

Mapping of Climate Finance

Climate Finance in the Maldives: An Overview

The Maldives is a coral reef based archipelago of 1,192 islands, 80% of which is barely 1.5 meters above the mean sea level (MSL). The country is extremely vulnerable to the effects of climate change such as sea level rise. If the global MSL increases in the range of 0.09 to 0.88m, as projected by the IPCC for years from 1990-2100¹, the very survival of the Maldives will be threatened. Yet, as a developing state with limited resources and a small population of 298,968 that is sparsely spread across 196 islands², addressing the effects of climate change is especially challenging for the Maldives.

Despite the many challenges in addressing climate change, both as a developing country and as a member of the Alliance of Small Island States (AOSIS), the Maldives has been a vocal advocate at international climate negotiations for strong mitigation and adaptation strategies and responses against climate change. The government of Maldives has maintained that addressing the effects of climate change is a priority both locally and internationally.

National Economic, Environment and Development Studies, a report prepared by the government, estimates that USD 279,480,275 will be needed for short-medium term (10 years) adaptation while a further USD 161,500,000 will be required for long-term (40 years) adaption. The government of Maldives also announced to become carbon neutral, switching to 100% renewable energy by the year 2019.³ Roughly USD110 million will be required for this annually.⁴

Already, approximately USD 160.5 million is being spent on various adaption and mitigation projects through externally funded grants and loans. Currently, the Maldives is highly dependent on foreign assistance for climate change mitigation and adaptation projects and is a recipient of large amounts of funds under both multilateral see (Table 1)

¹ Intergovernmental Panel on Climate Change, *Climate Change 2001: The Scientific Basis*, (Cambridge: Cambridge University Press, 2001), p. 16

² Department of National Planning, *Population and Housing Census of the Maldives 2006*, at: <http://www.planning.gov.mv/publications/Population%20and%20Housing%20Census%202006/home.htm>

³ The President's Office, *Strategic Action Plan*,

⁴ Ministry of Housing and Environment, *National Economic, Environment and Development Studies*. At: <http://unfccc.int/files/adaptation/application/pdf/maldivesneeds.pdf>

and bilateral (see Table 2) funding schemes. These projects range from country focused climate change related research studies to investments on renewable energy development to building sea walls to make the islands more resilient to climate change. Although there is a budget deficit in the country, various climate change related projects are also funded from the national budget (see Table 3).

| Program/Fund | Purpose | Funding Source | Implementing Agency | Coordinating Agency | Grant total | Loan |
|------------------------------------|--|----------------|---------------------|---------------------|---------------|---------------|
| Maldives Climate Change Trust Fund | Mitigation and Adaptation | EU & AusAID | MHE | MoFT | 8,800,000.00 | |
| CIF | Mitigation | CIF | MED (REIO) | MoFT | 30,000,000.00 | |
| Adaptation Fund | Adaptation | AF | UNDP | MoFT | 8,285,000.00 | |
| World Bank | Adaptation, Capacity Building & Research | IDA | MHE | MoFT | | 13,880,000.00 |
| GEF | Adaptation, Research & Mitigation (8 projects) | GEF, LDCF | UNDP, MATC, MHE | MoFT | 18,324,319.00 | |
| ADB | Adaptation | ADB | MHE | MoFT | | 8,591,712.65 |
| ADB | Mitigation | ADB | | MoFT | 8,000,000.00 | |
| Multilateral Fund | Mitigation | MF | MHE | MoFT | 2,200,000.00 | |
| IDB | Adaptation | IDB | MHE | MoFT | | 3,785,239.00 |
| OPIID | Adaptation | OPIID | MHE | MoFT | | 2,000,000.00 |
| RIMES | Research | RIMES | MHE | MoFT | 53,360.00 | |
| India | Mitigation | SCZMC | MHE | SCZMC | 1,090,000.00 | |

Table 1: Multilateral Funds (USD)

| Country | Purpose | Funding Source | Implementing Agency | Coordinating Agency | Grant | Loan |
|--------------|----------------|----------------|---------------------|---------------------|---------------|--------------|
| Japan | Mitigation | JICA | MHE | MoFT | 11,100,000.00 | |
| Denmark | CDM/Mitigation | DANIDA | MHE | MoFT | 234,000.00 | |
| EU | Research | EU | MOE | MoFT | 52,611.00 | |
| USA | Adaptation | USAID | MHE | MoFT | 7,500,000.00 | |
| UAE | Adaptation | ADF | MHE | MoFT | | 2,268,207.00 |
| Saudi Arabia | Adaptation | Saudi Fund | MHE | MoFT | | 7,253,365.00 |
| Germany | Adaptation | GIZ | MHE | MoFT | 4,047,000.00 | |

Table 2: Bilateral Funds (USD)

| Year | Purpose | Implementing Agency | Executing Agency | Budget |
|------|------------|---------------------|------------------|----------------|
| 2011 | Adaptation | MHE | MoFT | 10, 209,412.57 |
| 2012 | Adaptation | MHE | MoFT | 21,617,932.23 |

Table 3: National Budget (USD)

Framework for Climate Change Governance

The governance structure of the Maldives has undergone significant changes following the political and constitutional reforms initiated since late 2003. The new Constitution that came into effect in August 2008 through this reform process provides for new democratic institutions and separation of powers. A new democratically elected government came into power after the country's first-ever multiparty presidential elections in October 2008, ending a 30-year regime.

Following these legal, constitutional and political reforms, the civil service and its relationship with the executive, mandates of government ministries, and the general governance structure have been in a flux. On top of this, as the new government was attempting to set up and consolidate new institutional framework for climate governance, including a Climate Advisory Council and a Renewable Energy Office, there was a sudden change of power on 7 February 2012. The mapping of climate change finances in the following report therefore largely reflects pre-February institutional framework.

a. Decision-making and policymaking

The former government appointed two presidential advisors (Mike Mason, an expert on renewable energy, carbon finance, and offsetting, and Mark T Lynus, an environment activist and journalist) on climate change related policies. Both of them resigned following the change of power on 7 February and no advisors have been appointed to date.

A National Planning Council (NPC) under the Department of National Planning (DNP) was created to approve all national development projects, including climate change projects. The climate change related projects approved by the NPC are theoretically to be considered by a Climate Change Advisory Council (CCAC) chaired then by Vice

President Mohamed Waheed. The NPC and CCAC continue to exist, and the new government is yet to take a decision on their future.⁵ The NPC and CCAC are therefore the main bodies that theoretically oversee the approval of climate change related projects in the country.

b. Funds Execution/Coordination

Different modalities and agencies exist for executing funds. However, the Ministry of Finance and Treasury (MoFT) is the main executing or coordinating agency for all national funds, including climate finances. Others such as the UNDP and the World Bank act as executing agencies for some funds. All funds through GEF, for example, are executed by the UNDP under National Implementation/National Execution (NIM/NEX) modality, while the World Bank is responsible for administering the Maldives Climate Change Trust Fund.⁶

c. Implementation

The Ministry of Housing and Environment (MHE) is the main implementing agency for climate change related projects. However, sectorial projects are also implemented by other relevant government agencies. For example, the Ministry of Tourism, Arts and Culture is the main implementing agency for a major adaptation project aimed for the tourism sector.⁷ Moreover, UNDP also acts as an implementing agency for GEF funded projects. Other stakeholder ministries include:

- Ministry of Tourism, Arts and Culture: Tourism is the main economical backbone, which is highly dependent on the rich ecosystems of Maldives.
- Ministry of Home Affairs: Carrying out activities at provincial and community levels. Collaboration with NGOs and Councils
- Ministry of Foreign Affairs: Acts as the intermediate body between Maldives and international environmental organizations and agreements.
- Ministry of Health: Dealing with health issues, which arise due to environmental impacts.
- Ministry of Education: Conduct awareness and incorporate environmental education into the national curriculum.
- Ministry of Fisheries and Agriculture: Protection and Conservation of marine biodiversity and ecosystems.
- National Disaster Management Center: Coordination during natural disasters.

⁵ Meeting with Dr Riyaz, Undersecretary at the President's Office.

⁶The World Bank, 'Climate Change in the Maldives'. At: <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/0,,contentMDK:22413695~pagePK:146736~piPK:146830~theSitePK:223547,00.html>

⁷United National Development Fund, 'Increasing Climate Change Resilience through Adaptation in Tourism Sector'. At: <http://undp.adaptationlearning.net/project/increasing-climate-change-resilience-maldives-through-adaptation-tourism-sector>.

- Transport Authority: Air pollution and carbon neutrality.

d. Monitoring and Evaluation

Monitoring and evaluation of climate projects is ad hoc and no single effective mechanism exists. However, Project Monitoring and Management Section within MFT assists overall project follow up, maintains record keeping and status updates and contracts. The Office of Projects and Programmes under MHE also undertakes monitoring of individual projects through periodic reports and sends them to the President's Office for Cabinet and DNP. The President's Office has their own monitoring unit and maintains a database called ISLES available on their website. However, the database is not regularly updated. According to Ministry of Housing and Environment, theoretically the main executing agency, Ministry of Finance and Treasury, must receive periodic reports on project finances.⁸ The UNDP also receives periodic reports of finances for the projects it implements/executes.⁹

Description of the key institutions

Climate Change Advisory Council (CCAC)

CCAC was created in April 2009. With 15 members, who are local experts in the area of climate change, the council provides expert advice for adaptation and mitigation efforts, including achieving carbon neutrality by 2020. Originally, it was announced the council will be supported by a group of international climate and energy experts, but no appointments have been made so far. The CCAC originally met at the President's Office but its secretariat was later moved to Ministry of Housing and Environment.

National Planning Council (NPC)

NPC operates under the Department of National Planning (DNP), which is run under the Ministry of Finance and Treasury. The NPC was established to ensure coordination of planning functions of different sectors, to determine national priorities, to provide advice on long-term development policies and strategies, to ensure sustainable development of the nation and to ensure balanced and equitable development at provincial level.¹⁰ This council is chaired by the President and includes the Minister of Finance and Treasury, Minister of Housing and Environment, Minister of Economic Development, one

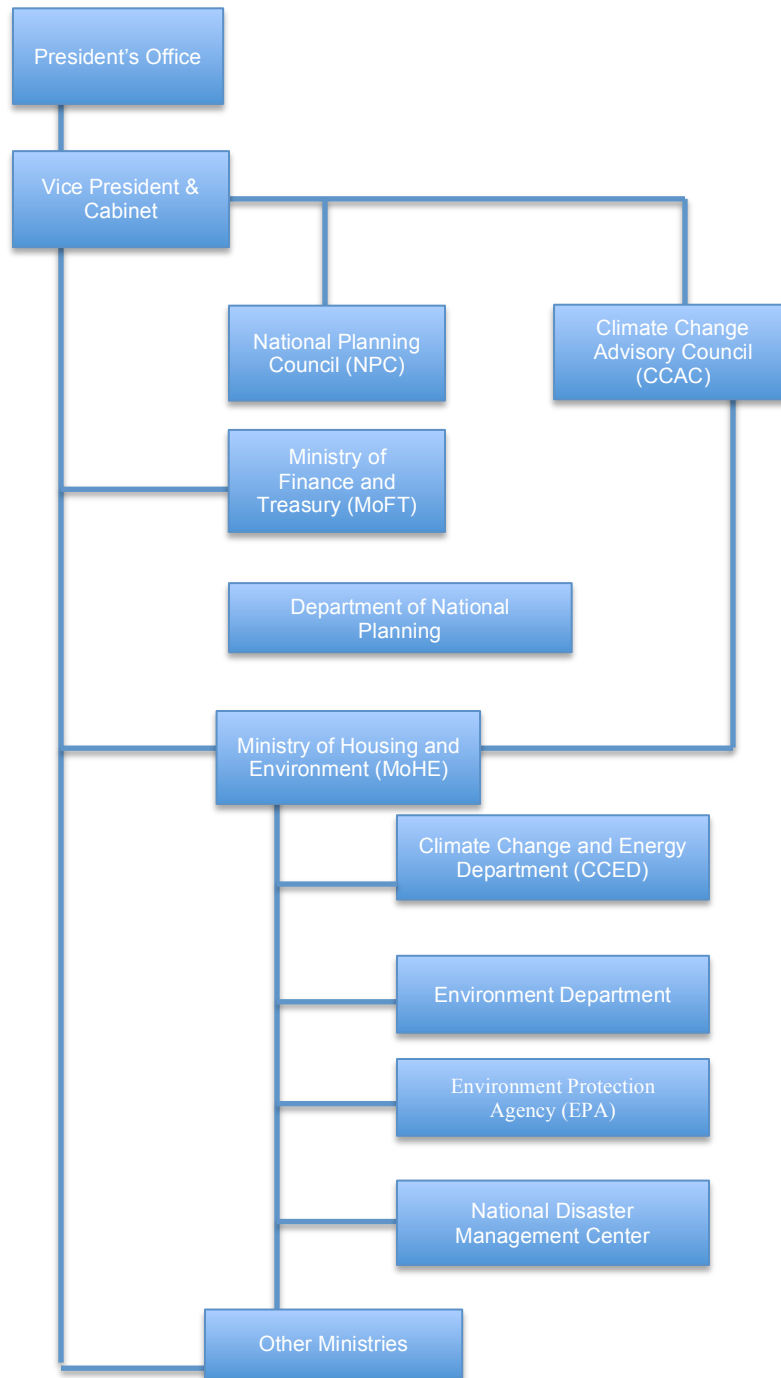
⁸ Meeting with Amjad Abdullah, Director General, MHE

⁹ Meeting with Mohamed Inaz, Assistant Resident Representative, UNDP, Maldives

¹⁰ Department of National Planning. At: <http://planning.gov.mv/en/npc/home.html>

representative from the civil society and the social sector. Following the change of power on 7 February, NPC has stopped its work pending reforms.¹¹

Institutional Chart



Adopted from NEEDS (*The Department of National Planning (DNP) is disconnected from any other institution in this chart, which is a mistake. It should be under the Ministry of Finance and Treasury).

¹¹ Department of National Planning. At: <http://planning.gov.mv/en/npc/home.html>.

Ministry of Housing and Environment

The mandate of MHE includes formulating policies related to Environment, Energy, Water and Meteorology, and formulating regulations and standards needed for the implementation of legislation. In addition, MHE should also be protecting the environment of the Maldives, and plan the sustainable development and implementation of all aspects of energy, water and sanitation, and meteorology. It is also responsible for developing and implementing policies on climate change, energy and sustainable development and carrying out advocacy and other activities related to the mitigation of the effects of climate change on the Maldives and other small island developing states, at regional and international level.¹²

Climate Change and Energy Department

The mandate of this department is to formulate the policies and framework on climate change, sustainable development and the energy sector. The department is also responsible in creating networks internationally in these sectors in order to attract financial aid and practical assistance in order to increase awareness and efficiency in this sector. They are also responsible for mainstreaming climate change in the national development strategies and policies. Under this department there are three sections: Greenhouse Gas Reporting Section, Low Carbon Development Section and Climate Change and Advocacy Section.

Office of Programmes and Projects

OPP was established on 25 March 2010 with the purpose of coordinating all projects and programmes, include in the area of climate change. It was initially under the Department of National Planning but is now under Ministry of Housing and Environment. Currently the office is setting up a comprehensive database of all projects and programmes. The database will be accessible to the public and relevant stakeholders, including local councils, would be able to update the progress of projects and programmes.¹³

¹²Ministry of Housing and Environment. At: <http://www.mhe.gov.mv/v1/mandate/>

¹³ Meeting with Mr Anwar Ali, Office-In-Charge, OPP. Also see <https://www.facebook.com/www.opp.com.mv/info>

Ministry of Finance and Treasury

The Mission of the Ministry of Finance and Treasury is to provide the country with a sound macroeconomic framework that leads to sustained growth, with the use of sustainable, non-inflationary fiscal policy. The following sections of the Ministry are relevant to the climate change work.

External Resource Management Division (ERDM)

ERMD serves as the Maldivian Government's main window for international financial institutions such as IDB, ADB, IMF and World Bank. The mandate of ERMD is to coordinate between the Government of Maldives (GOM) and financial institutions including bilateral creditors and multilateral creditors of the (GOM). In addition to monitoring the External and Domestic loans of the Government of Maldives (GOM) and management of the country's External and Public and Publicly Guaranteed Debt, ERMD is responsible for ensuring effective coordination of all externally funded ongoing grant aid projects implemented by the Government of Maldives (GOM). ERMD carries out respective administrative, accounting, statistical and debt reporting functions.

The Aid Coordination Section

This section liaises with development partners in the overall implementation and follow-up of ongoing grant aid projects. This section also records and reports the financial progress (disbursement) of externally funded projects. It also works in streamlining aid coordination policy within the government and development organizations.¹⁴

Project Monitoring and Management

This section assists overall project follow up, maintains record keeping and status updates and contracts. They also participate and contribute at project formulation and appraisals and produce quarterly project reviews. This is also the focal point for ADB, IDB, WB and other financial institutions.

Department of National Planning (DNP)

The mandate of the DNP is to formulate the National Development Plan (NDP) and ensure conformity of sectorial master plans to the NDP. It also includes consolidating development strategies, appraise, select and prioritize projects submitted for inclusion in the Public Sector Investment Program (PSIP). DNP also monitors NDP, PSIP and other

¹⁴ Ministry of Finance and Treasury, 'About US' At: <http://www.finance.gov.mv/v1/aboutus?id=1>

development activities and undertake the research required for the formulation of policies and strategies for national development. DNP is also the secretariat for the National Planning Council (NPC).

Renewable Energy Investment Office (Ministry of Economic Development)

This is a specialist government agency to direct the Maldives towards its goal to become carbon neutral by 2020. Renewable Energy Investment Office will assist the government to draw up investment plans and proposals for foreign aid to facilitate investments and support in alternative energy projects in the Maldives. Other functions mandated to the Renewable Energy Investment Office include finding and applying appropriate alternative energy solutions and assisting regional utilities companies in seeking investments and capacity building in the area of renewable energy technologies and also come up with economic solutions to the country's energy concerns and expedite implementation of these solutions.

Institutional Challenges

The government believes that management of mitigation and adaptation projects has proven to be a difficult task as a result of limitations in human resources, institutional capacity, and local expertise in the field.¹⁵

a. Lack of comprehensive framework

The Maldives lacks a comprehensible overall institutional framework and comprehensive policy for addressing climate change. Several different institutions handle climate change projects, although some main institutions do exist. Often, the implementation, execution, coordination, monitoring and evaluation are not institutions-based but individual projects-based (i.e. individual projects determine the modalities of execution, implementation, coordination and M&E). Therefore, there is no fixed institutional structure for any of these functions.

Several individual policy, strategy, and planning documents exist. Currently NEEDS is one of the most comprehensive documents. In the absence of a cohesive and comprehensive climate policy and strategy, new institutions and frameworks are coming up in the Maldives, which adds to the confusion of the existing climate change

¹⁵ The President's Office, *Strategic Action Plan* (Male: President's Office, 2009), p. 391. Also see NEEDS.

mandates. Newly established institutions includes CCAC (April 2009), REIO (May 2011) and if the proposed Investment Framework for the SREP is approved two more institutions will come into existence: Maldives Economics and Technology Support Unit (METSU) and the Maldives Energy Finance Company (MEFCO).

b. Unconsolidated institutions

The fact that the state is a transitional democracy, with only emergent institutions of horizontal and vertical accountability, has posed significant challenges to climate change governance. The lack of a legislative framework for the sector also exacerbates the situation. Moreover, the country is grappling with corruption and lacks effective governance mechanisms to address the issue. In 2010, Maldives was placed at 143rd on Transparency International's Corruption Perception Index, with an average score of 2.3, indicating that perceived levels of corruption in the country is very high.

Institutions and mandates have been in a constant flux and some are very young and unconsolidated. The main institutions responsible for developing climate change policy and implementing climate change projects have clearly stated mandates, but are loosely formed in many cases. For example, the CCAC is the main oversight body of all climate change related activities of the country but their mandate is not formalized yet. Their mandate is only mentioned in the government press statements and no formal mandate document is available to the public. NEEDS study of June 2010 also mentions that the CCAC is not yet fully operational. It highlights that "the problem with operation of the CCAC now lies in a very complex and demanding mandate that puts pressure on key climate experts of the country have multiple who already have multiple responsibilities and virtually no physical time left to fulfill all their obligations".¹⁶ This statement is accurate since in 2011 the CCAC met only twice even though they were initially planned to meet every fortnight according to the government press statement.

c. Institutional confusions and rivalry

There is also the challenge of institutional rivalry when two ministries deal with one project and the mandates are unclear in these situations. For example, the Ministry of Housing and Environment (MHE) worked in the initial planning and in formulating the project proposal on the Scaling up of Renewable Energy Projects (SREP), which was then handed over to the newly established Renewable Energy Investment Office (REIO)

¹⁶ NEEDS

at the Ministry of Economic Development. This has led to some level of confusion as MHE also has the mandate of activities related to mitigation and energy. Following the change of power on 7 February, the government is considering the future of REIO with the possibility of housing it under MHE.¹⁷

d. Lack of expertise

Another major challenge in climate change governance is the lack of experts in this area. The key climate experts of the country have multiple responsibilities and a very demanding schedule to fulfill their obligations. They are on multiple governing bodies such as CCAC and the NPC and are also part of the implementing agencies. Therefore, there is a conflict of interest as well as lack of physical time to carry out their duties. In addition there is a serious lack of human resources of the main oversight bodies of the country. For example, in the organizational chart of the Climate Change and Energy Department of the MHE, there are no directors appointed to the three sections; Green House Gas Reporting Section, Low Carbon Development Section and the Climate Change and Advocacy Section. In addition, engineers, CDM officers and climate change analysts are needed in this department for them to carry out their work effectively.

e. Lack of databases and challenges to access information

A comprehensive database of climate projects does not exist. MHE maintains a list of projects, but it is either incomplete or not regularly updated. There are various data discrepancies of financial information of projects available from different sources. For example, the information presented in the MHE website is different from the information that was shared by the MHE through information requests or information available from other sources such as the World Bank website. In interviews, the Ministry of Finance and Treasury also noted that financial data discrepancies between the information received from sources such as the MHE as a major challenge that they face.

While a Regulation on Right to Information exists, it remains a challenge for ordinary citizens to gain access to information, including climate change related projects. Often times climate change related policies and projects are only accessible through special requests and as mentioned above, only limited information is available through Government office websites, and other means. Official requests for information are often delayed and several follow-up reminders or phone calls have to be made before

¹⁷ Meeting with State Minister of Economic Development, 22 March 2012

information is provided. Given that most official institutions are based in the capital island of Male', accessing these information is especially challenging for the majority of the population who reside in other islands.