax	2,998.9	2,724.1
114001	Tourism Goods & Services	5,039.5	4,783.6
118	Royalties	80.1	90.2
119001	Revenue Stamp	45.3	49.0
119002	Green Tax	892.7	839.8
119004	Airport Service Charge	705.6	728.0
119005	Remittance Tax	109.1	102.5
	Non-Tax Revenues	5,648.7	6,233.8
121	Fees and Charges	1,398.1	1,693.1
121094	Airport Development Fee	705.6	730.6
121076	Resident Permit	311.7	329.3
	Other Fees and Charges	380.8	633.2
123	Registration & Licence Fees	417.5	380.2
125	Property Income	2,123.7	1,784.7
125003	Rent from Resorts	1,855.8	1,572.7
125012	Land Acquisition & Conversion Fee	26.9	34.8

Chart of Accounts	In millions of MVR	2019 Approved Budget*	Cumulative as at 26 December 2019
127	Interest, Profit & Dividends	1,180.7	1,759.7
	SOE Dividends	874.0	1,609.0
	Interest & Profits	306.6	150.7
129	Other Non-Tax Revenues	331.7	386.3
	Capital Receipts	31.8	19.9
	Grants	2,069.8	1,136.7
	Less: Subsidiary Loan Repayment	(200.3)	(74.1)
	Total Budget	31,954.9	28,312.0
	Total Recurrent and Capital Expenditure	29,045.5	27,181.6
	Recurrent Expenditure	19,117.4	19,941.3
	Salaries & Wages and Pensions	9,532.0	9,822.8
211	Salaries and Wages	4,353.5	4,633.2
212	Allowances to Employees	3,613.5	3,647.2
213	Pensions, Retirement Benefit & Gratuities	1,565.1	1,542.3
213001	Pensions	527.6	979.7
	Retirement Benefits & Gratuities	1,037.5	562.6
	Administrative & Operational Expenses	9,535.0	9,070.1
221	Travelling Expenses	142.1	210.1
222	Administrative Supplies	609.2	573.9
223	Administrative Services	2,002.3	1,722.2
224	Operational Consumables	657.4	870.6
225	Training Expenses	724.0	496.8
226	Repairs & Maintenance	277.4	346.2
227	Financing & Interest Costs	2,001.5	1,418.4
228	Grants, Contributions & Subsidies	3,121.1	3,431.7
	Aasandha	1,000.0	1,153.6
	Subsidies	1,262.7	1,281.2
	Grants & Contributions	858.3	996.9
281	Losses & Write-offs	50.4	1,048.3
	Capital Expenditure	9,928.1	7,240.4
423	Capital Equipments	845.3	397.0
	Furniture, machinery & Equipment	789.7	369.0
	Vehicles	48.1	27.8
	Minor Extensions	7.5	0.2

Chart of Accounts	In millions of MVR	2019 Approved Budget*	Cumulative as at 26 December 2019
421 & 422	Public Sector Investment Program	7,214.2	3,723.2
421	Land & Buildings	2,083.8	1,074.4
422001 & 422002	Roads, Bridges & Airports	2,268.2	1,528.9
422003	Wharves, Ports & Harbours	818.6	285.2
	Other Infrastructure Assets	2,043.5	834.6
	Development Projects & Investments Outlays	1,142.6	1,795.0
291	Development Projects	7.8	396.5
440	Investment Outlays	1,134.8	1,398.5
730	Lendings	90.0	1,325.2
731	Domestic Lendings	90.0	1,325.2
732	Foreign Lendings	-	-
292	Budget Contingency	636.0	-

*WFD reports after the 27th August include approved figures with the budget supplement (passed by People's Majilis on the 27th August 2019)

Source: Ministry of Finance

388. Table 28.1 illustrates the format of two detailed tables in the weekly report with the corresponding CoA codes. As all published tables adhere to the same CoA, direct comparability of the weekly budget execution report and budget tables is possible. The code can be used to compare with the economic expenditure and revenue tables included in the national budget (or the Budget in Statistics publication - the English translation of the national budget book).

389. Decentralization of the budgetary structure was only implemented through the development of Island Councils in 2020. The Weekly Fiscal Developments report records the the transfer of block grants to the Island Councils. In summary, coverage and classification of data allows direct comparison to the original budget. Hence, the score for the present dimension is A.

390. Possible causes of PFM performance identified during the PEFA assessment: The classification of the Charts of Accounts (CoA) allows full comparison to the budget for the recurrent and capital expenditures.

28.2. Timing of in-year budget reports

391. Performance level and evidence for scoring: the highest frequency budget execution report published by FAD is the Weekly Fiscal Developments (WFD) report. Weekly reports are issued within two weeks from the end of the month while monthly reports are on average issued within four weeks. The WFD report uses monthly data and present the cumulative expenditure from the beginning of the fiscal year up adjacent to the approved budget figures. The WFD report also includes a statistic dashboard and commentary on budget execution. The timely issuance of these reports is presented in Table 28.1 which shows that the WFD budget execution reports are issued on average within 1 week from the end of each month. Hence, the score for the present dimension is A.

392. The table below detail the publication dates of the weekly fiscal development reports.

Table 28.1: Timing of in-year monthly budget-related reports for fiscal year 2019

Period covered by the report	Actual date of issuance	Weeks from the End of the Month
January	04 February	0.6
January – end of February	05 March	0.7
January – end of March	09 April	1.3
January – end of April	08 May	1.1
January – end of May	03 June	0.6
January – end of June	09 July	1.3
January – end of July	07 August	1.0
January – end of August	08 September	1.0
January – end of September	09 October	1.3
January – end of October	05 November	0.7
January – end of November	10 December	1.4
January – end of December	07 January 2020	1.0

Source: Ministry of Finance

393. Possible causes of PFM performance identified during the PEFA assessment: The Research and Publication unit in the Fiscal Affairs Department (FAD) produces and publishes weekly, monthly, and quarterly fiscal developments reports.

28.3. Accuracy of in-year budget reports

394. Performance level and evidence for scoring: There are no material concerns regarding data accuracy. Analysis of the budget execution is provided on a weekly, monthly, quarterly basis through the publication of the Weekly Fiscal Developments, Monthly Fiscal Developments, and Quarterly Economic and Fiscal Developments reports. Although expenditure is captured at the payment stage in the budget execution reports, there are no regulations or guidelines stating that expenditure should be covered at commitment stages. In summary, though there are no material concerns regarding data accuracy and analysis of the budget execution is provided on at least a half-yearly basis, information on expenditure is only covered at the payment stage. Hence, the score for the present dimension is B.

395. Possible causes of PFM performance identified during the PEFA assessment: There are no regulations or guidelines that require expenditure to be covered at commitment stages and an analysis of the budget execution at payment stage is provided on at least a half-yearly basis.

PI-29. Annual financial reports

396. What does PI-29 measure? This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. This is crucial for accountability and transparency in the PFM system. It contains three dimensions and uses the M1 (WL) method for aggregating dimension scores.

Coverage: BCG.

Time period: Dimension 29.1: Last completed fiscal year; Dimension 29.2: Last annual financial report submitted for audit. Dimension 29.3: Last three years' financial report.

Indicator / Dimension	Score
PI-29. Annual financial reports	C+
29.1. Completeness of annual financial reports	B
29.2. Submission of reports for external audit	C
29.3. Accounting standards	A

397. General description of the system in place in Maldives: The financial statements of the Government of Maldives are prepared annually by the MoF. The Public Finance Regulations determines that the State financial statements shall be prepared in compliance with the International Public Sector Accounting Standard; Financial Reporting under the Cash Basis of Accounting ("Cash-basis IPSAS").

398. Recent or ongoing reform activities:

- **Assets:** Projects are on-going to get all information on fixed assets and aid-in-kind. The information on the land and building is not in the system. Therefore, one of the main targets is to get this information into SAP. Also, to update the transfers and disposal of asset which are already in the system (Example: Furniture, fixtures and fittings, Plant, Machineries, Equipment's, software and IT Hardware, Vehicles, Tools, instrument and apparatus). Also, projects are on-going to get the information about the Heritage places, Lagoons, inhabited island, etc. from line ministries.
- **Commitment recording in SAP:** With several developments in SAP system, MoF has managed to get commitment accounting in the accounting system.
- **Migration to Accrual Accounting:** MoF has decided to adopt the accrual basis of accounting and reporting at the GoM and started the initial discussions/works toward the migration.

29.1. Completeness of annual financial reports

399. Performance level and evidence for scoring: The financial statements of the Government of Maldives are prepared annually and are comparable with the approved budget. The Public Finance Regulations determines that the State financial statements shall be prepared in compliance with the International Public Sector Accounting Standard; Financial Reporting under the Cash Basis of Accounting ("Cash-basis IPSAS") but currently the Financial Statements are prepared on a Modified Cash Basis. They contain information

on at least revenue, expenditure, financial assets, financial liabilities, guarantees, and long-term obligations but the information contained on assets and liabilities is not complete. Hence, the score for the present dimension is B.

400. Possible causes of PFM performance identified during the PEFA assessment: The financial statements do not contain full information on assets and liabilities.

29.2. Submission of reports for external audit

401. Performance level and evidence for scoring: The annual consolidated financial statements are prepared by the Ministry of Finance and submitted to Chamber of Accounts the Auditor General within four months for the years 2016 and 2018, as required by the Public Finance Regulation, while for the year 2017, it was submitted late. Table 29.1 shows the date of submission of financial statements which are submitted to AGO at the time of the assessment. The initial statement for FY 2018 was not audited. Due to some material changes in the Financial Statement a revised statement was sent to Auditor General's Office. Only the revised statement was audited. Hence, the score for the present dimension is C.

Table 29.1: Date of Submission of AFS for external audit

Financial Year	Date of Submission to Auditor General
2016	16.04.2017
2017	26.09.2018
2018	14.04.2019 A revised statement was sent on 05.09.2019

Source: Ministry of Finance

402. Possible causes of PFM performance identified during the PEFA assessment: MoF prepares and submits annual consolidated financial statements to the Chamber of Accounts within four months as required by the Public Finance Regulation.

29.3. Accounting standards

403. Performance level and evidence for scoring: The Public Finance Regulations, determines that the State financial statements shall be prepared in compliance with the International Public Sector Accounting Standard; Financial Reporting under the Cash Basis of Accounting ("Cash-basis IPSAS"). The financial statements comply in all material respects with the Cash-basis IPSAS as adopted by the Government of Maldives and the standards used in preparing annual financial reports are disclosed in notes to the reports. According to PFR Financial Controller shall consolidate the annual financial statements and submit to the Minister within 3 (three) months of end of each financial year. And the minister shall submit the statements to the Auditor General within 14 (fourteen) days of receiving the statements. 2016 Financial Statements were sent on the date stated in the Public Finance Regulations (16.04.2017). However, 2017 Financial Statements were sent on (26.09.2018). Initially, 2018 Financial Statements were sent on the date stated in the Public Finance Regulations (14.04.2019). But due to some changes a revised statement was sent

on (05.09.2019). The consolidated Financial Statements includes all the revenue and expenditures of the accountable government agencies. Hence, the score for the present dimension is A.

404. Variations between international and national standards are disclosed and any gaps are explained. Based on the FY 2018 financial statement, the following were the exceptions disclosed in the accounting policies:

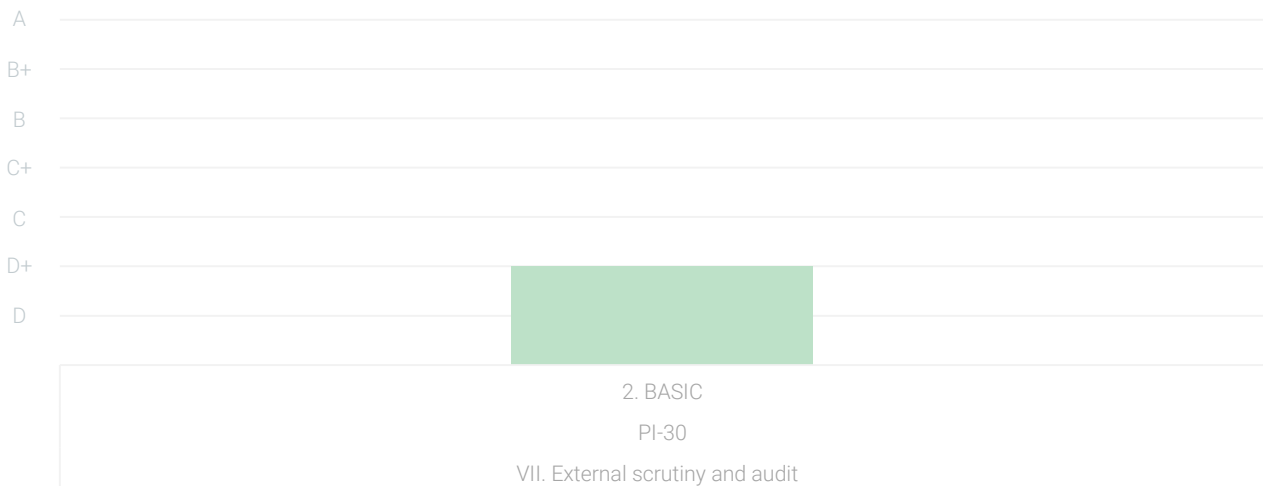
- a. In compliance with Cash-basis IPSAS, the financial transactions of SAP System should be included in the financial statement on the payment processed date. However, these data cannot be taken in that way as all the transactions have been included in the financial statements on its recording date.
- b. The Statement of Receipt & Payments is to be prepared for the period 1st January 2018 to 31st December 2018. In addition to this, all the transactions processed in the next 30 working days of the following financial year were also entered and recorded as 31st December 2018. Since these transactions could not be separated, they have been included in the statement for the said period.
- c. Due to the reason in (b), the opening and closing balances has not been included in the Statement of Receipts & Payments.

405. Possible causes of PFM performance identified during the PEFA assessment: The financial statements are prepared in compliance with the cash basis-IPSAS, as required by the Public Finance Regulation, and Variations between international and national standards are disclosed and any gaps are explained. Except those stated exceptions, the financial statements comply with most standards.

PILLAR SEVEN: External scrutiny and audit

406. What does Pillar VII measure? Public finances are independently reviewed and there is external follow-up on the implementation of recommendations for improvement by the executive.

Figure 2.7: Pillar VII-Summary of PEFA scores



407. Overall performance: key strengths and weaknesses

- External audit coverage is low due to human resource constraints and logistical challenges;
- Audits largely follow ISSAIs standards;
- AGO enjoys full independence from the executive;
- AGO does not report on the annual financial statements on time;
- No effective follow-up system is established by AGO to monitor the implementation of the audit recommendations;
- Since the AGO did not report to the Parliament in the last three completed fiscal years, the Parliament did not conduct any review of audit reports.

408. Analysis: External audit coverage is low, currently at 70% of revenue and expenditure for the past three years. AGO has indicated that human resource constraints and logistical challenges are the factors for this audit coverage. Hence, the AGO has been outsourcing majority of local council audits since the beginning of the 2016 audit cycle. Audits largely follow ISSAIs standards. AGO enjoys full independence from the executive with respect to appointment and removal of the Head of the SAI, planning of audit engagements, arrangements for publicizing reports, and the approval and execution of the SAI's budget. This independence is assured by constitution and Audit Act. AGO has unrestricted and timely access to records, documentation and information. Main weaknesses noted are that the AGO has not reported on the annual financial statements for the years 2016 and 2017, however the 2018 audit report on the accounts of the whole of government accounts was submitted to the legislature on January 2020 and no effective follow-up system is established by AGO to monitor the implementation of the audit recommendations (PI-30). Since the AGO

did not report to the Parliament in the last three completed fiscal years, the Parliament did not conduct any review of audit reports (PI-31 rated 'NA').

PI-30. External audit

409. What does PI-30 measure? This indicator examines the characteristics of external audit. It contains four dimensions and uses the M1(WL) method for aggregating dimension scores.

Coverage: CG.

Time period: Dimensions 30.1 and 30.4: Last three completed fiscal years. Dimension 30.2: Last three completed fiscal years. Dimension 30.3: Last three completed fiscal years.

Indicator / Dimension	Score
PI-30. External audit	D+
30.1. Audit coverage and standards	C
30.2. Submission of audit reports to the legislature	D
30.3. External audit follow-up	D
30.4. Supreme Audit Institution independence	A

410. General description of the system in place in Maldives: The Auditor General's Office (AGO) is the Supreme Audit Institution (SAI) of the Maldives. The Auditor General (AG) is the head of the SAI whose independence is guaranteed by the Constitution of Maldives enacted in 2008. The AGO follows the Westminster model of external audit while the system of governance of Maldives is a presidential system whereby the President is the Head of Government and Executive power is exercised by the government.

411. Recent or ongoing reform activities: None.

30.1. Audit coverage and standards

412. Performance level and evidence for scoring: AGO performs all of its financial statement audits based on the audit guidelines developed from the International Standards of Supreme Audit Institutions (ISSAIs). The guideline gives reference to the standards and is used as the basis for AGO's financial audits. The latest version of the guideline/ manual is dated 2015.

413. As per Article 212 of the Constitution and Section 9 and 10 of the Audit Act, the AG is mandated to conduct financial statement audits and financial management and prepare and publish reports on:

- all government ministries;
- departments operating under government ministries;
- other government agencies and offices;

- all offices and organizations operating under the legislative authority;
- Independent Commissions and Independent Offices established in accordance with the Constitution and law;

414. There are approximately 21 ministries and 32 statutory bodies in the Maldives for which the Auditor General must give an audit opinion on their financial statements by 31st May and there are approximately 650 sub-entities and 232 departments or sub-agencies operating under ministries and statutory bodies. Most of these sub-entities, departments and sub-agencies are in the Maldives except for a few agencies which are located abroad. The Auditor General is also responsible to provide an audit opinion on the four extra-budgetary units. There are a total of 200 local councils. The Auditor General has also a legal mandate to deliver an audit opinion on the financial statements of the local councils. Due to human resource constraints and logistical challenges posed by geographical nature of the country, the AGO has been outsourcing majority of local council audits since the beginning of 2016 audit cycle.

415. The financial statements of the government entities are produced and reported in accordance with the Public Finance Regulation. The International Public Sector Accounting Standards (IPSAS) Cash Basis is followed for reporting of GoM financial statements.

416. For the past 3 years, AGO has audited and reported on the majority (70%) of government's revenue and expenditures and these audits have highlighted any relevant material issues and systemic or control risks (Annex 7). Audits of the FY 2016, 2017 and 2018 were conducted. While it is appreciated that the AGO was able to cover all entities in FY 2016, in the years 2017 and 2018, high-priority, high-spending or risk-prone entities e.g. health, education, police services, social protection, National Planning and Infrastructure) and functions were not covered.

417. Since the reporting framework does not include a statement of assets and liabilities, AGO has not given formal opinion on the assets and liabilities. However, as part of audit process the assets and liabilities are verified. Hence, the score for the present dimension is C.

418. Possible causes of PFM performance identified during the PEFA assessment: The AGO has human resource constraints and logistical challenges to provide for full coverage of the government's revenue and expenditure.

30.2. Submission of audit reports to the legislature

419. Performance level and evidence for scoring: Article 213 of the Constitution states that "the Auditor General shall submit audit reports and an annual report to the President and the People's Majlis and to any other authority prescribed by law." The Audit Act states that:

- Upon receipt of the annual accounts, the Auditor General shall audit the accounts within 3 months and prepare a report incorporating details of work done to audit the accounts, his opinion on the accounts and recommendations for improvements. The report shall be submitted to the President and People's Majlis and shall be published.
- The Auditor General shall prepare and submit to President and Parliament an annual performance report accompanying the annual financial statement and the Auditor General shall publish the report within 14

days of submitting to the President and the People's Majlis.

420. Though AGO has the obligation and right to report as per the Constitution and Audit Act, AGO submits individual audit reports as and when the audit is completed. AGO has not reported on the annual financial statements for the years 2016 and 2017, however the 2018 audit report on the accounts of the whole of government accounts was submitted to the legislature on January 2020. Hence, the score for the present dimension is D.

421. Possible causes of PFM performance identified during the PEFA assessment: The AGO did not perform audits of the government account in time as required by the constitution.

30.3. External audit follow-up

422. Performance level and evidence for scoring: AGO does not have a systematic follow up system which monitors the extent to which the audit recommendations or observations are implemented by the executives or audited entities. Audit issues and recommendation are discussed in exit meetings and these discussions are reflected in the Management Letters. Though the executives are required to send formal letters on the status of implementation, in most cases, AGO does not receive a formal response by the auditee on the management letter. Hence, the score for the present dimension is D.

423. Possible causes of PFM performance identified during the PEFA assessment: AGO's system of follow-up on audit recommendations is very weak.

30.4. Supreme Audit Institution independence

424. Performance level and evidence for scoring: The independence of the Auditor General (AG) of the Maldives is enshrined in the Constitution and Audit Act. These two fundamental documents provide the basis for the assessment of AG's independence. Article 209 of the Constitution of Maldives states that "there shall be an independent and impartial Auditor General of the Maldives". The amendment of the Audit Act in 2014 provided legal recognition to the Auditor General's Office; section 2 of the Act provides for the establishment of the Auditor General's Office to enable the Auditor General to discharge his or her legal mandate. Article 212 of the Constitution establishes the legal mandate of the Auditor General and Articles 209 through 211 cover the provisions relating to independence, appointment and qualifications of the Auditor General. Articles 215 through 218 cover the provisions concerning the term of office, resignation, salary and removal of the Auditor General.

425. The Audit Act section 20 provides for AGO's financial independence from the executive. As per section 20 of the Audit Act, the Auditor General currently prepares and submits to the parliamentary committee acting in the capacity of Public Accounts Committee, a plan detailing the work programme of the Auditor General's Office for each year together with a budget. The budget submitted by the Auditor General is then evaluated by the parliamentary committee acting in the capacity of the Public Accounts Committee (PAC). The PAC invites the AGO to discuss the work plan and the annual budget before it approves the spending limit. Following approval by the PAC, the report of the PAC and the budget are then sent to the Majlis floor for deliberation and approval by vote.

426. The Audit Act section 20 and 21 ensures full functional and organizational independence. In practice, this is reflected as AGO receives the approved budget from Parliament and the executives do not interfere with the use of financial resources by AGO. AGO is free from direction and interference in the selection of audit issues, planning, conduct, reporting and follow-up of the audits. In addition, Sections 11 and 12 of the Audit Act gives the AG the power to obtain information and access the premises needed to carry out the audit. The AGO receives the total amount of funds appropriated by Parliament to enable it to discharge its legal mandate. There have been no interferences from the executive regarding the AGO’s budget proposal or access to financial resources.

427. Article 210 of the Constitution sets out the process for the appointment of the AG. The President shall appoint as Auditor General a person approved by majority of the total membership of the People’s Majlis from the names submitted to the People’s Majlis as provided for in law. Article 210 of the Constitution sets out the process for the appointment of the AG. Article 215 provides for the tenure of the AG states that “the Auditor General shall be appointed for one term of seven years. The appointment may be renewed for an additional term of not more than five years in accordance with the statute relating to the Auditor General, by a resolution passed by a majority of the total membership of the People’s Majlis. The removal of the AG requires only a majority of those present and voting, calling for the Auditor General’s removal from office as stipulated in Article 213 (b) of the Constitution and section 18 of the Audit Act. According to law, the removal process is carried out following a finding by a committee of the Parliament of misconduct or incapacity or incompetence of the Auditor General. Hence, the score for the present dimension is A.

428. Possible causes of PFM performance identified during the PEFA assessment: The independence of the Auditor General (AG) of the Maldives. As enshrined in the Constitution and Audit Act, is fully implemented.

PI-31. Legislative scrutiny of audit reports

429. What does PI-31 measure? This indicator focuses on legislative scrutiny of the audited financial reports of the central government, including institutional units, to the extent that either (a) they are required by law to submit audit reports to the legislature or (b) their parent or controlling unit must answer questions and take action on their behalf. It contains four dimensions and uses the M2(AV) method for aggregating dimension scores.

Coverage: CG.

Time period: Last three completed fiscal years.

Indicator / Dimension	Score
PI-31. Legislative scrutiny of audit reports	NA
31.1. Timing of audit report scrutiny	NA
31.2. Hearings on audit findings	NA
31.3. Recommendations on audit by legislature	NA
30.4. Transparency of legislative scrutiny of audit reports	NA

430. General description of the system in place in Maldives: Section 112 of the Standing order of the Majlis states that the Auditor General's report should be reviewed by the Public Accounts Committee (PAC) of the Parliament. The Auditor General is mandated to provide audit opinion and report to the Majlis on ministries, statutory bodies, local councils and extra-budgetary units (PI-30). In-depth hearings presently occur in the PAC frequently with responsible officers from audited entities mostly on high profile audit reports (qualified and disclaimer reports).

431. Recent or ongoing reform activities: None.

31.1. Timing of audit report scrutiny

432. Performance level and evidence for scoring: Section 112 of the Standing order of the Majlis states that the Auditor General's report should be reviewed by the Public Accounts Committee (PAC) of the Parliament. The Auditor General submitted the Audit Report on the Annual Financial Statements of the Government for the year 2018 to the Parliament on 7th January 2020. Since the report was submitted in 2020, this report will not be considered for scoring this dimension. However, no audit reports were received in the last three completed fiscal years. Hence, the score for the present dimension is NA.

433. Possible causes of PFM performance identified during the PEFA assessment: No audit reports were received in the last three completed fiscal years by the Majlis.

31.2 Hearings on audit findings

434. Performance level and evidence for scoring: In-depth hearings presently occur in the PAC frequently with responsible officers from audited entities mostly on high profile audit reports (qualified and disclaimer reports). For such hearings, representatives from AGO are called in to explain the observation and findings as well as from the audited agency to clarify and provide an action plan to remedy the situation. All other individual audit reports are also reviewed and approved by parliament after scrutiny.

435. There is no information on the number of audit reports scrutinized based on (the value) of government units with qualified, adverse or disclaimer of opinions for the 2018 report submitted in 2020. Moreover, since no audit reports were received in the last three completed fiscal years, this dimension is not assessed. Hence, the score for the present dimension is NA.

436. Possible causes of PFM performance identified during the PEFA assessment: No audit reports were received in the last three completed fiscal years by the Majlis.

31.3. Recommendations on audit by legislature

437. Performance level and evidence for scoring: The responsible committee of the parliament, i.e. the Public Accounts Review Committee, may recommend actions and sanctions to be implemented by the executives, in addition to adopting the recommendations made by the external auditors. As of the date of the evaluation, neither in the minutes of PAC nor by other means, is evident that the executive has systematically followed up on the recommendations made by the external auditors or issued additional recommendations and followed up on their implementation or recorded on the lack of action taken on recommendations. Moreover,

no audit reports were submitted to the parliament in the last three completed fiscal years. Hence, the score for the present dimension is NA.

438. Possible causes of PFM performance identified during the PEFA assessment: No audit reports were received in the last three completed fiscal years by the Majlis.

31.4. Transparency of legislative scrutiny of audit reports

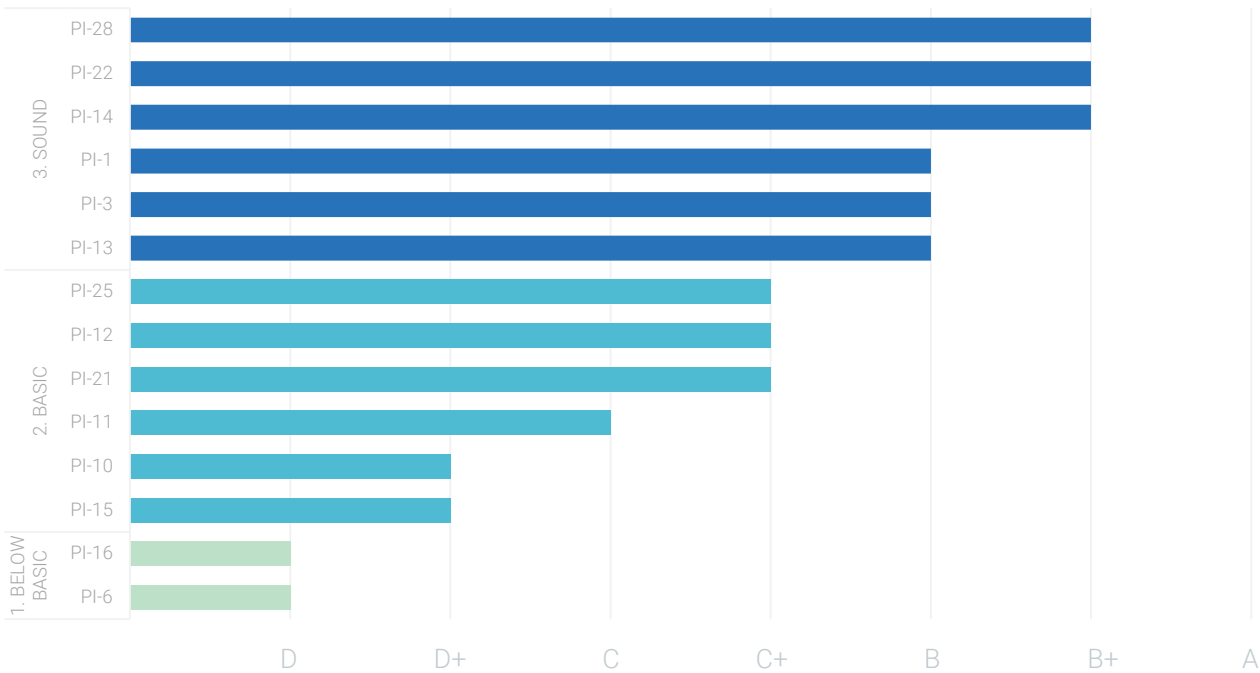
439. Performance level and evidence for scoring: Currently all the hearings on individual audit reports are broadcasted on national television (<https://majlis.gov.mv/en/19-parliament/stream>) except for strictly limited circumstances such as discussions related to sensitive discussions. The committee reports are taken to the full chamber of the legislature for approval, and the committee reports are published on the official website. (<https://majlis.gov.mv/>). But since no audit reports were submitted in the last three completed fiscal years, this dimension is not assessed. Hence, the score for the present dimension is NA.

440. Possible causes of PFM performance identified during the PEFA assessment: No audit reports were received in the last three completed fiscal years by the Majlis.

2. Overall analysis of PFM systems

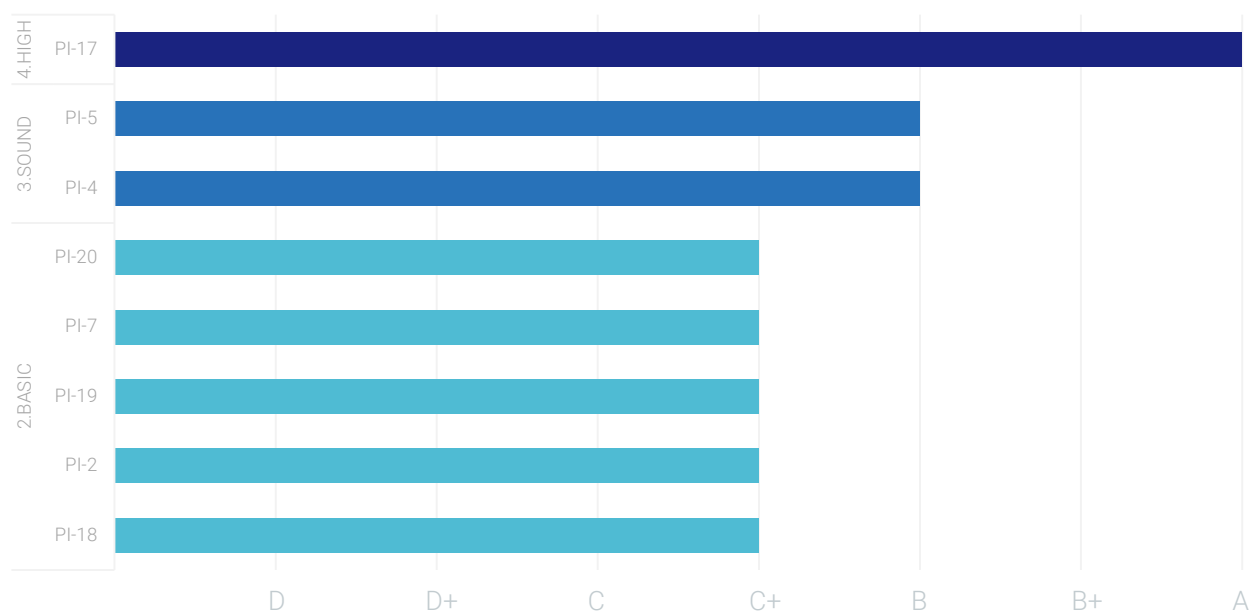
2.1 PFM strengths and weaknesses

Figure 3.1: Aggregate fiscal discipline



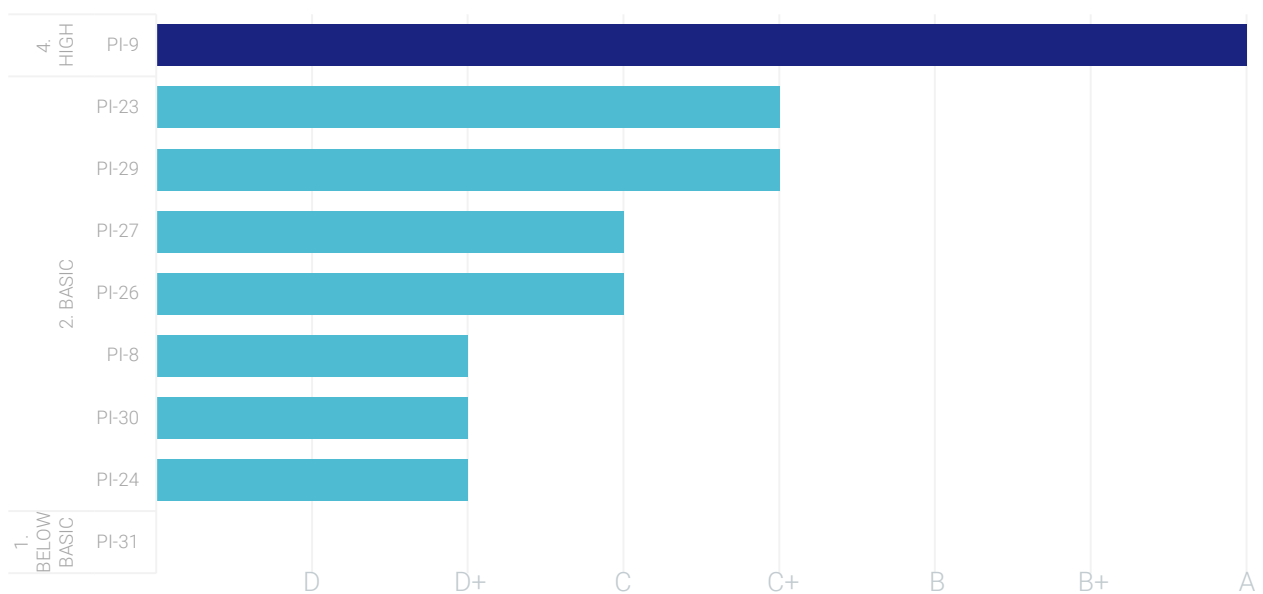
441. PFM strengths that impact on fiscal discipline include the preparation of a credible budget at the aggregate level for both revenues and expenditures, though it is less credible at the composition level. The classification on the budget classification is good and allows transparency. The central government has a complete picture of revenue and expenditures across every category. Both revenue and expenditures outside the financial report is less than 1%. Clear rules exist for in-year budget amendments by the executive and are adhered to. That said, they allow for extensive administrative allocations. Tax revenue arrears are alarmingly very high, at 89% of collections at the end of 2019 impacting on overall revenue outturn performance which affects budget credibility. But the stock of expenditure arrears is no more than 6% of total expenditure in at least two of the last three years. Debt management is generally found to be strong where domestic and foreign debt and guaranteed debt records are complete and accurate. Fiscal risk reporting is found to be weak at aggregate level mainly because local councils do not submit financial statements on time. Most corporations also do not submit their audited financial statements on time.

Figure 3.2: Strategic allocation of resources



442. Strategic allocation of resources is affected by functional and economic budget reallocations. Frequent budget reallocations override government original policy intentions, leading to poor resource allocation which affects efficient service delivery, going forward. The continuous budget reallocations also raise questions about budget credibility as well as the delivery of government services based on its original policy intent. The allocation of transfers to local Parliaments was not rule-based, significantly affecting resource allocation. Feasibility studies are conducted to assess some major investment. Technical selection is carried out and all projects are being selected by the President’s Office based on standard criteria for project selection leading to efficient allocation of resources. Medium-term strategic plans are prepared for some ministries, but none are costed, negatively impacting the strategic allocation of resources.

Figure 3.3: Efficient service delivery



443. Whereas aggregate budget is credible, the continuous reallocation of approved budget both at the functional and economic levels defeats the purpose of original government policy. This means that planned service delivery activities will no longer receive the necessary funding, thereby impacting negatively on the quality of primary service delivery. There is a strong system of cash forecasting and monitoring where cash flow report is prepared daily, with actual cash inflows and outflows of the previous working day, hence significantly contributed for payments required for service delivery to be made on time. This is also demonstrated by the small balance expenditure arrears.

444. A strong point to note is the public access to fiscal information where most information related with budget are made public in the website. The taxpayers in Maldives have easy access to the up-to-date information, via the office branches, MIRA website, and online portal regarding their rights and obligations for revenue measures. Main weaknesses identified in the transparency of public finances are related with performance information for service delivery, where information is not published on the outputs, outcomes or activities of most ministries and in-kind allocations are not reflected in the records. Information on the physical work progress is collected by each implementing agency. However, it does not align with the financial plan and the schedule. Public access to procurement information is also impaired by the fact that basic information such as procurement plans, data on resolution of procurement complaints and procurement statistics are not made public. The delay by the AGO to audit and report to parliament on the financial statements misses the chance of detecting misappropriation of funds on time. Moreover, it has deprived the parliament from overseeing whether public resources are properly spent as planned.

2.2 Effectiveness of the internal control framework

445. An effective internal control system plays a vital role across every pillar in addressing risks and providing reasonable assurance that operations meet the four control objectives: (i) operations are executed in an orderly, ethical, economical, efficient, and effective manner; (ii) accountability obligations are fulfilled; (iii) applicable laws and regulations are complied with; and (iv) resources are safeguarded against loss, misuse and damage.

Control Environment

446. Management and control of public finance and control of state assets is governed by the Public Finance Act (3/2006), and Public Finance Regulation. Furthermore, Fiscal Responsibility Act (7/2013) governs fiscal accountability, transparency and fiscal policy matters of the state. Both the Public Finance Act and the Public Finance Regulation stipulates the following areas of public financial management and control:

- Segregation of duties in the management and control of public finances.
- Internal controls to safeguard state assets and public funds against loss and misuse.
- Authorization and disbursements of payments from the state budget;
- Accounting for the collections of revenues and grants; and

- Annual Financial Reporting of the Public Offices, Ministries, including the submission of financial statements for audit to the Auditor General's Office.

447. Staffs working at the public offices are an important part of the control environment, and Staff hiring, and promotion is checked against the approved budget for each agency in coordination with the Civil Service Commission (PI-23). There is segregation of duties in which the finance function, payroll function and administration are segregated and proper approvals and checking mechanisms are in place.

Risk Assessment

448. Risk assessment is crucial in identifying potential areas for improvement that would aid the achievement of the objectives of the government. However, government wide risk assessment has not been carried out in a systematic manner. An Internal Audit Committee to oversee the state internal audit function is being established and it is envisaged to establish internal audit function in public offices with budget of MVR 100 million (PI-26). A singular audit, risk assessment framework and audit execution and reporting methodology is planned to be developed. The following are some of measures in place to manage risks of the government:

- The Medium-Term Debt Management Strategy (MTDS) to manage the external debt including strengthening the Sovereign Guarantee Issuance Guideline to minimize risks associated with loan guarantees. Risks identified are Refinancing risk, Interest rate risk and currency risk. (PI-10)

Control activities

449. Public Finance Act (PFA) date 2006 stipulates the control activities to be adhered by the public offices in the management of state funds. It requires the Minister of Finance to obtain approval from the president to issue debt or raise loans in the name of the state (PI-13). Furthermore, domestic and external records updated monthly are reconciled on a quarterly basis (PI-13). And budget preparation is initiated through a Budget Call circular which includes detailed stages of the budget process from issuance of circular to the approval of the draft budget by the Parliament Budget calendar (PI-16). As require by the Fiscal Responsibility Act, Ministry of Finance submits the annual cash flow plan to the parliament within 30 days from budget approval.

450. SAP information system is used by the government is processing payroll, accounting and reporting and materials management. Budgetary units raise purchase orders through the Material Management Module of the Public Accounting System and cannot incur spending until the budget release has been approved (PI-21).

451. Reconciliation is made for payroll processed through the HRCM module every six months. Staff hiring and promotion is verified with approved staff sheets of budgetary units. Authority and basis for changes to personnel records and the payroll are clear and adequate to ensure high integrity of data. (PI-22)

452. The government maintains a record of its holdings in major categories of financial assets, which are recognized at their acquisition cost or fair value. Information on the performance of the major categories of financial assets is published annually. The Government also maintains a register of its holdings of fixed assets and collects partial information on their usage and age. Procedures and rules for the transfer or disposal of nonfinancial assets are established. Partial information on transfers and disposals is included in financial reports (PI-12).

Information and Communication

453. Budget documentation such as Forecast of the fiscal deficit or surplus or accrual operating result, aggregated budget data for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous year with a detailed breakdown of revenue and expenditure estimates, macroeconomic assumptions and debt stock are published in the budget book (PI-5). The Research and Publication unit in the Fiscal Affairs Department (FAD) produces and publishes weekly, monthly, and quarterly fiscal developments reports (PI-28). The government makes available to the public most information related with budget, budget execution, financial reporting (PI-9). Performance plans for service delivery such as strategies and corresponding actions together with their objectives are clearly laid out, published and are mapped by programmes and functions of the government. However, Information is not published on the outputs, outcomes or activities of most ministries (PI-8). Most major public corporations did not submit the audited financials to PCB on time and the financial statements of councils are not being published (PI-10).
454. The annual consolidated financial statements are prepared by the Ministry of Finance and submitted to AGO within four months as required by the Public Finance Regulation (PI-29). AGO has not reported on the annual financial statements for the years 2016 and 2017, however the 2018 audit report on the accounts of the whole of government accounts was submitted to the legislature on January 2020(PI-30). According to the PFR clause 16.03 (a), the Head of Internal Audit Division shall report to the Minister or Internal Audit Committee. PFR clause 16.03 (c) states that the internal audit function of each ministry shall report to its internal audit Sub Committee, established by the respective minister of the ministry.(PI-26)
455. The taxpayers in Maldives have easy access to the up-to-date information, via the office branches, MIRA website, and online portal (PI-19). MIRA shares collection details of major revenues with the central agency (Ministry of Finance), monthly and MIRA's revenue collection details are published on the website, monthly, quarterly and annually (PI-20).

Monitoring

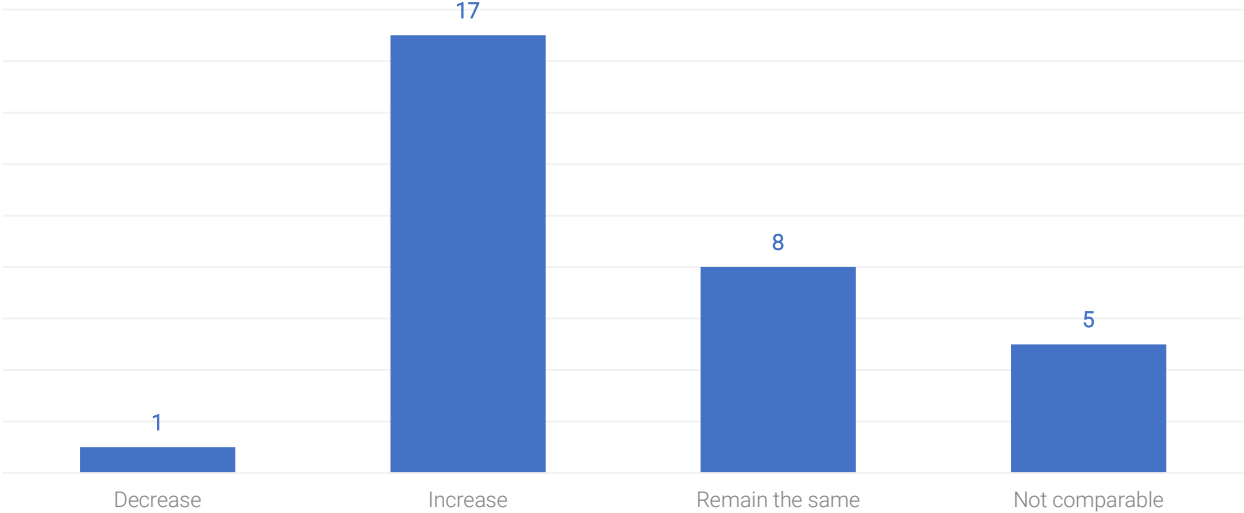
456. According to the Audit Act 04/2007, Auditor General has the responsibility for the audit of all the state institutions, state accounts, extra-budgetary units and state-owned enterprises. The Auditor General's Office carries out financial statements audits, compliance and special audits, performance audit and Information Systems (IS) audits of the state institutions and SOEs, which indicates instances of non-compliance with Public finance laws and regulations, inefficiencies in the governance and management of public resources (PI-25).
457. In addition to the external oversight carried out by the Auditor General's Office, Public Account Committee (PAC) of the Peoples' Majilis carries oversight of the public finance and expenditure through review of external audit reports prepared by the Auditor General, though, delay in audit report submission by the AG negatively impacted this. Furthermore, PAC also makes inquiries of public officials in connection with suspected cases of fraud or misuse of public funds (PI-31).
458. Furthermore, to strengthen the governance and accountability for the Public Funds and Assets, a State Internal Audit Committee (SIAC) has been established pursuant to the Public Finance Regulation, during

2019 to oversee the internal audit functions of the Ministries, Public Offices and Councils. And it is envisaged by the SIAC to establish internal audit functions in Public Offices where the budget exceeds MVR 100 Million. Currently preparation of a strategic plan to develop the internal audit function at the line ministries, public offices and local councils are being developed, including a roll out plan to implement the development strategies and actions in the short term (PI-26 and PI-30).

2.3 Performance changes since a previous assessment

459. The last PEFA assessment was conducted in 2014, using the 2011 methodology. In accordance with the PEFA Secretariat’s Guidance Note on measurement of performance change, the 2011 framework was used to assess the situation at the time of assessment in 2020. Annex 4 provides detailed analysis of changes since 2014. The topline message of the 2020 PEFA Report is that Government of Maldives (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 on a consistent basis using the 2011 PEFA Framework. Scores improved for 17 indicators, decreased for 1 ; remained the same for 8; whilst 5 indicators are not comparable.

Figure 3.4: Evolution over time by indicators - 2011 framework



Aggregate Fiscal Discipline

460. The credibility of the revenue budget has improved. However, the credibility of expenditure budget at aggregate level has deteriorated, while the expenditure composition budget has not changed, which is still found to be very weak. This has implication on both fiscal discipline and strategic allocation of resources. Oversight of aggregate fiscal risk from other public sector entities has improved and now the central government has a complete picture of revenue and expenditures across every category. The level of budget adjustments has not changed where significant in-year budget adjustments are still frequent but undertaken with some transparency. A notable improvement is in the monitoring of expenditure payment arrears which made

the stock of expenditure arrears to decrease. Debt management has been strengthened where domestic and foreign debt and guaranteed debt records are complete and accurate and reported quarterly, where it was being reported annually. Timely reporting of financial statements by local councils improved but is still requires improvement. Most corporations also do not submit their audited financial statements on time.

Strategic Allocation of Resources

461. The fact that the expenditure composition variance has not shown an improvement has impacted negatively the strategic resource allocation. Classification of the budget has improved. In 2014, though the budget formulation and reporting met the functional requirements, the budget execution did not. Since then, the functional classification has been embedded in the CoA so that the functional requirement is met at budget execution also. Moreover, in 2019, sub-functional codes in line with COFOG have been introduced in the CoA. The allocation of transfers to local Councils is still not rule-based, negatively affecting resource allocation. Medium-term strategic plans are prepared for some ministries but are still not costed.

Efficient Use of Resources for Service Delivery

462. Though expenditure composition outturn has shown an improvement, still high transfers/virements are prevalent. The continuous reallocation of budgets to other votes meant that planned service delivery initiatives will have to be suspended or discontinued entirely. During the previous assessment, cash flow forecasts were prepared annually but were not updated monthly/quarterly based on actual cash inflows and outflows. Now this has improved, and daily cash flow forecast is prepared and updated based on actual cash inflows and outflows of the previous working day. This is also demonstrated by the reduction in expenditure arrears balance.

463. Public access to fiscal information has improved and most information related with budget is made public in the website. Taxpayer access to information on tax liabilities and administrative procedures is also improved. No change is noted on the resources received in cash by primary health centres and primary schools where these are recorded, but records of in-kind resource allocations are not reliably maintained. Public access to procurement information improved, but still some basic information is not made public. A notable deterioration is the performance of the AGO, where no audit reports were not submitted to the parliament in the last three completed fiscal years.

2.4 Ongoing PFM Reforms

Approach to PFM Reforms

464. The Public Finance Management reform actions in Maldives are designed to respond to the challenges found in our system, to improve efficiency and effectiveness of public spending and improve our 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.

465. The Maldives did formulate a Reform Action Plan for 2014 to 2018 following the 2014 PEFA, and most of the weaknesses identified in the 2014 assessment have been the key priority areas for PFM reform in recent years. The Maldives also formulated a five-year Strategic Action Plan in 2019, which includes the overall government policy objectives to be achieved from 2020 to 2025. This plan includes measures that would improve PFM in the coming years.

466. These PFM reforms are pursued by the MoF primarily through PFM reform programs supported by development partners such as the World Bank, the IMF, USAID, and ADB. These programs mainly focus on the following key areas.

- Fiscal and macroeconomic reforms
- Strengthening debt and cash management
- Strengthening State-Owned Enterprise (SOE) governance and oversight
- Procurement reforms
- External Audit of the Public Sector
- Strengthening of the Public Accounting system (PAS) and asset management

467. All PFM reform programs are led by the MoF. A dedicated unit has been formed within the MoF under the World Bank Public Finance Management Project, responsible for overseeing the overall PFM reform actions carried out and is accountable to the Minister of Finance.

Ongoing PFM Reforms

468. As an overarching reform action, work towards the revision and amendment of fiscal laws and regulations is currently ongoing. In this regard, the MoF has established an internal review committee to identify shortcomings in the Public Finance Act and the Public Finance Regulation and to introduce amendments where necessary. Proposals have also been put forth to include virement and appropriation rules in the Public Finance Regulation to improve budget credibility and execution. Furthermore, the review of the Maldives Fiscal Responsibility Law (mainly on establishing practically feasible fiscal rules and requirements in the law) is also currently underway.

Fiscal and macroeconomic reforms

469. In the last two years, the MoF has implemented important measures to strengthen the fiscal position. These include: (i) strengthening SOEs monitoring to reduce the fiscal burden on the budget, (ii) strengthening PSIP monitoring and implementation, (iii) introduction of new revenue measures, and (iv) reviewing and refining subsidy schemes.

470. The MoF has also taken several steps to improve MTFE, budget credibility and transparency. To have more controls on budget execution and for better cash flow planning, the MoF has implemented commitment control and integrated Business Planning and Consolidation (BPC) to the Public Accounting System. The MoF also publishes weekly, monthly and quarterly fiscal and debt statistics on the MoF website.

471. In addition, the World Bank PFM project initiated the Household Income and Expenditure Survey (HIES),

which is expected to be completed by 2020. Preliminary statistics from the HIES as well as the labour force survey are expected to be available in December 2020, the information from which will compliment to formulate a better budget. Furthermore, the migration to a program-based budget is currently underway with the assistance of the USAID.

472. As part of the overall fiscal policy, the formulation, design and monitoring of tax policy of the country is one of the MoF primary mandates. In this regard, a Tax Policy Unit was established within the MoF in 2019. Further, fundamental changes were brought to tax policy in 2019, including the amendments brought to the Tax Administration Act and the introduction of the Income Tax (to be applicable from 1 January 2020). Review of other major taxes such as GST and green tax is currently underway.

Strengthening debt and cash management

473. Public debt (including guarantees) has reached 76percent of GDP, compared to 73 percent of GDP in 2018. The country faces refinancing risk from the sovereign bonds issued in 2017 and 2018 alongside a low level of reserves. Further, fiscal risks are present in guarantees and the vulnerability of the overall debt portfolio remains elevated due to the short maturity of domestic debt. To strengthen the debt and cash management the MoF started the preparation of Medium Term Debt Strategy (MTDS), which is updated annually.

474. The MoF also established an internal and external cash flow committee to assist in cash management. The internal committee meetings are held weekly while external meetings are held quarterly and include external stakeholders; Maldives Inland Revenue Authority (MIRA) and the Maldives Monetary Authority (MMA). A tentative Borrowing Plan covering both external and domestic debt has also been prepared in 2020 and work towards further enhancing the plan is currently ongoing before the plan is published. The intent of the borrowing plan is to provide information on the government's borrowing requirement throughout the year in advance to potential investors.

475. Significant progress has been made to strengthen debt management with the establishment of an integrated debt management department within the MoF that includes a front, middle and back office. The MoF is also reviewing debt management requirements in relevant legislations and a draft on a debt law has been prepared, in accordance with the guidance from the Debt Management Performance Assessment (DeMPA) carried out in 2019. Plans have been made to review the fiscal and credit risk arising from contingent liabilities to address underlying issues of sovereign guarantees and on-lending and other debt related instruments issued to SOEs and private companies.

Strengthening Management of the Capital Budget

476. The objective of this component is to enhance the preparation of the capital budget and implementing selection criteria for New Policy Initiatives (NPI). Capital project selection is more dependent on the national development plan, strategic action plan, objectives, or pledge of the government rather than its affordability or readiness. The government developed a 5-year Strategic Action Plan (SAP) in 2019, and activities and projects planned to be carried out in the first year has already been incorporated in the 2020 budget. The current focus of PFM reform is to improve monitoring of capital budget execution, namely the PSIP implementation. In this regard, the MoF has developed a portal for line ministries to report progress and monitor project implementation. The portal is expected to play a vital role in decentralizing the project implementation to local government agencies. The MoF is also working with the Ministry of National Planning to formulate a vetting process for screening PSIPs.

Strengthening Payroll Management and Control

477. The National Pay Commission (NPC) has formulated 9 job families and 96 professions for which job descriptions and criteria on qualifications and experience are being developed to establish a pay grade. The NPC has also published a handbook on allowances. At present, there are nearly sixty different types of allowances, out of which fifteen are in use. Further, the NPC is currently working to harmonize pay structure and allowances by mid-2020. As part of PFM reforms, the MoF has developed a digital payroll register of all employees who are being paid from the government budget. Currently, the MoF is working to further enhance the register to automatically collect, compare and notify miss-matching records to cross platform applications including the “Viuga” (Civil Service Registry) at Civil Service Commission. This register is expected to come live in mid-2020.

Strengthening State-Owned Enterprise (SOE) governance and oversight

478. The MoF has developed Corporate Governance Code for SOEs and is expected all SOEs to adopt the Code by 2020. The PCB has also developed performance agreements and pegged bonuses for the Managing Director and the Board of Directors with their performance. Currently the MoF is developing an SOE Gateway; a portal that monitors the financial situation of SOEs. This portal has already been partly rolled out to 16 SOEs and is expected to be fully rolled out by mid-2020. The SOE Gateway will be further enhanced, to integrate financial analytical capabilities within the system and publish information through the Gateway to the public. Currently, such analyses are carried out manually, and monthly, quarterly and annual financial statistics relating to SOEs are available in the MoF website.

Procurement reforms

479. The MoF is undertaking several reforms to procurement. This includes changes to the Procurement Regulation to give preference to local contractors, monitoring and evaluation of procurement, establish a separate regulatory division in the MoF and streamline the procurement process of SOEs. These changes to the procurement regulation have been drafted and a Procurement Policy Unit has been formed within the MoF. Further, a firm has been hired under the World Bank PFM project to harmonize and to prepare a guideline for SOE procurements. It is expected that a final draft of the guideline would be received by May 2020.

480. The MoF is also working towards the establishment of an electronic government procurement (e-GP) system. A readiness assessment was done in 2017, and several related components which are essential for the e-GP system are in progress, including a procurement portal and an internal system to manage procurements. As part of procurement reform, the MoF is committed to move towards green procurement. There are several initiatives at the individual ministries level, but lack of a central policy to give preference to green procurement is an obstacle. The National Tender is working with the Ministry of Environment to conduct a pilot green procurement.

External Audit of the Public Sector

481. The Government follows IPSAS cash basis. However, the Annual Financial Statements (AFS) which cover the local governments are not yet IPSAS compliant. The MoF and Auditor General's Office (AGO) have established a technical committee to work towards migration to IPSAS accrual accounting, while also addressing the IPSAS cash basis non-compliance issues. The audited whole-of-government AFS for 2018 has been published, while the preparation of AFS 2019 is currently in progress. The MoF is continuously

enhancing the public accounting system (SAP) and working towards a fully system generated AFS. The AGO is also working on progressive implementation of international standards for supreme audit institutions (ISSAI) and is expected to start in mid-2020, along with a pilot citizen participatory audit.

482. Strengthening of the Public Accounting system (PAS) and asset management. Since the adoption of the SAP Solution in 2009 as PAS, the MoF has been continuously working towards enhancing and rolling out its adjacent modules to fill the gaps in Integrated Financial Management System (IFMS). To strengthen PAS, a highly trained and dedicated team will be established within the MoF. In this regard, SAP functional and technical associates have been recruited to carry out the development works of the PAS.
483. In addition, work to value and record public assets in the SAP is currently underway with the assistance from World Bank. This project will also support the MoF in preparing policy for asset valuation.

Institutional Considerations

484. The lead implementation agency of public finance reform programs in the Maldives is the MoF, while the relevant departments within the MoF are the main drivers of such reforms.
485. Significant reforms in public finance in recent years have been within the MoF; however the need to opt for a more holistic approach to reform has been identified. In this regard, the MoF has undertaken sustained outreach initiatives towards line ministries and the Auditor General to expand the scope of PFM reform and ensure better efficiency and sustainability.
486. Broad PFM reforms have been carried out under the World Bank PFM project in recent years. Under this project, a PFM reform action plan has been formulated and the project PMU is in charge of overseeing implementation. The PMU has been formed within the MoF and reports to the Minister of Finance. The governance structure of this reform program enables the inclusion of the MoF leadership team and other stakeholders (such as line ministries and the Auditor General's Office) by establishing a PFM Working Committee and a PFM Steering Committee.
487. In general, the fiscal policy measures are deliberated within the Parliament of Maldives through a specific committee (Public Accounts Committee). The Economic Committee of the Parliament deliberates on any bills proposed to the Parliament relating to revenue. Further, a Budget Review Committee is formed with members from the Public Accounts and Economic Committees when the budget is submitted to the Parliament.
488. Overall fiscal decisions of the Government as a whole is reviewed and deliberated within the Policy Section of the President's Office.
489. The Maldives receives a number of technical assistances from its development partners for PFM reform. In this regard, one of the main leading development partners for PFM over the years has been the World Bank. The World Bank PFM project, which began in 2014, has driven many of the reform programs carried out in the Maldives in recent years. The project provides the necessary technical input through consultations as well as trainings required for capacity development.
490. In addition, the MoF receives additional training opportunities from its other development partners such as the IMF, the ADB and other UN agencies. Recent assistance from the USAID in relation to the implementation

of program budgeting also involve the capacity building of staff from MoF and other line ministries.

491. Furthermore, long term technical assistance is provided by many development partners, for which the ADB assistance for revenue administration in establishing the MIRA is notable.

492. While a PFM reform program was formulated after the PEFA 2014 with the assistance of the World Bank and the IMF, the document was not made public. However, the recent assistance for PFM reform programs has been directly linked to the actions identified in the 2014 PFM reform program and has been in use since its inception. However, the financing of PFM reform programs carried out through development partners is published in the government budget document. Further, recent progress on PFM reforms has also been included in budget 2019 statement.

Annex 1: Performance indicator summary

Pillar	Indicator/Dimension		Current assessment (2020)	
			Score	Description of requirements met
Budget Reliability	PI-1	Aggregate expenditure out-turn	B	Actual expenditure outturn was between 90% and 110% of the approved budget expenditure in two of the last three years (2018 and 2019). In 2017, expenditure deviation was 101.3% of the initial budget.
	PI-2	Expenditure composition outturn	C+	
		(i) Expenditure composition outturn by function	C	Variance in expenditure by functional classification was less than 15% in two of the last three years (2018 and 2019). In 2017, the variance was at 15.3%.
		(ii) Expenditure composition outturn by economic type	B	Variance in expenditure composition by economic classification was less than 15% in two of the last three years (2017 and 2018). In 2019, the variance was at 5.5%.
		(iii) Expenditure from contingency reserves.	A	Actual expenditure charged to a contingency vote was on average 1.3% of the original budget.
	PI-3	Revenue outturn	B	
		(i) Aggregate revenue outturn	A	Actual revenue was between 97% and 106% of budgeted revenue on 2018 and 2019.
		(ii) Revenue composition outturn	C	Variance in revenue composition was less than 15% in 2018 and 2019.
Transparency of Public Finances	PI-4	Budget Classification	B	The budget formulation and execution are based on administrative, economic and sub-functional classification, using GFS standards at 4-digit level and COFOG standards, and can produce consistent documentation according to those standards.
	PI-5	Budget Documentation	B	Budget documentation fulfils 8 elements, including 4 basic elements.
	PI-6	Central government operations outside financial reports	D	
		(i) Expenditure outside financial reports	D*	EBU Expenditure outside government financial reports is less than 1% of total BCG expenditure. But since the data for one EBU was not available for 2019 or 2018, this dimension couldn't be scored.
		(ii) Revenue outside financial reports	D*	EBU revenue outside government financial reports is less than 5% of total BCG revenue. But since the data for one EBU was not available for 2019 or 2018, this dimension couldn't be scored.
		(iii) Financial reports of extra-budgetary units	D*	Detailed financial reports of majority of extra budgetary units are submitted to government annually within nine months of the end of the fiscal year . But since the data for one EBU was not available for 2019 or 2018, this dimension couldn't be scored.
	PI-7	Transfers to subnational governments	C+	
		(i) System for allocating transfers	D	The allocation of transfers to local councils was not rule-based.
		(ii) Timeliness of information on transfers	A	Information on annual transfers to local councils is managed through the regular budget process, and a period of 6 weeks could complete the budget planning.
	PI-8	Performance information for service delivery	D+	

Pillar	Indicator/Dimension	Current assessment (2020)		
		Score	Description of requirements met	
	(i) Performance plans for service delivery	A	Strategies and corresponding actions together with their objectives are clearly laid out and are mapped by programmes and functions of the government. Output indicators are identified with quantified targets. Outcomes are clearly defined with most outcomes tied to a measurable target. This is prepared at the whole of government level, and therefore covers all ministries.	
	(ii) Performance achieved for service delivery	D	Information is not published on the outputs, outcomes or activities of most ministries.	
	(iii) Resources received by service delivery units	D	All financial resources received by frontline service delivery units of the Ministry of Education and the Ministry of Health are recorded, but in-kind allocations are not reflected in the records.	
	(iv) Performance evaluation for service delivery	D	Evaluations of performance and effectiveness of service are not carried out in most ministries.	
	PI-9	Public access to information	A	The government makes available to the public eight elements, including all four basic elements in accordance with the specified timeframe.
Management of assets and liabilities	PI-10	Fiscal risk reporting	D+	
	(i) Monitoring of public corporations	D	Most major SOEs did not submit the audited financials to PCB within 9 months.	
	(ii) Monitoring of sub-national government (SNG)	D	The financial statements of councils are not being published.	
	(iii) Contingent liabilities and other fiscal risks	C	Central government entities and agencies quantify some significant contingent liabilities in their financial reports.	
	PI-11	Public investment management	C	
	(i) Economic analysis of investment proposals	C	Feasibility studies are conducted to assess some major investment.	
	(ii) Investment project selection	B	Technical selection is carried out; all projects are being selected by the President's Office based on standard criteria for project selection.	
	(iii) Investment project costing	D	Lifecycle costing for any PSIP has not been carried out.	
	(iv) Investment project monitoring	C	Each sector implementing the projects collects the site data (information on physical progress).	
	PI-12	Public asset management	C+	
	(i) Financial asset monitoring	B	The government maintains a record of its holdings in major categories of financial assets, which are recognized at their acquisition cost or fair value. Information on the performance of the major categories of financial assets is published annually.	
	(ii) Nonfinancial asset monitoring	C	The government maintains a register of its holdings of fixed assets and collects partial information on their usage and age.	
	(iii) Transparency of asset disposal	C	Procedures and rules for the transfer or disposal of nonfinancial assets are established. Partial information on transfers and disposals is included in financial reports.	

Pillar	Indicator/Dimension		Current assessment (2020)	
			Score	Description of requirements met
	PI-13	Debt management	B	
		(i) Recording and reporting of debt and guarantees	B	Domestic and foreign debt and guaranteed debt records are complete, accurate, and updated quarterly. Most information is reconciled quarterly. Comprehensive management and statistical reports covering debt service, stock, and operations are produced at least annually.
		(ii) Approval of debt and guarantees	C	Primary legislation grants authorization to borrow, issue new debt, and issue loan guarantees on behalf of the central government to entities specifically included in the legislation. Documented policies and procedures provide guidance for undertaking borrowing and other debt-related transactions and issuing loan guarantees to one or several entities. These transactions are reported to and monitored by a single responsible entity.
		(iii) Debt management strategy	B	A current medium-term debt management strategy, covering existing and projected government debt, with a horizon of at least three years, is publicly reported. The strategy includes target ranges for indicators such as interest rates, refinancing, and foreign currency risks.
Policy-based fiscal strategy and budgeting	PI-14	Macroeconomic and fiscal forecasting	B+	
		(i) Macroeconomic forecasts	A	The government prepares forecasts of key macroeconomic indicators for the whole economy, which, together with the underlying assumptions, are included in budget documentation submitted to the legislature. These forecasts are updated at least once a year. The forecasts cover the budget year and the two following fiscal years. The projections have been reviewed by an entity other than the preparing entity.
		(ii) Fiscal forecasts	A	The government prepares forecasts of the main fiscal indicators, including revenues (by type), aggregate expenditure, and the budget balance, for the budget year and two following fiscal years. These forecasts, together with the underlying assumptions and an explanation of the main differences from the forecasts made in the previous year's budget, are included in budget documentation submitted to the legislature.
		(iii) Macro-fiscal sensitivity analysis	C	The macro fiscal forecasts prepared by the government include a qualitative assessment of the impact of alternative macroeconomic assumptions.
	PI-15	Fiscal strategy	D+	
		(i) Fiscal impact of policy proposals	D	Impact of proposed changes in revenue and expenditure were only incorporated into the fiscal strategy in 2019.
		(ii) Fiscal strategy adoption	C	The fiscal strategy includes quantitative, time-based targets for fiscal indicators, together with qualitative objectives of fiscal policy. The document is endorsed by the Cabinet, submitted to the People's Majilis(Parliament) and published in the Government Gazette.
		(iii) Reporting on fiscal outcomes	D	No report is prepared by the government on the progress made against its fiscal strategy.
	(i) Fiscal impact of policy proposals	D	Impact of proposed changes in revenue and expenditure were only incorporated into the fiscal strategy in 2019.	

Pillar	Indicator/Dimension	Current assessment (2020)		
		Score	Description of requirements met	
	(ii) Fiscal strategy adoption	C	The fiscal strategy includes quantitative, time-based targets for fiscal indicators, together with qualitative objectives of fiscal policy. The document is endorsed by the Cabinet, submitted to the People's Majilis (Parliament) and published in the Government Gazette.	
	(iii) Reporting on fiscal outcomes	D	No report is prepared by the government on the progress made against its fiscal strategy.	
	PI-16	Medium term perspective in expenditure budgeting	D	
	(i) Medium-term expenditure estimates	C	The annual budget presents estimates of expenditure for the budget year and the two following fiscal years allocated by administrative or economic classification.	
	(ii) Medium-term expenditure ceilings	D	Aggregate expenditure ceilings are approved by the government before the first budget circular is issued, but for the budget year only.	
	(iii) Alignment of strategic plans and medium-term budgets	D	Medium-term strategic plans are prepared for some ministries, but none are costed. Some expenditure policy proposals in the annual budget estimates align with the strategic plans.	
	(iv) Consistency of budgets with previous year estimates	D	Performance is less than required for a C score.	
	PI-17	Budget preparation process	A	
	(i) Budget calendar	A	A clear budget calendar exists and is generally adhered to and allows budgetary units at least six weeks from receipt of the BCC to complete their detailed estimates on time.	
	(ii) Guidance on budget preparation	A	A clear and comprehensive BCC is issued to budgetary units, covering total budgetary expenditure for the full FY. The BCC reflects ceilings approved by the Cabinet prior to the circular's distribution to the budgetary units.	
	(iii) Budget submission to the legislature	A	The executive has submitted the annual budget proposal to the legislature at least two months before the start of the FY in each of the last three years.	
	PI-18	Legislative scrutiny of budgets	C+	
	(i) Scope of budget scrutiny	A	The parliament extensively reviews the economic and fiscal forecasts for the medium term, fiscal policy objectives and details of revenue and expenditure included in the budget.	
	(ii) Legislative procedures for budget scrutiny	B		
	(iii) Timing of budget approval	A	The Standing Order of the Majlis, approved in advance of budget hearings, clearly sets out the procedures for budget scrutiny by the legislature. No arrangements are explicitly made for public consultations.	
	(iv) Rules for budget adjustments by the executive	C	The legislature has approved the annual budget before the start of each of the three previous fiscal years.	
	PI-19	Revenue administration	C+	The legislature has approved the annual budget before the start of each of the three previous fiscal years.
	(i) Rights and obligations for revenue measures	C	Rules for in-year budget adjustments are not laid out, and the total budget utilization exceeded the approved ceiling in 2018.	

Pillar	Indicator/Dimension		Current assessment (2020)	
			Score	Description of requirements met
Predictability and control in budget execution		(ii) Revenue risk management	B	A Compliance Risk Management Framework has been documented and communicated across the organization to ensure that all compliance activities of MIRA are based on the level of risk associated with the taxpayers. MIRA is currently in the process of designing the actions plans for assessing and prioritizing of risks for all major tax types.
		(iii) Revenue audit and investigation	C	Based on an audit plan, MIRA has conducted audits and fraud investigation of the majority revenue generating taxpayers and was able to complete an average number of cases. Majority of planned audits (not all) are completed.
		(iv) Revenue arrears monitoring	D	Arrears as a percentage of collections were 89% at the end of 2019. The system is unable to generate required data relating to the age of arrears (unable to classify arrears into age groups).
	PI-20	Accounting for revenues	C+	
		(i) Information on revenue collections	A	MIRA shares collection details of major revenues with the central agency (Ministry of Finance), monthly and also MIRA's revenue collection details are published on the website, monthly, quarterly and annually. These are broken down by revenue type and are also consolidated into a report.
		(ii) Transfer of revenue collections	A	The funds generated by MIRA through all the online / card forms are remitted directly into the Public Bank Account, which is controlled by the Finance Ministry. And as MIRA does not hold any accounts, the funds collected by councils are also directly remitted to the Public Bank Account.
		(iii) Revenue accounts reconciliation	C	MIRA collects majority of government revenues and undertakes complete reconciliation of collections and transfers to public bank account within the standard time. But it does not perform any reconciliation involving assessments and arrears.
	PI-21	Predictability of in-year resource allocation	C+	
		(i) Consolidation of cash balances	D	There is no consolidation of bank and cash balances taking place.
		(ii) Cash forecasting and monitoring	A	A cash flow forecast is prepared daily by TPAD, with actual cash inflows and outflows of the previous working day, to provide the most accurate information.
		(iii) Information on commitment ceilings	C	Budgetary units are provided reliable information on commitment ceilings at least one month in advance.
		(iv) Significance of in-year budget adjustments	C	Significant in-year budget adjustments to budget allocations are frequent and are partially transparent.
	PI-22	Expenditure arrears	B+	
		(i) Stock of expenditure arrears	B	The stock of expenditure arrears is no more than 6% of total expenditure in at least two of the last three years.
		(ii) Expenditure arrears monitoring	A	Data on the stock, age, and composition of expenditure arrears is generated daily.

Pillar	Indicator/Dimension		Current assessment (2020)		
			Score	Description of requirements met	
	PI-23	Payroll controls	C+		
		(i) Integration of payroll and personnel records	C	Reconciliation takes place for payroll processed through the HRCM module every six months. Staff hiring and promotion is verified with approved staff sheets of budgetary units.	
		(ii) Management of payroll changes	A	Retroactive payments are less than 3% of total salary payments.	
		(iii) Internal control of payroll	B	Authority and basis for changes to personnel records and the payroll are clear and adequate to ensure high integrity of data.	
		(iv) Payroll audit	C	Partial audits or staff surveys have been undertaken within the last three completed fiscal years.	
		PI-24	Procurement	D+	
		(i) Procurement monitoring	D	The National Tender maintains procurement database. However, there is no data regarding the database of other procuring agencies.	
		(ii) Procurement methods	D	The National Tender maintains procurement database. However, there is no data regarding the database of other procuring agencies. Hence, there is no complete data on procurement methods.	
		(iii) Public access to procurement information	D	At least three of the key procurement information elements are complete and reliable for government units representing majority of procurement operations and are made available to the public.	
		(iv) Procurement complaints management	B	The procurement complaint system meets criterion (1), and four of the other criteria.	
		PI-25	Internal controls on nonsalary expenditure	C+	
		(i) Segregation of duties	A	The Public Finance Regulation and the use of SAP provide evidence of appropriate segregation of duties prescribed throughout the expenditure process. Responsibilities are clearly laid down in the PFR.	
		(ii) Effectiveness of expenditure commitment controls	C	Expenditure commitment controls are in place and effectively limit commitments to approved budget allocation for all expenditure, and to projected cash availability for expenditure above a high threshold value.	
		(iii) Compliance with payment rules and procedures	D	While payment procedures and processes are established and followed, compliance cannot be authenticated because Internal Audit does not conduct audits on the compliance of payment processes or procedures.	
		PI-26	Internal audit effectiveness	C	
		(i) Coverage of internal audit	C	Internal Audit functions are established in all public offices regarding revenue and majority of public offices regarding expenditure.	
		(ii) Nature of audits and standards applied	C	Internal Audits are mainly focused on compliance and special audits and there is no effective system for quality assurance of the functions	
		(iii) Implementation of internal audits and reporting	C	Annual audit program exists in nearly all public offices and only majority of the planned audits are completed	
		(iv) Response to internal audits	C	Management comments are obtained for the audit issues identified in the audits and action are taken by the management.	

Pillar	Indicator/Dimension		Current assessment (2020)	
			Score	Description of requirements met
Accounting and Reporting	PI-27	Financial data integrity	C	
		(i) Bank account reconciliation	C	Bank reconciliation for all active central government bank accounts takes place at least quarterly, usually within 8 weeks from the end of each quarter.
		(ii) Suspense accounts	D	Reconciliation of suspense accounts are not performed regularly and are not cleared in a timely way.
		(iii) Advance accounts	C	Reconciliation of advance accounts takes place annually, within two months from the end of the year. Advance accounts may frequently be cleared with delay.
		(iv) Financial data integrity processes	B	Access and changes to records is restricted and recorded, and results in an audit trail.
	PI-28	In-year budget reports	B+	
		(i) Coverage and comparability of reports	A	Coverage and classification of data allows direct comparison to the original budget.
		(ii) Timing of in-year budget reports	A	Given that the WFD is like the monthly report (which include more reconciled data) and are issued more frequently, by assessing against the monthly criteria, the budget execution reports are issued on average within 1 week from the end of each month.
		(iii) Accuracy of in-year budget reports	B	Although there are no material concerns regarding data accuracy and analysis of the budget execution is provided on at least a half-yearly basis, information on expenditure is only covered at the payment stage.
	PI-29	Annual financial reports	C+	
		(i) Completeness of annual financial reports	B	The Financial Statements are prepared annually the Cash Basis of Accounting but does not include all the information about assets and liabilities.
		(ii) Submission of reports for external audit	C	The last annual financial statement submitted for audit, i.e. 2018, was submitted within nine months of the end of the fiscal year.
		(iii) Accounting standards	A	Accounting standards applied to all financial reports are consistent with international standards. Most international standards have been incorporated into the national standards. Variations between international and national standards are disclosed and any gaps are explained. The standards used in preparing annual financial reports are disclosed in notes to the reports.
	PI-30	External audit	D+	
		(i) Audit coverage and standards	C	Financial statement of central government entities representing most total expenditures and revenues have been audited using ISSAI based audit guidelines developed by AGO
		(ii) Submission of audit reports to the legislature	D	AGO has not reported on the annual financial statements for the years 2016 and 2017, however the 2018 audit report on the accounts of the whole of government accounts was submitted to the legislature on January 2020.
		(iii) External audit follow-up	D	No effective follow-up system established by AGO to monitor the implementation of the audit recommendations by the audited entities.

Pillar	Indicator/Dimension		Current assessment (2020)	
			Score	Description of requirements met
External scrutiny and audit		(iv) Supreme Audit Institution (SAI) independence	A	AGO enjoys independence from the executive with respect to appointment and removal of the Head of the SAI. Planning of audit engagements, arrangements for publicizing reports, and the approval and execution of the SAI's budget. This independence is assured by constitution and Audit Act. AGO has unrestricted and timely access to records, documentation and information.
	PI-31	Legislative scrutiny of audit reports	NA	
		(i) Timing of audit report scrutiny	NA	No audit reports were submitted to the parliament in the last three completed fiscal years, so this dimension is not assessed.
		(ii) Hearings on audit findings	NA	No audit reports were submitted to the parliament in the last three completed fiscal years, so this dimension is not assessed.
		(iii) Recommendations on audit by the legislature	NA	No audit reports were submitted to the parliament in the last three completed fiscal years, so this dimension is not assessed.
		(iv) Transparency of legislative scrutiny of audit reports	NA	No audit reports were submitted to the parliament in the last three completed fiscal years, so this dimension is not assessed.
		Total Scored	31	

Annex 2: Summary of observations on the internal control framework

Internal control components and elements	Summary of observations
1. Control environment	
1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organization.	The control environment for the public expenditure is stipulated by the Public Finance Act (2006), Public finance regulation (2011) and the Fiscal responsibility Act (2013). External audit and scrutiny of public offices are carried out by the Auditor General's Office, Anti-corruption Commission and Public Accounts Committee of the Parliament. According to the Constitution of the Republic of Maldives 2008, the powers of the state are vested to three branches, being Legislature, the Executive and the Judiciary. Furthermore, separate laws govern the independent institutions, such as the Auditor General's Office, Maldives National Defence Force, Maldives Police Service, etc.
1.2 Commitment to competence	
1.3 The "tone at the top" (i.e. management's philosophy and operating style)	
1.4 Organisational structure	
1.5 Human resource policies and practices	
2. Risk assessment	
2.1 Risk identification	State Internal Audit Committee appointed by the Minister of Finance pursuant to Public Finance regulation has decided to establish a decentralized function for Internal Audit at the State. Hence, an internal audit function will be established at public offices where the budget exceeds MVR 100 Million. It is envisaged that the function would be fully established within the next three years across government.
2.2 Risk assessment (significance and likelihood)	
2.3 Risk evaluation	
2.4 Risk appetite assessment	
2.5 Responses to risk (transfer, tolerance, treatment or termination)	Risk identification and assessment is being carried out for the Ministry of Finance by its Internal Audit Function. Similarly, Internal Audit Functions of the Maldives Police Service, Ministry of Education, Judicial Service Commission and the National Defence Force carries out an inform risk assessment process for the purpose of selecting auditable areas, on an annual basis.
3. Control activities	
3.1 Authorization and approval procedure	The finance management of the state is governed by the public finance act and regulation. And SAP information system is used for processing and approval of payments in the government ministries. However, public offices located at the islands use manual accounting system for recording, processing and approval of transactions. Local government authority of the Maldives is the oversight body of Atoll and Island Councils. It has implemented an accounting system to record, process and authorize revenue and expenditure transactions, which is planned to be integrated with the SAP Accounting system. Recently government has granted local council the authority to award and implement projects below MVR 5 Million. Ministries and Independent Institutions use SAP system and request for payments, which are then centrally approved by the Treasury and Public Accounts Division (TPAD) of the Ministry of Finance.

Internal control components and elements	Summary of observations
3.2 Segregation of duties (authorizing, processing, recording, reviewing)	There is segregation over authorizing, processing, recording and review of transactions across the government agencies pursuant to PFA and PFR. And segregation of duties is ensured through SAP system user controls. However, there are instances where public offices have by passed these user controls due to staff shortages by sharing user Ids.
3.3 Controls over access to resources and records	In majority of the government agencies, biometric and card access systems are in place over physical access controls, and application controls are established, to monitor and controls access over resources and records.
3.4 Verifications	Physical verification of assets and documents are made in the internal and external audits. Quarterly reconciliations are carried out by the TPAD in the preparation of financial statements.
3.5 Reconciliations	
3.6 Reviews of operating performance	
3.7 Reviews of operations, processes and activities	As of the review date, majority of the internal audit functions at the government agencies conduct compliance and financial audits. Nevertheless, the Auditor General's Office of the Maldives carries out performance audits of selected areas.
3.8 Supervision (assigning, reviewing and approving, guidance and training)	There are supervisory bodies operational for the supervision of specific areas. Those include National Tender Board that carry out tendering of procurement above 2.5 million, Local government Authority responsible to monitor and oversee all councils. In addition to that, Privatization and Corporatization Board monitors and evaluates all the majority and minority share holding companies of the Government of Maldives.
4. Information and communication	The annual consolidated financial statements are prepared by the Ministry of Finance and submitted to AGO within four months (unless revised subsequently) as required by the Public Finance Regulation. According to the PFR clause 16.03 (a), the Head of Internal Audit Division shall report to the Minister or Internal Audit Committee. PFR clause 16.03 (c) states that the internal audit function of each ministry shall report to its internal audit Sub Committee, established by the respective minister of the ministry. The Research and Publication unit in the Fiscal Affairs Department (FAD) produces and publishes weekly, monthly, and quarterly fiscal developments reports. MIRA shares collection details of major revenues with the central agency (Ministry of Finance), monthly and also MIRA's revenue collection details are published on the website, monthly, quarterly and annually. The taxpayers in Maldives have easy access to the up-to-date information, via the office branches, MIRA website, and online portal.
5. Monitoring	The Audit Act (02/2007) requires Auditor General to submit his / her reports to the Peoples' Majlis. The Public Accounts Committee scrutinizes reports on ad hoc basis. Also, in some of the circumstances, PAC makes inquires of public officials regarding the management and alleged cases of mismanagement and misuse of public funds, as well as state assets.
5.1 Ongoing monitoring	
5.2 Evaluations	
5.3 Management responses	

Annex 3: Sources of information by indicator

General

- 2016 PEFA Assessment Report by IMF, WB, and GoM
- Public Finance Management Performance Report, Seychelles, 2016
- PEFA Framework 2016
- Calculation sheets for PI-1,2 3 2016 Framework
- The Field Guide for the 2016 Framework
- The 2011 Framework
- Calculation sheets for PI-1,2 3 2011 Framework

Indicator/Dimension	Data Source
I. Budget reliability	
PI-1. Aggregate expenditure outturn	
1.1 Aggregate expenditure outturn	• Budget Book 2017, 2018, 2019, 2020.
PI-2. Expenditure composition outturn	
2.1. Expenditure composition outturn by function	• Budget Book 2017, 2018, 2019, 2020.
2.2. Expenditure composition outturn by economic type	
2.3. Expenditure from contingency reserves	
PI-3. Revenue outturn	
3.1 Aggregate revenue outturn	• Budget Book 2017, 2018, 2019, 2020.
3.2 Revenue composition outturn	
II. Transparency of public finances	
PI-4. Budget classification	
4.1 Budget classification	• Budget Book 2019; CoA; IMF TA Report on GFS/PSDS (draft), January 2020.
PI-5. Budget documentation	
5.1 Budget documentation	• Budget Book 2020 and Budget Speech 2020.
PI-6. Central government operations outside financial reports	
6.1 Expenditure outside financial reports	• Audited Financial statements of EBUs and dates of submission • Maldives Pension Act (Law No.8/2009) • Maldives Securities Act (Law No.2/2006)
6.2 Revenue outside financial reports	• Maldives Civil Aviation Authority Act (Law No. 2/2012)
6.3 Financial reports of extra-budgetary units	• Maldives Legal Professions Act (Law No. 5/2019)
PI-7. Transfers to subnational governments	
7.1 System for allocating transfers	• Constitution of the Republic of Maldives 2008 • Decentralization Act (7/2010), Government Gazette, 17 May 2010
7.2 Timeliness of information on transfers	• 8th Amendment to the Decentralization Act (24/2019), Government Gazette, 15 December 2019 • Maldives: Public Financial Management – Performance Report (2014), Unpublished

Indicator/Dimension	Data Source
PI-8. Performance information for service delivery	
8.1 Performance plans for service delivery	<ul style="list-style-type: none"> Strategic Action Plan 2020 – 2023, Government of Maldives, President's Office website, https://storage.googleapis.com/presidency.gov.mv/Documents/SAP2019-2023.pdf
8.2 Performance achieved for service delivery	
8.3 Resources received by service delivery units	
8.4 Performance evaluation for service delivery	
PI- 9 Public access to fiscal information	
9.1 Public access to fiscal information	<ul style="list-style-type: none"> The Proposed Budget (www.finance.gov.mv). The approved budget (the Budget Book) at www.finance.gov.mv In-year budget execution reports at www.finance.gov.mv The audited Annual Financial Report accompanied by the External Auditor's Report, see Auditor General's Office website (www.audit.gov.mv). Allnon –confidential reports on CG consolidated operations, see the Auditor General's Office website (www.audit.gov.mv). Summary document of the budget proposal, see MoF website (www.finance.gov.mv).
III. Management of assets and liabilities	
PI- 10 Fiscal risk reporting	
10.1 Monitoring of public corporations	<ul style="list-style-type: none"> Legal Frameworks of GoM on SoEs Law no 3/2013, Privatization and Corporatization Act Fiscal and Audit Reports of GoM Audit Reports of SOEs by Auditor General Office Public Finance Act(PFA-2006) Decentralization Act (7/2010), Government Gazette, 17 May 2010
10.2 Monitoring of sub-national government (SNG)	
10.3 Contingent liabilities and other fiscal risks	
PI- 11: Public investment management	
11.1 Economic analysis of investment proposals	<ul style="list-style-type: none"> IMF Technical Assistance report – Public Investment Management Assessment 2019 Ibrahim Nasir International Airport Feasibility Study [unpublished] www.budget.gov.mv
11.2 Investment project selection	
11.3 Investment project costing	
11.4 Investment project monitoring	
PI-12: Public asset management	
12.1 Financial asset monitoring	
12.2 Nonfinancial asset monitoring	
12.3 Transparency of asset disposal.	
PI-13: Debt management	
13.1 Recording and reporting of debt and guarantees	<ul style="list-style-type: none"> Debt Management Assessment (DeMPA)-March 2019 Stock and Flows of Public and Publicly Guaranteed Debt from Back Office (BO) Medium Term Fiscal & Debt Strategy-2018 Medium Term Debt Management Strategy 2020-2022 (http://www.finance.gov.mv/fiscal-and-debt-strategy-report) Medium Term Fiscal Strategy-2019 Fiscal Responsibility Act (FRA-2013)
13.2 Approval of debt and guarantees	
13.3 Debt management strategy	

Indicator/Dimension	Data Source
IV. Policy-based fiscal strategy and budgeting	
PI-14: Macroeconomic and fiscal forecasting	<ul style="list-style-type: none"> • 2017 Budget • 2018 Budget • 2019 Budget
14.1 Macroeconomic forecasts	
14.2 Fiscal forecasts	<ul style="list-style-type: none"> • President's Office letter no. 1-G/13/2006/73 on the formation of the MECC.
14.3 Macro-fiscal sensitivity analysis	<ul style="list-style-type: none"> • President's Office letter number 1(P)CBD/13/2008/123 on amendments to the MECC.
PI-15 Fiscal strategy	<ul style="list-style-type: none"> • Fiscal Responsibility Law (No. 7/2013), Government Gazette, Vol. 42, No. 74, 06 May 2013, http://gazette.gov.mv/gazette/download/731 • Medium Term Fiscal Strategy 2020 - 2022, Ministry of Finance. Website, https://www.finance.gov.mv/public/attachments/Lbf9FGj8yCQbODokcJAKwinAR5dv5QAOG4jRG2H.pdf
15.1 Fiscal impact of policy proposals	
15.2 Fiscal strategy adoption	
15.3 Reporting on fiscal outcomes	
PI-16 Medium-term perspective in expenditure budgeting	<ul style="list-style-type: none"> • 2020 Budget • 2019 Budget • 2020 Budget Call Circular 1 – Reference number: 13-B/CIR/2019/5
16.1 Medium-term expenditure estimates	
16.2 Medium-term expenditure ceilings	<ul style="list-style-type: none"> • Education Sector Plan 2019-2023 • Health Master Plan 2016-2025
16.3 Alignment of strategic plans and medium-term budgets	<ul style="list-style-type: none"> • IMF Article IV Reports for 2017, 2018 and 2019 • Maldives Energy Policy and Strategy 2016 • Maldives Climate Change Policy Framework 2015 • Strategic Action Plan 2019-2023 • National Biodiversity Strategy & Action Plan 2016-2025 • National Action Plan on Air Pollutants 2019
16.4 Consistency of budgets with previous year's estimates	
PI-17: Budget preparation process	<ul style="list-style-type: none"> • BCC for the preparation of the 2020 Budget • Dates of budget submissions by the Budgetary units • Date of approval of the BCCs by Cabinet • http://www.finance.gov.mv/media/news/majlis-approved-the-government-budget-for-2018, • https://maldivestimes.com/parliament-passes-record-state-budget-for-2018 • https://raajje.mv/45458, https://maldivesindependent.com/politics/record-budget-passed-for-2020-149631.
17.1 Budget calendar.	
17.2 Guidance on budget preparation	
17.3 Budget submission to the legislature	
PI-18: Legislative scrutiny of budgets	<ul style="list-style-type: none"> • 2nd Amendment to the Public Finance Act (8/2012), Government Gazette, 25 December 2018 • Procedure on Budget Appropriation and Virements, Government gazette, 09 May 2019 • Standing Order of the 19thMajlis, 26 August 2019
18.1 Scope of budget scrutiny.	
18.2 Legislative procedures for budget scrutiny.	
18.3 Timing of budget approval.	
V. Predictability and control in budget execution	
PI-19 Revenue administration	
19.1 Rights and obligations for revenue measures	<ul style="list-style-type: none"> • Tax Administration Act (Law Number 3/2010) • Customs General Regulation
19.2 Revenue risk management	
19.3 Revenue audit and investigation	
19.4 Revenue arrears monitoring	

Indicator/Dimension	Data Source
PI-20 Accounting for Revenues	
20.1 Information on revenue collections	<ul style="list-style-type: none"> • Tax Administration Act (Law Number 3/2010) • Customs General Regulation
20.2 Transfer of revenue collections	
20.3 Revenue accounts reconciliation.	
PI-21 Predictability of in-year resource allocation	
21.1 Consolidation of cash balances.	<ul style="list-style-type: none"> • Constitution of Maldives (2008) • Public Finance Act (No.3/2006) • Fiscal Responsibility Act (No.7/2013) • Public Finance Regulation (2017/R-20) • Supplementary Budget 2019 • Public Finance Circular (# I3-B3/CIR/2019/18)
21.2 Cash forecasting and monitoring.	
21.3 Information on commitment ceilings.	
21.4 Significance of in-year budget adjustments.	
PI-22 Expenditure arrears	
22.1 Stock of expenditure arrears.	<ul style="list-style-type: none"> • Cash flow reports, Ministry of Finance • Public Accounting System, Ministry of Finance
22.2 Expenditure arrears monitoring	
PI-23 Payroll controls	
23.1 Integration of payroll and personnel records.	<ul style="list-style-type: none"> • Public accounting system. • SAP records.
23.2 Management of payroll changes.	
23.3 Internal control of payroll.	
23.4 Payroll audit.	
PI-24 Procurement	
24.1 Procurement monitoring.	<ul style="list-style-type: none"> • Public Finance Act(PFA-2006) • IMF Country Report No. 10/137 (2010) • Update of The Public Financial Management Reform Plan, 2014–18 • Public Financial Management—Performance Report 2014 • www.finance.gov.mv and PFR 2017 • www.finance.gov.mv and PFR 2017
24.2 Procurement methods.	
24.3 Public access to procurement information.	
24.4 Procurement complaints management.	
PI-25 Internal controls on non-salary expenditure	
25.1 Segregation of duties.	<ul style="list-style-type: none"> • Public Finance Regulation of the Maldives • Captures of the Public Accounting Software (SAP) • Email requesting the customization of SAP • Financial Executive Agreement • Circular 13-D2/CIR/2018/9
25.2 Effectiveness of expenditure commitment controls.	
25.3 Compliance with payment rules and procedures.	
PI-26 Internal audit	
26.1 Coverage of internal audit.	<ul style="list-style-type: none"> • Public Finance Act 03/2006. • Decentralization Administration Act 07/2010. • Public Finance Regulation (February 2017). • Internal Audit Rollover Plan – SIAC. • Budget 2020 (https://www.budget.gov.mv/). • Annual plans and audit reports provided by public offices. • Lists of completion of annual plan and follow-up activities from public offices.
26.2 Nature of audits and standards applied	
26.3 Implementation of internal audits and reporting.	
26.4 Response to internal audits.	

Indicator/Dimension	Data Source
VI. Accounting and Reporting	
PI-27 Financial data integrity	
27.1 Bank account reconciliation.	<ul style="list-style-type: none"> • Public accounting system. • SAP records.
27.2 Suspense accounts.	
27.3 Advance accounts.	
27.4 Financial data integrity processes	
PI-28 In-year budget reports	
28.1 Coverage and comparability of reports.	<ul style="list-style-type: none"> • Budget in Statistics 2019; • Weekly Fiscal Developments 2019; • Monthly Fiscal Developments Jan – Dec 2019; • Quarterly Economic Fiscal Developments Q1-4 2019.
28.2 Timing of in-year budget reports.	
28.3 Accuracy of in-year budget reports	
PI-29 Annual financial reports	
29.1 Completeness of annual financial reports.	<ul style="list-style-type: none"> • Budget in Statistics 2019; • Weekly Fiscal Developments 2019; • Monthly Fiscal Developments Jan – Dec 2019; • Quarterly Economic Fiscal Developments Q1-4 2019.
29.2 Submission of the reports for external audit.	
29.3 Accounting standards.	
VII. External scrutiny and audit	
PI-30 External audit	
30.1 Audit coverage and standards.	<ul style="list-style-type: none"> • Legislation, Regulations, AGO reports: • Constitution 2008 • Audit Act 2007 (Amended 2014) • Auditor General's Quarterly Reports 2018 • AGO Annual work plan 2016, 2017, 2018
30.2 Submission of audit reports to the legislature	
30.3 External audit follow up.	
30.4 Supreme Audit Institution independence.	
PI-31 Legislative scrutiny of audit reports	
31.1 Timing of audit report scrutiny	<ul style="list-style-type: none"> • Legislation, Regulations, AGO reports: • Standing order of the Majlis • (https://majlis.gov.mv/) • Audit reports issued (www.audit.gov.mv)
31.2 Hearings on audit findings.	
31.3 Recommendations on audit by the legislature.	
31.4 Transparency of legislative scrutiny of audit reports.	

Annex 3A: Related surveys and analytical work

No related surveys and analytical works were reviewed.

Annex 3B: List of people interviewed

Name	Organization	Position	Telephone	Email
Within MoF				
Fathimath Razeena	Ministry of Finance	Financial Controller	+(960) 334 9200	fathimath.razeena@finance.gov.mv
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Outside MOF				
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Dr Marium Jabyn (PhD)	Maldives Bar Council	Secretary General		Secretary-general@maldivesbarcouncil.org
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Name	Organization	Position	Telephone	Email
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Moomina Abdulla	Ministry of Health	Director		
Naushadh Ali	Ministry of Health	Assistant Director		
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Hussain Waheed	Parliament Public Accounts Committee	Member	+(960) 3322617	admin@majlis.gov.mv
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Name	Organization	Position	Telephone	Email
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Annex 4: Tracking change in performance based on previous versions of PEFA

Indicator/Dimension	Score previous assessment (2014)	Score current assessment (2020)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
A. PFM-OUT-TURNS: Credibility of the Budget				
PI-1 Aggregate expenditure out-turn compared to original approved budget	A	B	In no more than one out of the last three years has the actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 10 % of budgeted expenditure. (it was 106.1% in 2017, 103% in 2018 and 113.6% in 2019)	Deterioration in score and performance. The deviation was less than 5% in all the three years in the previous assessment.
PI-2 Composition of expenditure out-turn compared to original approved budget	D+	D+		No change.
(i) Extent of the variance in expenditure composition during the last three years, excluding contingency items	D	D	Variance in expenditure composition exceeded 15 % in at least two of the last three years. (It was 20.7% in 2017, 14.8% in 2018 and 16.7% in 2019).	No change.
(i) The average amount of expenditure actually charged to the contingency vote over the last three years.	A	A	Actual expenditure charged to the contingency vote was on average less than 3% of the original budget. (On average it was 1.7%)	No change.
PI-3 Aggregate revenue out-turn compared to original approved budget	B	A	Actual domestic revenue was between 97% and 106% of budgeted domestic revenue in at least two of the last three years. (It as 95% in 2017, 98% in 2018 and 100% in 2019).	Improvement in score and performance.
PI-4 Stock and monitoring of expenditure payment arrears	D+	B+		Improvement in score and performance.
(i) Stock of expenditure payment arrears and a recent change in the stock.	D	B	In two of three years of assessment the stock of arrears was less than 6 percent of the total budget expenditure.	Improvement in score and performance. Stock of expenditure arrears were more than 10% in the previous assessment.
(i) Availability of data for monitoring the stock of expenditure payment arrears.	C	A	Data on arrears is monitored on a daily basis and reports are generated daily.	Improvement in score and performance. From late 2016, a strong focus was placed on improving the cash flow forecasting and reporting of GoM. Monitoring of arrears is included in the cash flow forecasting exercise.

Indicator/Dimension	Score previous assessment (2014)	Score current assessment (2020)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency				
PI-5 Classification of the budget	C+	A	The budget formulation and execution is based on administrative, economic and sub-functional classification, using GFS/COFOG or a standard that can produce consistent documentation according to those standards.	Improvement in score and performance. In 2014, though the budget formulation and reporting met the functional requirements, the budget execution did not. Since then, the functional classification has been embedded in the CoA so that the functional requirement is met at budget execution also. Moreover, in 2019, sub-functional codes in line with COFOG have been introduced in the CoA.
PI-6 Comprehensiveness of information included in budget documentation	A	A	7 out of the 9 information benchmarks are met.	No change.
PI-7 Extent of unreported government operations.	NR	NR		No change.
(i) Level of unreported government operations	NR	NR	Even if the level of unreported budgetary expenditure and revenue is between 1% and 5% of total BCG expenditure and revenue, this cannot be assessed as the data for one of the extra-budgetary units was not available for 2019 or 2018 at the time of the assessment.	No change.
(ii) Income/expenditure information on donor-funded projects	A	A	Complete income/expenditure information for 90% (value) of donor-funded projects is included in fiscal reports, except inputs provided in-kind OR donor funded project expenditure is insignificant (below 1% of total expenditure).	No change.
PI-8 Transparency of inter-governmental fiscal relations.	C	C		No change.
(i) Transparency and objectivity in the horizontal allocation amongst Sub-national Governments	D	D	The allocation of transfers to local Parliaments was not rule-based.	No change.

Indicator/Dimension	Score previous assessment (2014)	Score current assessment (2020)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
(ii) Timeliness and reliable information to SN Governments on their allocations	A	A	Information on annual transfers to local councils is managed through the regular budget process, and a period of 6 weeks was allowed to complete the budget planning.	No change.
(iii) (iii) Extent of consolidation of fiscal data for general government according to sectoral categories	D	D	Fiscal information from local councils is collected, but only the transfers from the central government to local councils are recorded in the consolidated financial statements.	No change.
PI-9 Oversight of aggregate fiscal risk from other public sector entities.	D	C		Improvement in score and performance in both dimensions.
(i) Extent of central government monitoring of autonomous entities and public enterprises	D	C	Most major AGAs/PEs submit fiscal reports to central governments at least annually, A consolidated financial performance review of SOEs is published by PCB.	Improvement in score and performance. In 2014, a consolidated report on SOE performance was not issued.
(ii) Extent of central government monitoring of SN government's fiscal position	D	C	The majority of councils (62 percent of councils in 2019 as a share of budget allocated to councils) submit financial statements annually to the Local Government Authority (LGA). However, a consolidated report or overview is not prepared by the Local Government Authority.	Improvement in score and performance. The extent monitoring of councils by the LGA has significantly increased, and the majority of councils submit their annual financial to the LGA.
PI-10 Public access to key fiscal information	B	A	The Government makes available 6 of the 6 listed types of information.	Improvement in score and performance. In 2014, 4 of the 6 listed elements were met. Since then, in- year budget execution reports are made available to the public in a timely manner and all contract awards above 100 000 USD equivalent value are published on the MoF website weekly.

Indicator/Dimension	Score previous assessment (2014)	Score current assessment (2020)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
C. BUDGET CYCLE				
C(i) Policy-Based Budgeting				
PI-11 Orderliness and participation in the annual budget process	B+	A		Improvement in score and performance , thanks to an improvement in dim. ii.
(i) Existence of, and adherence to, a fixed budget calendar	A	A	Budgetary Units are given 8 weeks to submit their proposals and all submit on time.	No change.
(ii) Guidance on the preparation of budget submissions	C	A	The BCC includes ceilings for both capital and recurrent expenditure, and these are approved by Cabinet before the BCC is sent to the budgetary units.	Improvement in score and performance. In 2014, the BCC did not include ceilings for capital or PSIP expenditure.
(iii) Timely budget approval by the legislature	A	A	Over the 3 FYs before the Assessment, the Budget was approved by Parliament before the start of the new FY.	No change.
PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting	D	D+		Overall improvement in score and performance.
(i) Multiyear fiscal forecasts and functional allocations	D	C	Forecasts of fiscal aggregates (on the basis of the main categories of economic classification) are prepared for at least two years on a rolling annual basis.	Improvement in score and performance. The Ministry of Finance has developed a Medium Term Fiscal Framework for multiyear forecasts of fiscal aggregates
(ii) Scope and frequency of debt sustainability analysis	D	A	DSA for external and domestic debt is undertaken annually.	No change in performance. The IMF prepares a DSA annually that covers external and domestic debt and the DSA is acknowledged by the MoF. The same situation applied in 2014, so that the PA severely underscored the dimension.
(iii) Existence of costed sector strategies	D	D	Sector strategies may have been prepared for some sectors, but none of them have substantially complete costing of investments and recurrent expenditure.	No change. There are sector specific strategies as well as the broader multi sectoral strategic plan of the government. None of the strategies are costed.

Indicator/Dimension	Score previous assessment (2014)	Score current assessment (2020)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
(iv) Linkages between investment budgets and forward expenditure estimates	D	C	Many investment decisions have weak links to sector strategies and their recurrent cost implications are included in forward budget estimates only in a few (but major) cases.	Improvement in score and performance. The New Policy Initiatives projects form instructs Ministries to identify linkages of the proposed projects to the Strategic Action Plan of the Government as well as the annual recurrent cost that will be incurred upon completion of the project.
C(ii) Predictability and Control in Budget Execution				
PI-13 Transparency of taxpayer obligations and liabilities	B	B+	M2	Improvement in indicator (ii) and (iii)
(i) Clarity and comprehensiveness of tax liabilities	B	B	Major taxes are collected through a designated law (the import export act, BPT act [now income tax act] and the goods and services act (both the gst and bpt act fall under the tax administration act)). These laws are comprehensive with regards to the tax liabilities and limited scope of discretion is available to the MIRA with regards to leniencies in fines and penalties under the BPT act and the tax administration act. The import export act provides high discretionary powers to the president relating to duty exemptions.	No change.
(ii) Taxpayer access to information on tax liabilities and administrative procedures	B	A	Taxpayers have easy access to the up-to-date information, via the office branches, MIRA and MCS website, and online portal with information being actively provided by both collectors through social media.	Improvement in score and performance. Most content of the MCS is now in English as well as Dhivehi and increased use of social media by both collectors has increased accessibility for taxpayers.
(iii) Existence and functioning of a tax appeal mechanism.	C	B	The amendments to the tax administration act in 2019 allows for a broader appeal opportunities with the TAT, while this amendment has not been broadly tested as of yet. The MCS also has an appeal process through the civil court.	Improvement in score and performance. Ease of appeal for taxpayers on all decisions made by MIRA with just upfront payment of 30% of appealed amount (where applicable).

Indicator/Dimension	Score previous assessment (2014)	Score current assessment (2020)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	C	C+		Improvement in overall score and performance due to improvement in(iii)
(i) Controls in the taxpayer registration system	C	B	While all revenue collectors and business registers used their own form of special identifiers, MIRA's TINs are linked to other business registration systems.	Improvement in score and performance. TINs are linked to other business registration systems through SAP.
(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations	C	C	Fines and penalties have remained unchanged under the tax administration act in the past five years.	No change.
(iii) Planning and monitoring of tax audit and fraud investigation programs	C	C	Based on an audit plan, MIRA conducted audits and fraud investigation of the majority revenue generating taxpayers and was able to complete an average number of cases.	No change.
PI-15 Effectiveness in collection of tax payments	D+	D+		No change.
(i) Collection ratio for gross tax arrears	NR	NR	Arrears as a percentage of collections were 89% at the end of 2019. The system is unable to generate required data relating to the age of arrears (unable to classify arrears into age groups). Customs information provided for 1 year.	No change.
(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration	B	B	The funds generated by MIRA and MCS through all the online / card forms are remitted directly into the Public Bank Account, which is controlled by the Finance Ministry. Lags may occur for collections from islands to be realised to the PBA.	No change.
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records, and receipts by the Treasury	D	D	MIRA and MCS collects majority of government revenues and undertakes complete reconciliation of collections and transfers to public bank account within one month. However, MIRA does not perform any reconciliation involving assessments and arrears.	No change.

Indicator/Dimension	Score previous assessment (2014)	Score current assessment (2020)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
PI-16 Predictability in the availability of funds for commitment of expenditures	D+	C+		Improvement in score and performance.
(i) Extent to which cash flows are forecasted and monitored	C	A	Cash flow forecast is prepared daily with actual cash inflows and outflows of the previous working day.	Improvement in score and performance. During the previous assessment, cash flow forecasts were prepared annually but were not updated monthly/quarterly on the basis of actual cash inflows and outflows. Now this has improved and daily cash flow forecast is prepared and updated based on actual cash inflows and outflows of the previous working day.
(ii) Reliability and horizon of periodic in-year information to Budgetary units on ceilings for expenditure	D	C	Budgetary units are provided reliable information on commitment ceilings at least one month in advance.	Improvement in score and performance. During the previous assessment, debt recording was being updated annually. Now it is updated quarterly. Budget releases are made on a monthly basis for both recurrent and capital expenditures. Budget units are required to raise PO via MM module before incurring expenditures, thus committing the expenditure for the period. In 2014, budget units were not provided with reliable information on resource availability.
(iii) Frequency and transparency of adjustments to budget allocations above the level of management of Budgetary units	C	A	Significant in-year adjustments to budget allocations take place only once or twice in a year and are done in a transparent and predictable way.	Improvement in score and performance.
PI-17 Recording and management of cash balances, debt and guarantees	D+	C+		Improvement in score and performance due to improvement under dimension (iii).

Indicator/Dimension	Score previous assessment (2014)	Score current assessment (2020)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
(i) Quality of debt data recording and reporting.	C	B	Domestic and foreign debt and guaranteed debt records are complete, accurate, and updated quarterly. Most information is reconciled quarterly. Comprehensive management and statistical reports covering debt service, stock, and operations are produced at least annually.	Improvement in score and performance. During the previous assessment, debt recording was being updated annually. Now it is updated quarterly.
(ii) Extent of consolidation of the government's cash balances	D	D	No consolidation of all the government cash balances performed.	No change.
(iii) Systems for contracting loans and issuance of guarantees.	C	B	A current medium-term debt management strategy, covering existing and projected government debt, with a horizon of at least three years, is publicly reported. The strategy includes target ranges for indicators such as interest rates, refinancing, and foreign currency risks.	Improvement in score and performance.
PI-18 Effectiveness of payroll controls	D+	C+		Improvement in overall score due to improvement under dimension (i) and (iii).
(i) Degree of integration and reconciliation between personnel records and payroll data.	D	C	Reconciliation takes place between personnel records and payroll every six months. Staff hiring and promotion is checked with the approved budget.	Improvement in score and performance. All Male' based units now use the HRCM module of the SAP to process payroll, in which reconciliation of staff changes and subsequent changes to payroll take place at least every six months. Furthermore, staff hiring and promotion is verified with the approved salary sheets of budgetary units by the MoF, improving the dimension score from D to C.
(ii) Timeliness of changes to personnel records and the payroll.	A	A	Retroactive payments are less than 3% of total salary payments.	No change.

Indicator/Dimension	Score previous assessment (2014)	Score current assessment (2020)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
(iii) Internal controls of changes to personnel records and the payroll.	C	B	Authority and basis for changes to personnel records and the payroll are clear and adequate to ensure high integrity of data.	Improvement in score and performance. Controls are in place for personnel records and payroll data. Systems allow for data logs and data checking while also allowing for the relevant documents to be stored within the system. The use of E-GOV also creates a clear audit trail. Different staff is given different levels of access to the system.
(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers	C	C	Partial audits or staff surveys have been carried out during the review period.	No change.
PI-19 Competition, value for money and controls in procurement	D	C		Improvement in score and performance.
(i) Transparency, comprehensiveness and competition in the legal and regulatory framework.	C	A	The legal framework meets all six of the listed requirements.	Improvement in score and performance. During the previous assessment, the legal framework met only three of the six criteria.
(ii) Use of competitive procurement methods.	D	D	Procurement statistics is available for the National Tender only. Data is not available for the other procuring agencies.	No change.
(iii) Public access to complete, reliable and timely procurement information.	D	C	At least two of the key procurement information elements are complete and reliable for government units representing 50% of procurement operations (by value) and made available to the public through appropriate means.	Improvement in score and performance. Public access to procurement information improved and bidding opportunities and contract awards are made public.
(iv) Existence of an independent administrative procurement complaints system.	D	D	The procurement complaints system is not comprised of experienced professionals, familiar with the legal framework for procurement, and includes members drawn from the private sector and civil society as well as government but meets the other criteria.	No Change.
PI-20 Effectiveness of internal controls for non-salary expenditure	D+	D+		No Change in overall score but improvement at dimension level (i) and (ii).

Indicator/Dimension	Score previous assessment (2014)	Score current assessment (2020)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
(i) Effectiveness of expenditure commitment controls	D	C	Expenditure commitment controls are in place and effectively limit commitments to approved budget allocation for all expenditure, and to projected cash availability for expenditure above a high threshold value.	Improvement in score and performance. Controls have been added following the previous assessment, such as the use of SAP and the respective circular. They limit commitments to the approved budget for all expenditure.
(ii) Comprehensiveness, relevance and understanding of other internal control rules/ procedures.	C	A	Other internal control rules and procedures are relevant, and incorporate a comprehensive and generally cost effective set of controls, which are widely understood.	Improvement in score and performance.
(iii) Degree of compliance with rules for processing and recording transactions	D	D	While payment procedures and processes are established and followed, compliance cannot be authenticated because Internal Audit does not conduct audits on the compliance of payment processes or procedures.	No change.
PI-21 Effectiveness of internal audit	D+	C		Improvement in score and performance due to improvement in dimension (I) and (III)
(i) Coverage and quality of the internal audit function.	D	C	Internal Audit functions are established in all of public offices but mainly focused on compliance and special audits	Improvement in score and performance. Internal audit function is now established in all offices but may not meet recognized professional standards.
(ii) Frequency and distribution of reports	C	C	Reports are issued regularly for most government entities, but may not be submitted to the ministry of finance and the SAI.	No change.
(iii) Extent of management response to internal audit function.	D	C	Management comments are obtained for the audit issues identified in the audits and action are taken by the management.	Improvement in score and performance. The response to internal audit has improved.
C(iii) Accounting, Recording and Reporting				
PI-22 Timeliness and regularity of accounts reconciliation	D+	C		Improvement in score and performance due to improvement in dimension (i).
(i) Regularity of bank reconciliation	D	C	A full bank account reconciliation is done quarterly within 8 weeks of end of quarter.	Improvement in score and performance.

Indicator/Dimension	Score previous assessment (2014)	Score current assessment (2020)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
(ii) Regularity and clearance of suspense accounts and advances	C	C	Reconciliation and clearance of suspense accounts and advances take place annually in general, within two months of end of year, but a significant number of accounts have uncleared balances brought forward.	No change.
PI-23 Availability of information on resources received by service delivery units	D	D	The resources received in cash by primary health centres and primary schools are recorded, but records of in-kind resource allocations are not reliably maintained.	No change.
PI-24 Quality and timeliness of in-year budget reports	D+	C+		Improvement in scope and performance.
(i) Scope of reports in terms of coverage and compatibility with budget estimates.	C	C	The classification allows expenditure in various fiscal development publications to be directly comparable to the budget. Expenditure is captured at payment stage.	No change.
(ii) Timeliness of the issue of reports	B	A	Given that the WFD is similar to the monthly report (which include more reconciled data) and are issued more frequently, by assessing against the monthly criteria, the budget execution reports are issued on average within 1 week from the end of each month.	Improvement in scope and performance. New issuance timeframe criteria added for different periodic publications.
(iii) Quality of information	D	B	Although there are no material concerns regarding data accuracy and analysis of the budget execution is provided on at least a half-yearly basis, information on expenditure is only covered at the payment stage.	Improvement in scope and performance. The score has improved for 2019 as no material concern on data accuracy following the enforcement of the use of the Public Accounting System (SAP).
PI-25 Quality and timeliness of annual financial statements	D+	B+		Improvement in score and performance due to improvement in performance in all dimensions.

Indicator/Dimension	Score previous assessment (2014)	Score current assessment (2020)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
(i) Completeness of the financial statements	D	B	A consolidated government statement is prepared annually. They include, with few exceptions, full information on revenue, expenditure and financial assets/liabilities	Improvement in score and performance. IPSAS was being introduced in the previous assessment but was not fully implemented and the financial statements were not complete.
(ii) Timeliness of submissions of the financial statements	B	A	The statement is submitted for external audit within 6 months of the end of the fiscal year.	Improvement in score and performance.
(iii) Accounting standards used	D	A	IPSAS is fully implemented with the exceptions explained in the accounting policy.	Improvement in score and performance. Adherence to IPSAS was not fully implemented during the previous assessment.
C(iv) External Scrutiny and Audit				
PI-26 Scope, nature and follow-up of external audit	D+	D+		Deterioration in performance due to deterioration in dim. (i) that does not show in the overall score given the M1 method.
(i) Scope/nature of audit performed (including adherence to auditing standards)	B	C	Financial statement of central government entities representing most total expenditures and revenues have been audited using ISSAIs based standards developed by AGO.	Deterioration in performance and score.
(ii) Timeliness of submission of audit reports to the Legislature	D	D	Audit reports were not submitted to the legislature within required timeline or legal timeframe.	No change.
(iii) Evidence of follow up on audit recommendations	C	D	No effective follow-up system established by AGO to monitor the implementation of the audit recommendations by the audited entities.	No change in performance but in score due to over scoring of the dimension in the previous assessment.
PI-27 Legislative scrutiny of the annual budget law	D+	D+		Improvement in performance, not shown in the overall score as it's a M1 aggregation method.
(i) Scope of the legislature scrutiny	C	A	The parliament extensively reviews the economic and fiscal forecasts for the medium term, fiscal policy objectives and details of revenue and expenditure included in the budget.	Improvement in score and performance. The parliament extensively reviews economic and fiscal forecasts, and fiscal policy objectives. This was the requirement that was not met in the previous assessment.

Indicator/Dimension	Score previous assessment (2014)	Score current assessment (2020)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
(ii) Extent to which the legislature's procedures are well established and respected.	C	A	The Standing Order of the Majlis, approved in advance of budget hearings, clearly sets out the procedures for budget scrutiny by the legislature. No arrangements are explicitly made for public consultations.	Improvement in score and performance. The parliament reviews fiscal policies and aggregates for the coming year as well as detailed estimates of expenditure and revenue. The Standing Order of the Majlis sets out the budget reviews process, and the parliament gets at least two months to review and approve the budget.
(iii) Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)	A	A	The legislature has approved the annual budget before the start of each of the three previous fiscal years.	No change.
(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature	D	D	Rules for in-year budget adjustments are not laid out, and the total budget utilization exceeded the approved ceiling in 2018.	No change.
PI-28 Legislative scrutiny of external audit reports	D+	NA		Not comparable.
(i) Timeliness of examination of audit reports by the legislature	D	NA	No financial or other types of audit reports were submitted to the parliament in the last three completed fiscal years.	Not comparable. The legislature has not received audit reports during the current assessment period.
(ii) Extent of hearing on key findings undertaken by the legislature	C	NA	No financial or other types of audit reports were submitted to the parliament in the last three completed fiscal years.	Not comparable. The legislature has not received audit reports during the current assessment period.
(iii) Issuance of recommended actions by the legislature and implementation by the executive	C	NA	No financial or other types of audit reports were submitted to the parliament in the last three completed fiscal years.	Not comparable. The legislature has not received audit reports during the current assessment period.
D-1 Predictability of direct budget support	D	NU	Deemed not relevant.	Not comparable.
(i) Annual deviation of actual budget support from forecast	D	NU	Deemed not relevant.	Not comparable.
(ii) In-year timeliness of donor disbursements	D	NU	Deemed not relevant.	Not comparable.

Indicator/Dimension	Score previous assessment (2014)	Score current assessment (2020)	Description of requirements met in current assessment	Explanation of change (include comparability issues)
D-2 Financial information provided by donors for budgeting and reporting on projects and programmes	D	NU	Deemed not relevant.	Not comparable.
(i) Completeness and timeliness of budget estimates by donor for project support	D	NU	Deemed not relevant.	Not comparable.
(ii) Frequency and coverage of reporting by donors on actual flows for project support	D	NU	Deemed not relevant.	Not comparable.
D-3 Proportion of aid that is managed by use of national procedures	D	NU	Deemed not relevant.	Not comparable.

Annex 5: Calculations for PI-1, PI-2 and PI-3

Calculation Sheet for PI-1, PI-2.1 and PI-2.3 according to the PEFA 2016 Framework.

Figures in all tables of this Annex stated MVR MILLIONS

Data for year 2017

Administrative or Functional Head	Budget	Actual	Adjusted Budget	Deviation	Absolute deviation	Percent
General public services	2,114.4	993.4	2,181.8	-1,188.4	1,188.4	54.5%
Defence	1,051.8	1,225.6	1,085.3	140.3	140.3	12.9%
Public order and safety	2,526.5	2,342.5	2,606.9	-264.4	264.4	10.1%
Economic affairs	3,465.6	3,882.2	3,575.9	306.3	306.3	8.6%
Environmental protection	1,059.0	987.6	1,092.7	-105.1	105.1	0.5
Housing and community amenities	1,347.1	1,485.9	1,390.0	95.9	95.9	6.9%
Health	3,312.2	3,663.9	3,417.7	246.2	246.2	7.2%
Recreation, culture, and religion	745.8	790.2	769.6	20.6	20.6	2.7%
Education	2,803.0	2,832.9	2,892.2	-59.3	59.3	2.1%
Social protection	2,072.5	2,946.4	2,138.5	807.8	807.8	37.8%
Other expenditure						
Allocated expenditure	20,498.1	21,150.7	21,150.7	0.0	3,234.3	
Interests	1,411.4	1,096.9				
Contingency	300.0	250.0				
Total Expenditure	22,209.4	22,497.6				
Overall (PI-1) variance						101.3%
Composition (PI-2) variance						15.3%
Contingency share of budget						1.1%

Source: Approved Budget 2018 and 2019

Data for year 2018

Administrative or Functional Head	Budget	Actual	Adjusted Budget	Deviation	Absolute deviation	Percent
General public services	1,163.3	1,108.0	1,248.1	-140.0	140.0	11%
Defence	1,221.1	1,376.3	1,310.1	66.2	66.2	5%
Public order and safety	2,307.9	2,477.1	2,475.9	1.2	1.2	0%
Economic affairs	5,560.4	5,677.7	5,965.3	-287.6	287.6	5%
Environmental protection	1,428.0	1,253.4	1,532.0	-278.6	278.6	18%
Housing and community amenities	1,850.5	890.9	1,985.2	-1,094.3	1,094.3	55%
Health	2,915.4	3,408.1	3,127.7	280.3	280.3	9%
Recreation, culture, and religion	720.6	853.8	773.0	80.8	80.8	10%
Education	2,874.1	3,207.0	3,083.4	123.6	123.6	4%
Social protection	3,016.7	4,484.8	3,236.4	1,248.4	1,248.4	39%
Other expenditure						
Allocated expenditure	23,058.1	24,737.1	24,737.1	0.0	3,601.0	
Interests	1,436.5	1,440.3				
Contingency	400.0	345.5				
Total Expenditure	24,894.6	26,522.8				
Overall (PI-1) variance						106.5%
Composition (PI-2) variance						14.6%
Contingency share of budget						1.4%

Source: Approved Budget 2018 and 2019

Data for year 2019

Administrative or Functional Head	Budget	Actual	Adjusted Budget	Deviation	Absolute deviation	Percent
General public services	1,244.0	1,331.1	1,347.6	-16.5	16.5	1%
Defence	1,258.3	1,347.5	1,363.1	-15.6	15.6	1%
Public order and safety	2,512.0	2,818.3	2,721.1	97.2	97.2	4%
Economic affairs	5,347.7	6,932.0	5,792.8	1,139.1	1,139.1	20%
Environmental protection	1,690.2	1,104.4	1,830.9	-726.5	726.5	40%
Housing and community amenities	1,709.9	1,546.1	1,852.2	-306.2	306.2	17%
Health	3,094.2	3,556.9	3,351.8	205.2	205.2	6%
Recreation, culture, and religion	844.3	709.7	914.5	-204.9	204.9	22%
Education	3,400.1	3,625.2	3,683.1	-57.9	57.9	2%
Social protection	3,829.0	4,033.8	4,147.8	-114.0	114.0	3%
Other expenditure						
Allocated expenditure	24,929.8	27,004.9	27,004.9	0.0	2,883.0	
Interests	2,001.5	1,646.8				
Contingency	411.0	410.8				
Total Expenditure	27,342.3	29,062.6				
Overall (PI-1) variance						106.3%
Composition (PI-2) variance						10.7%
Contingency share of budget						1.5%

Source: Approved Budget 2018 and 2019

Result Matrix

Year	for PI-1.1 Total exp. Outturn	for PI-2.1 Composition variance	for PI-2.3 Contingency share
2017	101.3%	15.3%	1.3%
2018	106.5%	14.6%	
2019	106.3%	10.7%	

Calculation Sheet for Expenditure by Economic Classification Variance PI-2.2

Data for year 2017

Economic head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
Compensation of employees	8,253.7	8,388.8	8,381.1	7.7	7.7	0.1%
Use of goods and services	2,171.2	2,645.2	2,204.7	440.5	440.5	20.0%
Consumption of fixed capital	-	-	-	0.0	-	-
Interest	1,411.4	1,096.9	1,433.2	-336.2	336.2	23.5%
Subsidies	130.0	334.8	132.0	202.8	202.8	153.6%
Grants	279.7	288.1	284.0	4.1	4.1	1.4%
Social benefits	818.1	1,386.8	830.7	556.1	556.1	66.9%
Other expenses	8,845.3	8,106.9	8,981.9	-874.9	874.9	9.7%
Total expenditure	21,909.4	22,247.6	22,247.6		2,422.3	
Composition variance						10.9%

Source: Approved Budget 2017 and 2018

Data for year 2018

Economic head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
Compensation of employees	9,028.0	9,174.4	9,648.2	-473.8	473.8	4.9%
Use of goods and services	3,030.1	3,091.1	3,238.3	-147.2	147.2	4.5%
Consumption of fixed capital	-	-	-	0.0	-	-
Interest	1,436.5	1,440.3	1,535.2	-95.0	95.0	6.2%
Subsidies	594.0	1,099.3	634.8	464.5	464.5	73.2%
Grants	264.6	294.0	282.8	11.3	11.3	4.0%
Social benefits	1,133.8	2,027.0	1,211.7	815.3	815.3	67.3%
Other expenses	9,007.5	9,051.3	9,626.3	-575.1	575.1	6.0%
Total expenditure	24,494.6	26,177.4	26,177.4		2,582.1	
Composition variance						9.9%

Source: Approved Budget 2018 and 2019

Data for year 2019

Economic head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
Compensation of employees	9,529.2	9,760.0	10,138.0	-377.9	377.9	3.7%
Use of goods and services	3,255.6	3,825.6	3,463.6	362.0	362.0	10.5%
Consumption of fixed capital	-	-	-	0.0	-	-
Interest	2,001.5	1,646.8	2,129.4	-482.6	482.6	22.7%
Subsidies	1,073.3	1,180.6	1,141.8	38.7	38.7	3.4%
Grants	350.7	428.9	373.1	55.8	55.8	15.0%
Social benefits	1,426.6	1,559.3	1,517.8	41.6	41.6	2.7%
Other expenses	9,294.3	10,250.5	9,888.1	362.4	362.4	3.7%
Total expenditure	26,931.3	28,651.7	28,651.7		1,721.0	
Composition variance						6.0%

Source: Approved Budget 2019 and 2020

Results Matrix

Year	Composition variance
2017	10.9%
2018	9.9%
2019	6.0%

Data for year 2017

Economic head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
Tax revenues	14,125.6	14,742.4				
Taxes on income, profit and capital gains	3,443.8	3,327.0	3,186.3	140.7	140.7	4.4%
Taxes on payroll and workforce						
Taxes on property	29.9	96.5	27.7	68.8	68.8	248.5%
Taxes on goods and services	6,705.6	6,881.5	6,204.2	677.3	677.3	10.9%
Taxes on international trade and transactions	2,482.9	2,799.4	2,297.2	502.2	502.2	21.9%
Other taxes	1,463.4	1,638.0	1,354.0	284.0	284.0	21.0%
Social contributions						
Social security contributions						
Other social contributions						
Grants	875.6	343.8				
Grants from foreign governments	570.2	157.5	527.6	-370.0	370.0	70.1%
Grants from international organizations	305.4	186.3	282.6	-96.3	96.3	34.1%
Grants from other government units						
Other revenue	7,031.3	5,299.0				
Property income	2,069.6	2,223.6	1,914.9	308.7	308.7	16.1%
Sales of goods and services	45.5	45.1	42.1	2.9	2.9	7.0%
Fines, penalties and forfeits	187.5	244.0	173.5	70.5	70.5	40.6%
Transfers not elsewhere classified						
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes	780.9	1,472.2	722.5	749.7	749.7	103.8%
Sum of rest	3,947.8	1,314.2	3,652.7	-2,338.5	2,338.5	64.0%

Economic head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
Total Revenue	22,032.5	20,385.2	20,385.2		5,609.7	
Overall Variance						92.5%
Composition Variance						27.5%

Source: Approved Budget 2019 and 2020.

Data for year 2018

Economic head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
Tax revenues	16,301.0	15,833.9				
Taxes on income, profit and capital gains	4,095.9	3,274.5	4,045.9	-771.4	771.4	19.1%
Taxes on payroll and workforce						
Taxes on property	60.3	39.9	59.6	-19.7	19.7	33.0%
Taxes on goods and services	7,459.3	7,689.4	7,368.3	321.1	321.1	4.4%
Taxes on international trade and transactions	3,029.6	3,148.8	2,992.7	156.2	156.2	5.2%
Other taxes	1,655.8	1,681.2	1,635.6	45.6	45.6	2.8%
Social contributions						
Social security contributions						
Other social contributions						
Grants	733.7	819.8				
Grants from foreign governments	207.6	617.9	205.0	412.9	412.9	201.4%
Grants from international organizations	526.1	201.9	519.7	-317.8	317.8	61.1%
Grants from other government units						
Other revenue	5,578.2	5,683.1				
Property income	2,103.3	2,040.5	2,077.6	-37.2	37.2	1.8%
Sales of goods and services	29.6	52.9	29.2	23.7	23.7	81.0%

Economic head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
Fines, penalties and forfeits	248.2	277.8	245.2	32.6	32.6	13.3%
Transfers not elsewhere classified						
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes	1,552.8	1,898.0	1,533.8	364.2	364.2	23.7%
Sum of rest	1,644.3	1,414.0	1,624.3	-210.2	210.2	12.9%
Total Revenue	22,612.9	22,336.9	22,336.9		2,712.5	
Overall Variance						98.8%
Composition Variance						12.1%

Source: Approved Budget 2020.

Data for year 2019

Economic head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
Tax revenues	16,506.5	16,164.9				
Taxes on income, profit and capital gains	3,412.9	3,441.3	3,522.7	-81.4	81.4	2.3%
Taxes on payroll and workforce						
Taxes on property	96.5	23.1	99.6	-76.5	76.5	76.8%
Taxes on goods and services	8,038.4	7,668.7	8,297.1	-628.4	628.4	7.6%
Taxes on international trade and transactions	3,183.8	3,222.8	3,286.2	-63.4	63.4	1.9%
Other taxes	1,775.0	1,809.1	1,832.1	-23.0	23.0	1.3%
Social contributions						
Social security contributions						
Other social contributions						
Grants	1,353.0	2,068.4				
Grants from foreign governments	1,015.4	1,323.2	1,048.1	275.1	275.1	26.2%

Economic head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
Grants from international organizations	337.6	745.2	348.5	396.7	396.7	113.9%
Grants from other government units						
Other revenue	5,680.6	6,064.2				
Property income	2,123.7	1,726.8	2,192.0	-465.2	465.2	21.2%
Sales of goods and services	45.2	51.3	46.6	4.6	4.6	9.9%
Fines, penalties and forfeits	197.0	249.7	203.4	46.4	46.4	22.8%
Transfers not elsewhere classified						
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes	1,815.7	1,861.0	1,874.1	-13.1	13.1	0.7%
Sum of rest	1,499.0	2,175.5	1,547.3	628.2	628.2	40.6%
Total Revenue	23,540.1	24,297.6	24,297.6		2,702.1	
Overall Variance						103.2%
Composition Variance						11.1%

Source: Approved Budget 2020.

Results Matrix

Year	Composition variance	Composition variance
2017	92.5%	27.5%
2018	98.8%	12.1%
2019	103.2%	11.1%

Annex 6: Calculation Sheet for PI-1, PI-2 and PI-2 according to PEFA 2011 Framework

Figures in all tables of this Annex stated MVR MILLIONS

Calculation Sheet for PI-1 and PI-2 according to the PEFA 2011 Framework.

Data for year 2017

Administrative Head	Budget	Actual	Adjusted Budget	Deviation	Absolute deviation	Percent
MOF - Special Budget	739.9	1,554.0	787.7	766.3	766.3	97%
Ministry of National Planning and Infrastructure	1,539.3	1,408.4	1,638.7	-230.2	230.2	14%
Ministry of Education	2,324.9	2,412.3	2,475.0	-62.7	62.7	3%
Ministry of Environment	1,027.3	821.5	1,093.6	-272.1	272.1	25%
Ministry of Finance	182.2	75.8	193.9	-118.2	118.2	61%
Male' Group of Hospitals	668.4	1,074.5	711.5	362.9	362.9	51%
Pension Budget	1,225.2	1,249.3	1,304.3	-55.1	55.1	4%
Ministry of Health	1,162.6	1,370.0	1,237.7	132.3	132.3	11%
Maldives Police Services	1,334.5	1,269.0	1,420.7	-151.7	151.7	11%
National Social Protection Agency	731.9	1,246.2	779.1	467.1	467.1	60%
Maldives National Defense Force	1,019.7	1,108.7	1,085.5	23.2	23.2	2%
Parliaments	563.6	584.6	600.0	-15.4	15.4	3%
Ministry of Transport & Civil Aviation	662.6	118.8	705.3	-586.5	586.5	83%
Department of Judicial Administration	367.7	408.9	391.4	17.5	17.5	4%
Ministry of Islamic Affairs	380.8	461.7	405.3	56.3	56.3	14%
Maldives Correctional Services	300.0	342.1	319.4	22.7	22.7	7%
Ministry of Higher Education	189.1	164.7	201.3	-36.7	36.7	18%
Maldives Customs Services	195.0	184.1	207.6	-23.5	23.5	11%

Administrative Head	Budget	Actual	Adjusted Budget	Deviation	Absolute deviation	Percent
Ministry of Foreign Affairs	186.8	178.5	198.9	-20.4	20.4	10%
People's Majlis	208.4	184.2	221.9	-37.7	37.7	17%
21 (= sum of rest)	1,795.4	1,673.0	1,911.3	-238.3	238.3	12%
Allocated expenditure	16,805.1	17,890.2	17,890.2		3,696.7	
Contingency	300.0	250.0				
Total Expenditure	17,105.1	18,140.1				
Overall (PI-1) variance						106.3%
Composition (PI-2) variance						10.7%
Contingency share of budget						1.5%

Source: Approved Budget 2019 and 2020.

Data for year 2018

Administrative Head	Budget	Actual	Adjusted Budget	Deviation	Absolute deviation	Percent
MOF - Special Budget	2,244.0	2,194.7	2,319.0	-124.3	124.3	5.4%
Ministry of National Planning and Infrastructure	1,506.3	1,410.6	1,556.7	-146.1	146.1	9.4%
Ministry of Education	2,363.2	2,448.3	2,442.2	6.1	6.1	0.3%
Ministry of Environment	910.8	639.5	941.3	-301.8	301.8	32.1%
Ministry of Finance	571.0	51.2	590.0	-538.8	538.8	91.3%
Male' Group of Hospitals	1,121.0	1,138.9	1,158.5	-19.6	19.6	1.7%
Pension Budget	1,243.7	1,280.3	1,285.2	-4.9	4.9	0.4%
Ministry of Health	1,260.0	1,465.8	1,302.1	163.8	163.8	12.6%
Maldives Police Services	1,291.3	1,375.2	1,334.5	40.8	40.8	3.1%
National Social Protection Agency	1,086.4	1,914.6	1,122.7	791.9	791.9	70.5%

Administrative Head	Budget	Actual	Adjusted Budget	Deviation	Absolute deviation	Percent
Maldives National Defense Force	1,104.1	1,260.8	1,141.0	119.8	119.8	10.5%
Parliaments	558.4	572.7	577.0	-4.3	4.3	0.8%
Ministry of Transport & Civil Aviation	386.7	297.7	399.6	-101.8	101.8	25.5%
Department of Judicial Administration	395.8	429.3	409.0	20.3	20.3	5.0%
Ministry of Islamic Affairs	363.8	437.1	375.9	61.2	61.2	16.3%
Maldives Correctional Services	253.8	319.0	262.3	56.7	56.7	21.6%
Ministry of Higher Education	245.5	484.3	253.7	230.6	230.6	90.9%
Maldives Customs Services	196.9	199.5	203.5	-4.0	4.0	2.0%
Ministry of Foreign Affairs	220.6	209.7	228.0	-18.3	18.3	8.0%
People's Majlis	178.1	152.0	184.1	-32.1	32.1	17.4%
21 (= sum of rest)	1,963.1	1,833.8	2,028.7	-194.9	194.9	9.6%
Allocated expenditure	19,464.4	20,114.9	20,114.9		2,982.2	
Contingency	400.0	345.5				
Total Expenditure	19,864.4	20,460.3				
Overall (PI-1) variance						103.0%
Composition (PI-2) variance						14.8%
Contingency share of budget						1.7%

Source: Approved Budget 2020.

Data for year 2019

Administrative Head	Budget	Actual	Adjusted Budget	Deviation	Absolute deviation	Percent
MOF - Special Budget	2,151.5	3,687.5	2,450.0	1,237.5	1,237.5	50.5%
Ministry of National Planning and Infrastructure	1,738.5	2,081.4	1,979.6	101.8	101.8	5.1%
Ministry of Education	2,735.3	2,800.7	3,114.7	-314.0	314.0	10.1%
Ministry of Environment	917.5	445.0	1,044.8	-599.8	599.8	57.4%
Ministry of Finance	82.7	61.3	94.2	-32.9	32.9	35.0%
Male' Group of Hospitals	1,220.4	1,318.9	1,389.7	-70.8	70.8	5.1%
Pension Budget	1,318.8	1,301.5	1,501.7	-200.2	200.2	13.3%
Ministry of Health	1,533.7	2,125.1	1,746.4	378.7	378.7	21.7%
Maldives Police Services	1,414.8	1,546.2	1,611.1	-64.9	64.9	4.0%
National Social Protection Agency	1,300.2	1,376.0	1,480.6	-104.6	104.6	7.1%
Maldives National Defense Force	1,114.8	1,207.6	1,269.4	-61.8	61.8	4.9%
Parliaments	656.1	914.2	747.2	167.1	167.1	22.4%
Ministry of Transport & Civil Aviation	323.0	367.0	367.8	-0.9	0.9	0.2%
Department of Judicial Administration	457.0	500.2	520.4	-20.2	20.2	3.9%
Ministry of Islamic Affairs	385.9	292.5	439.5	-147.0	147.0	33.4%
Maldives Correctional Services	322.7	345.9	367.4	-21.5	21.5	5.8%
Ministry of Higher Education	370.7	547.5	422.2	125.4	125.4	29.7%
Maldives Customs Services	191.9	209.6	218.5	-8.9	8.9	4.1%
Ministry of Foreign Affairs	259.6	286.3	295.6	-9.3	9.3	3.1%
People's Majlis	215.4	182.2	245.3	-63.0	63.0	25.7%
21 (= sum of rest)	2,397.6	2,439.4	2,730.1	-290.7	290.7	10.6%
Allocated expenditure	21,108.0	24,036.1	24,036.1		4,020.9	

Administrative Head	Budget	Actual	Adjusted Budget	Deviation	Absolute deviation	Percent
Contingency	411.0	410.8				
Total Expenditure	21,519.0	24,446.9				
Overall (PI-1) variance						113.6%
Composition (PI-2) variance						16.7%
Contingency share of budget						1.9%

Source: Approved Budget 2020.

Results Matrix

Year	for PI-1.1 Total exp. Outturn	for PI-2.1 Composition variance	for PI-2.3 Contingency share
2017	106.1%	20.7%	1.7%
2018	103.0%	14.8%	
2019	113.6%	16.7%	

Calculation Sheet for PFM Performance Indicators PI -3 according to the PEFA 2011 Framework.

Year	Budget	Actual	Outturn
2017	21,156.9	20,041.4	95%
2018	21,879.2	21,517.1	98%
2019	22,187.1	22,229.2	100%

Annex 7. Analytical work for PI-30.1

30.1: Audit coverage of Central Government

Fiscal Year	Total Expenditure	Audit report issued	Percentage covered
2016	26,709,643,429	26,709,643,429	100.00%
2017	21,157,890,295	10,837,787,939	51.22%
2018	20,224,972,473	10,272,972,624	50.79%
Aggregate	68,092,506,197	47,820,403,992	70.23%

Audit coverage of Central Government for 2016:

Accountable Government Agency	Total Expenditure	Audit report Issued
President's Office	140,116,602	140,116,602
People's Majlis	184,159,598	-
Judicial Service Commission	10,588,244	10,588,244
Department of Judicial Administration	412,337,633	-
Elections Commission	79,451,059	79,451,059
Civil Service Commission	18,170,505	18,170,505
Human Rights Commission	21,914,437	21,914,437
Anti-Corruption Commission	31,034,137	31,034,137
Prosecutor General's Office	53,402,424	53,402,424
Maldives Inland revenue Authority	87,499,741	87,499,741
Employment Tribunal	6,878,212	6,878,212
Maldives Media Council	3,613,053	3,613,053
Maldives Broadcasting Commission	10,611,629	10,611,629
Tax Appeal Tribunal	4,364,496	4,364,496
Local Government Authority	31,914,232	31,914,232
Information Commissioner's Office	3,755,742	3,755,742
National Integrity Commission	8,532,357	8,532,357
Ministry of Finance	77,085,827	77,085,827
Ministry of Defence	16,614,498	16,614,498
Ministry of Home Affairs	59,077,937	-
Ministry of Education	2,394,927,168	-
Maldives Islamic University	30,454,563	30,454,563
Maldives National University	159,472,198	159,472,198
Ministry of Foreign Affairs	211,323,688	211,323,688
Ministry of Health	1,377,215,207	-

Accountable Government Agency	Total Expenditure	Audit report Issued
Ministry of Economic Development	66,504,949	-
Ministry of Tourism	60,720,155	60,720,155
Ministry of Youth, Sports and Community Empowerment	230,738,124	230,738,124
Ministry of National Planning and Infrastructure	1,412,165,100	-
Ministry of Fisheries, Marine Resources and Agriculture	62,674,632	62,674,632
Ministry of Islamic Affairs	367,971,957	367,971,957
Ministry of Environment	820,826,940	820,826,940
Attorney General's Office	26,261,584	26,261,584
Ministry of Gender, Family and Social Services	166,855,341	166,855,341
MOFT / Special Budget	5,337,239,300	5,337,239,300
MOFT / Pension Budget	1,249,276,779	1,249,276,779
Maldives Police Services	1,268,980,961	-
Maldives Customs Services	184,067,426	184,067,426
National Social Protection Agency	1,241,543,656	-
Dharumavantha Group of Hospitals	1,150,925,560	-
Family Protection Authority	4,708,088	4,708,088
Maldives National Defence Force	1,114,450,215	1,114,450,215
Maldives Correctional Services	342,072,467	-
Maldives Immigration	126,018,396	-
Ministry of Higher Education	160,439,066	-
Ministry of Transport & Civil Aviation	123,734,658	-
Ministry of Communication, Science and Technology	56,444,410	56,444,410
Ministry of Arts, Culture and Heritage	30,365,516	30,365,516
National Disaster Management Centre	4,605,412	4,605,412
Aviation Security Command	113,784,416	113,784,416
Total	21,157,890,295	10,837,787,939
Coverage %		51%

Audit coverage of Central Government for 2017:

Accountable Government Agency	Total Expenditure	Audit report Issued
President's Office	140,116,602	140,116,602
People's Majlis	184,159,598	-
Judicial Service Commission	10,588,244	10,588,244
Department of Judicial Administration	412,337,633	-
Elections Commission	79,451,059	79,451,059
Civil Service Commission	18,170,505	18,170,505
Human Rights Commission	21,914,437	21,914,437
Anti-Corruption Commission	31,034,137	31,034,137
Prosecutor General's Office	53,402,424	53,402,424
Maldives Inland revenue Authority	87,499,741	87,499,741
Employment Tribunal	6,878,212	6,878,212
Maldives Media Council	3,613,053	3,613,053
Maldives Broadcasting Commission	10,611,629	10,611,629
Tax Appeal Tribunal	4,364,496	4,364,496
Local Government Authority	31,914,232	31,914,232
Information Commissioner's Office	3,755,742	3,755,742
National Integrity Commission	8,532,357	8,532,357
Ministry of Finance	77,085,827	77,085,827
Ministry of Defence	16,614,498	16,614,498
Ministry of Home Affairs	59,077,937	-
Ministry of Education	2,394,927,168	-
Maldives Islamic University	30,454,563	30,454,563
Maldives National University	159,472,198	159,472,198
Ministry of Foreign Affairs	211,323,688	211,323,688
Ministry of Health	1,377,215,207	-
Ministry of Economic Development	66,504,949	-
Ministry of Tourism	60,720,155	60,720,155
Ministry of Youth, Sports and Community Empowerment	230,738,124	230,738,124
Ministry of National Planning and Infrastructure	1,412,165,100	-
Ministry of Fisheries, Marine Resources and Agriculture	62,674,632	62,674,632
Ministry of Islamic Affairs	367,971,957	367,971,957
Ministry of Environment	820,826,940	820,826,940
Attorney General's Office	26,261,584	26,261,584
Ministry of Gender, Family and Social Services	166,855,341	166,855,341
MOFT / Special Budget	5,337,239,300	5,337,239,300

Accountable Government Agency	Total Expenditure	Audit report Issued
MOFT / Pension Budget	1,249,276,779	1,249,276,779
Maldives Police Services	1,268,980,961	-
Maldives Customs Services	184,067,426	184,067,426
National Social Protection Agency	1,241,543,656	-
Dharumavantha Group of Hospitals	1,150,925,560	-
Family Protection Authority	4,708,088	4,708,088
Maldives National Defence Force	1,114,450,215	1,114,450,215
Maldives Correctional Services	342,072,467	-
Maldives Immigration	126,018,396	-
Ministry of Higher Education	160,439,066	-
Ministry of Transport & Civil Aviation	123,734,658	-
Ministry of Communication, Science and Technology	56,444,410	56,444,410
Ministry of Arts, Culture and Heritage	30,365,516	30,365,516
National Disaster Management Centre	4,605,412	4,605,412
Aviation Security Command	113,784,416	113,784,416
Total	21,157,890,295	10,837,787,939
Coverage %		51%

Audit coverage of Central Government for 2018:

Accountable Government Agency	Total Expenditure	Audit report Issued
President's Office	135,502,095	135,502,095
People's Majlis	145,783,527	-
Judicial Service Commission	10,543,199	-
Department of Judicial Administration	430,231,310	-
Elections Commission	113,016,732	113,016,732
Civil Service Commission	19,974,997	19,974,997
Human Rights Commission	22,796,721	22,796,721
Anti-Corruption Commission	29,693,221	29,693,221
Prosecutor General's Office	60,592,741	60,592,741
Maldives Inland revenue Authority	96,329,922	96,329,922
Employment Tribunal	6,751,591	-
Maldives Media Council	4,186,558	4,186,558
Maldives Broadcasting Commission	8,968,489	8,968,489
Tax Appeal Tribunal	4,284,140	4,284,140
Local Government Authority	23,782,766	-
Information Commissioner's Office	3,788,021	3,788,021
National Integrity Commission	8,647,176	8,647,176
Ministry of Finance	48,506,266	48,506,266
Ministry of Defence	12,540,553	12,540,553
Ministry of Home Affairs	66,586,986	-
Ministry of Education	2,310,166,456	-
Maldives Islamic University	31,366,789	31,366,789
Maldives National University	156,512,443	-
Ministry of Foreign Affairs	228,526,237	228,526,237
Ministry of Health	1,450,191,693	-
Ministry of Economic Development	30,034,298	-
Ministry of Tourism	63,142,950	63,142,950
Ministry of Youth, Sports and Community Empowerment	130,638,479	-
Ministry of National Planning and Infrastructure	321,368,793	-
Ministry of Fisheries, Marine Resources and Agriculture	56,296,170	56,296,170
Ministry of Islamic Affairs	295,882,094	295,882,094
Ministry of Environment	116,730,696	-
Attorney General's Office	26,796,700	26,796,700
Ministry of Gender, Family and Social Services	172,292,543	-
MOFT / Special Budget	5,456,961,022	5,456,961,022

Accountable Government Agency	Total Expenditure	Audit report Issued
MOFT / Pension Budget	1,280,278,034	1,280,278,034
Maldives Police Services	1,362,140,876	-
Maldives Customs Services	192,772,352	192,772,352
National Social Protection Agency	1,914,109,269	-
Dharumavantha Group of Hospitals	1,088,591,145	-
Family Protection Authority	4,428,503	4,428,503
Maldives National Defence Force	1,188,979,524	1,188,979,524
Maldives Correctional Services	309,842,632	309,842,632
Maldives Immigration	140,875,417	-
Ministry of Higher Education	480,300,080	480,300,080
Ministry of Housing and Urban Development	205,090	-
Ministry of Transport & Civil Aviation	74,463,272	-
Ministry of Communication, Science and Technology	48,605,630	48,605,630
Ministry of Arts, Culture and Heritage	34,762,675	34,762,675
National Disaster Management Centre	5,203,600	5,203,600
Total	20,224,972,473	10,272,972,624
Coverage %		51%

Annex 8. Summary of Tax Arrears and Collection - MIRA

Tax Arrears						
(MVR in millions)	2018			2019		
	TAX	FINE	TOTAL	TAX	FINE	TOTAL
Total MIRA collections	12,607	149	12,756	12,989	112	13,102
MIRA arrears (year-end stock)	1,413	1,374	2,787	1,726	2,067	3,793
% of collections – Tax	11%	921%	22%	13%	1838%	29%
Total Enforced Collection	1,420	97	1,517	999	50	1,049

Non-Tax Arrears						
(MVR in millions)	2018			2019		
	PRINCIPAL	FINE	TOTAL	PRINCIPAL	FINE	TOTAL
Total MIRA collections	3,517	77	3,595	3,625	85	3,710
MIRA arrears (year-end stock)	2,469	6,926	9,395	3,205	10,700	13,905
% of collections –Non-Tax	70%	8970%	261%	88%	12598%	375%
Total Enforced Collection	265	35	300	256	24	280

Annex 9: Total government monthly revenue collection 2019

in millions of MVR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
TOTAL REVENUE AND GRANTS	2,932.2	1,573.5	1,884.0	1,852.5	1,568.0	1,814.3	3,106.8	1,377.4	1,736.8	1,458.5	1,502.9	2,133.8
Tax Revenues	2,074.4	1,338.4	1,295.3	1,421.7	1,229.6	1,293.3	2,200.3	1,145.9	1,040.4	1,028.9	1,101.2	1,359.2
Import Duties	278.2	253.3	266.4	300.1	279.9	243.0	288.5	277.9	290.9	285.0	283.3	364.5
Business and Property Tax	852.5	166.5	86.7	76.4	115.5	425.0	1,262.6	251.1	70.6	55.1	55.6	126.1
Business Profit Tax	763.7	86.6	21.7	22.8	26.6	261.4	727.2	210.2	26.6	5.6	15.9	42.5
Withholding Tax	86.9	76.8	62.9	52.8	68.6	44.7	52.2	40.0	42.0	43.5	39.3	78.6
Other Business and Property Taxes	1.9	3.0	2.1	0.8	20.3	118.9	483.2	1.0	2.0	5.9	0.4	5.1
Goods and Services Tax	787.8	766.5	751.8	875.6	667.7	490.9	532.5	473.3	519.0	563.9	617.2	701.8
General Goods and Services Tax	302.1	207.4	241.6	297.2	229.1	199.5	247.7	204.7	206.5	246.2	224.1	238.7
Tourism Goods and Services Tax	485.7	559.1	510.2	578.5	438.7	291.4	284.9	268.6	312.5	317.7	393.1	463.1
Royalties	5.7	7.8	16.9	7.4	6.9	6.6	6.1	6.5	7.1	6.0	7.1	6.2
Revenue Stamp	3.7	3.6	2.9	3.8	3.6	4.6	4.5	3.3	4.3	5.7	4.7	6.6
Green Tax	78.2	71.5	89.6	85.1	75.4	57.2	51.9	70.6	73.2	55.1	64.5	78.4
Airport Service Charge	59.2	60.3	72.8	64.6	70.9	56.9	46.4	54.0	67.6	50.1	60.4	67.9
Remittance Tax	9.1	9.0	8.2	8.6	9.6	9.0	7.9	9.3	7.7	8.0	8.5	7.6
Other Taxes and Duties	-	-	-	-	-	-	-	-	0.0	-	-	-
Non-Tax Revenues	484.5	227.4	551.1	421.7	333.8	505.8	414.3	199.4	672.9	414.1	380.3	733.3
Fees and Charges	204.5	118.7	140.2	116.1	110.1	90.6	110.2	101.1	127.8	102.9	273.4	229.3
Airport Development Fee	59.7	60.8	73.5	65.0	71.6	52.4	47.1	55.2	68.5	50.9	60.9	68.1
Resident Permit	32.2	27.9	27.7	25.5	24.9	24.0	31.6	25.0	26.9	28.6	29.0	33.7
Other Fees and Charges	112.6	30.0	39.0	25.6	13.6	14.3	31.4	20.9	32.3	23.4	183.5	127.5
Registration and License Fees	42.3	17.1	31.1	50.2	26.8	41.7	33.1	37.1	30.5	24.5	39.3	38.6

in millions of MVR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Property Income	70.4	25.9	321.1	110.6	22.9	322.6	116.5	18.6	330.2	107.9	19.8	407.2
Rent from Resorts	51.9	10.6	303.7	93.4	8.3	305.8	101.3	5.0	314.3	93.6	4.3	362.0
Land Acquisition and Conversion Fee	0.9	1.5	0.4	0.9	0.9	2.5	1.5	0.4	0.9	0.9	0.6	23.2
Other Property Income	17.6	13.8	17.0	16.2	13.6	14.3	13.7	13.3	14.9	13.4	14.9	22.0
Fines and Penalties	23.7	34.6	16.9	22.8	14.4	13.4	28.7	12.0	13.5	12.3	17.1	24.7
Interest, Profit and Dividends	61.0	8.5	21.4	101.7	136.6	0.2	75.0	2.0	132.3	129.1	5.6	3.7
SOE Dividends	-	0.8	19.5	100.0	135.8	-	0.9	1.8	131.5	127.5	-	-
Interest and Profits	61.0	7.7	1.9	1.7	0.8	0.2	74.2	0.2	0.8	1.6	5.6	3.7
Other Non-Tax Revenues	82.5	22.5	20.4	20.3	23.1	37.3	50.8	28.6	38.6	37.4	25.1	29.8
Capital Receipts	1.1	3.2	0.3	2.6	0.7	0.5	5.3	1.5	0.9	1.8	1.0	1.3
Grants	396.2	7.6	39.4	9.6	8.4	16.3	501.7	41.8	24.6	16.9	24.9	50.2
Less: Subsidiary Loan Repayment	(24.0)	(3.2)	(2.1)	(3.1)	(4.5)	(1.6)	(14.8)	(11.2)	(2.0)	(3.1)	(4.4)	(10.1)

Source: Ministry of Finance

Annex 10: Analytical work for PI-26.1

PI-26.1: Coverage of internal audit (Revenue)

Accountable Government Agency	Revenue	Revenue of agencies with internal audit functions
Anti-Corruption Commission	65,221	-
Attorney General's Office	160,760	-
Auditor General's Office	240,166	240,166
Aviation Security Command	2,307,920	-
Civil Service Commission	23,000	-
Councils	-	-
Department of Judicial Administration	9,847,092	9,847,092
Elections Commission	1,725,293	1,725,293
Employment Tribunal	15,662	-
Family Protection Authority	2,000	-
Human Rights Commission	22,525	-
Information Commissioner's Office	-	-
Judicial Service Commission	4,449	-
Local Government Authority	1,472	1,472
Maldives Broadcasting Commission	5,793,597	-
Maldives Correctional Services	181,011	-
Maldives Customs Services	4,009,054,001	4,009,054,001
Maldives Immigration	74,236,842	-
Maldives Inland revenue Authority	17,368,491,565	17,368,491,565
Maldives Islamic University	129,043	-
Maldives Media Council	-	-
Maldives National Defense Force	339,786	339,786
Maldives National University	362,966	-
Maldives Police Services	450,540	450,540
Male' Group of Hospitals	38,421,740	-
Ministry of Arts, Culture and Heritage	213,718	-
Ministry of Communication, Science and Technology	251,405,224	-
Ministry of Defense	17,650,193	17,650,193
Ministry of Economic Development	1,754,616	-
Ministry of Education	7,162,772	7,162,772
Ministry of Environment	9,833,727	-
Ministry of Finance	1,902,310,758	1,902,310,758
Ministry of Fisheries, Marine Resources and Agriculture	1,987,943	-

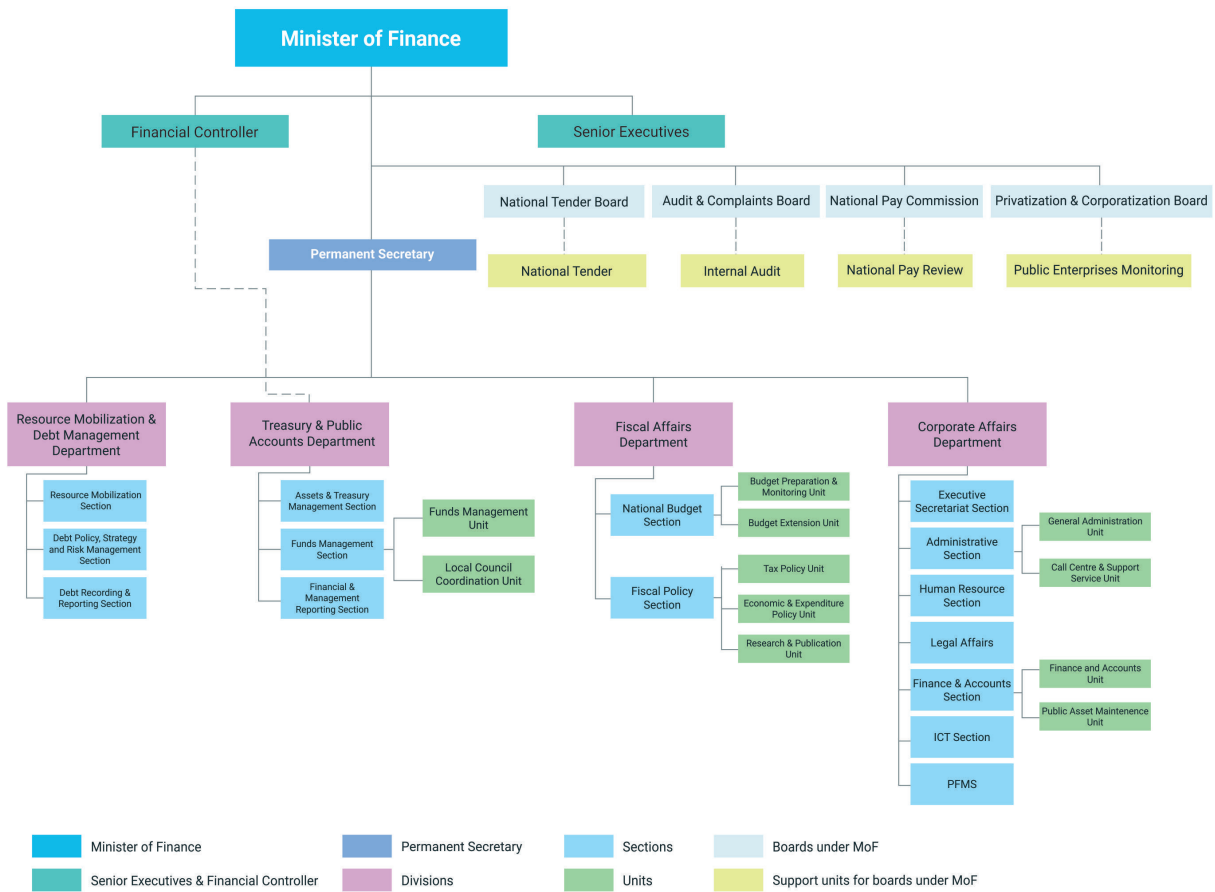
Accountable Government Agency	Revenue	Revenue of agencies with internal audit functions
Ministry of Foreign Affairs	53,490	-
Ministry Of Gender, Family and Social Services	246,899	246,899
Ministry of Health	52,092,937	-
Ministry of Higher Education	1,140,040	-
Ministry of Home Affairs	361,859	361,859
Ministry of Housing and Urban Development	35,662	-
Ministry of Islamic Affairs	969,356	969,356
Ministry of National Planning and Infrastructure	12,135,286	-
Ministry of Tourism	70,972	-
Ministry of Transport & Civil Aviation	28,224,392	-
Ministry of Youth, Sports and Community Empowerment	1,912,844	-
National Disaster Management Authority	5,906	-
National Integrity Commission	3,787	-
National Social Protection Agency	14,999	-
Pension Budget	-	-
People's Majlis	378,500	-
President's Office	152,990	152,990
Prosecutor General's Office	30,914	-
Special Budget	-	-
Tax Appeal Tribunal	7,609	-
Total	23,802,034,044	23,319,004,742
Coverage	98%	

PI-26.1: Coverage of internal audit (Expenditure)

Accountable Government Agency	Expenditure	Expenditure of agencies with internal audit functions
Anti-Corruption Commission	36,401,372	-
Attorney General's Office	31,859,997	-
Auditor General's Office	64,906,741	64,906,741
Aviation Security Command	138,350,113	-
Civil Service Commission	28,000,000	-
Councils	1,615,011,054	-
Department of Judicial Administration	522,555,654	522,555,654
Elections Commission	82,788,500	82,788,500
Employment Tribunal	9,300,000	-
Family Protection Authority	9,699,993	-
Human Rights Commission	24,100,000	-
Information Commissioner's Office	4,800,000	-
Judicial Service Commission	17,643,119	-
Local Government Authority	35,062,000	35,062,000
Maldives Broadcasting Commission	9,400,000	-
Maldives Correctional Services	351,299,994	-
Maldives Customs Services	216,717,288	216,717,288
Maldives Immigration	183,499,995	-
Maldives Inland revenue Authority	120,561,200	120,561,200
Maldives International Arbitration Centre	10,000,000	-
Maldives Islamic University	45,906,017	-
Maldives Media Council	5,200,000	-
Maldives National Defense Force	1,328,401,293	1,328,401,293
Maldives National University	193,106,393	-
Maldives Police Services	1,494,583,457	1,494,583,457
Male' Group of Hospitals	1,491,468,771	-
Ministry of Arts, Culture and Heritage	66,150,451	-
Ministry of Communication, Science and Technology	77,883,999	-
Ministry of Defense	17,202,472	17,202,472
Ministry of Economic Development	181,990,930	-
Ministry of Education	2,773,020,708	2,773,020,708
Ministry of Environment	120,093,973	-
Ministry of Finance	78,381,622	78,381,622
Ministry of Fisheries, Marine Resources and Agriculture	83,237,352	-
Ministry of Foreign Affairs	331,198,233	-

Accountable Government Agency	Expenditure	Expenditure of agencies with internal audit functions
Ministry Of Gender, Family and Social Services	232,322,484	232,322,484
Ministry of Health	2,282,847,736	-
Ministry of Higher Education	811,980,821	-
Ministry of Home Affairs	51,300,001	51,300,001
Ministry of Housing and Urban Development	65,092,028	-
Ministry of Islamic Affairs	172,933,595	172,933,595
Ministry of National Planning and Infrastructure	279,879,264	-
Ministry of Tourism	45,184,261	-
Ministry of Transport & Civil Aviation	152,400,506	-
Ministry of Youth, Sports and Community Empowerment	168,099,916	-
National Disaster Management Authority	7,400,000	-
National Integrity Commission	9,200,000	-
National Social Protection Agency	1,390,800,001	-
Pension Budget	1,320,000,000	-
People's Majlis	193,606,362	-
President's Office	175,000,000	175,000,000
Prosecutor General's Office	71,999,986	-
Special Budget	7,860,894,116	7,860,894,116
Tax Appeal Tribunal	11,886,000	-
Total	27,102,609,768	15,226,631,131
Coverage	56%	

Annex 11. MoF Organization Chart





Government of Maldives

