

# **Corporatization through Public-Private Partnerships**

## **The new strategic direction of the Maldivian Government**

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The Maldives is currently going through a period of progressive economic, social and political transformation, and the government intends to deliver on its pledges to foster economic development through a more efficient system. It has, therefore, embarked on a process of regionalization and decentralization to reduce government bureaucracy and to increase the level of public participation and to enable a more people centric and rights based approach to development by giving administrative authority to the recently created seven administrative regions.

In this regard, a market based approach to national development through regional development and decentralization will be pursued, which will facilitate the provision of services through the corporatization of existing facilities, the creation of joint public private partnerships (PPPs) and by seeking foreign direct investment.

Public private partnerships are contractual agreements made between a public agency and a private sector entity. Under this, the skills and assets of both sectors (public and private) are shared to deliver a service or facility for the use of the general public. In addition to the sharing of resources, both parties will share in the risk and reward potential of the service.

The role of the state will be substantially re-defined through this process. Rather than being a service-provider, it is transferring this function to corporate entities. The Government Ministries will perform a regulatory and monitoring function and initiate legislation that is necessary for it to perform this role.

The companies operating under this model will benefit from the funds provided by the private sector partner and also from the managerial expertise and know-how that it would

bring to the table. It is recognized that the best value partner will be one which is prepared for a long-term engagement and has a proven track record in that particular sector.

The PPP programme will also allow for substantial reductions in the amount the state is spending on providing services. It will ease budgetary pressures and allow the government to cut costs and make necessary savings. Details of the amounts that have been removed from the budget will be allocated to the new corporate entities, and will be made available by the Ministry of Finance and Treasury.

The areas that the government is initially opening up for investment is as follows:

1. Transport (inter and intra island ferry services)
2. Real Estate (housing development throughout the country)
3. Utilities (consisting electricity, gas, water and sanitation)
4. Healthcare (one hospital in Male' and two in the regions)
5. Education (one school in the north and one in the south)
6. Regional Airports (one in the north and one in the south)
7. Regional Ports (in the greater Male' region, as well as in the north and south)
8. Broadcasting and Entertainment

Under the government's policy there are three different types of entities. These are a) existing corporations- such as the airports company and the state electricity company, b) newly formed companies- such as the regional utility companies, and c) non-corporate service providers- such as schools and hospitals.

A number of new companies have already been established in order to facilitate the process. These will be one hundred percent government owned entities. Their task will be to assume ownership of all existing infrastructure, develop new facilities as required, and begin their operations. In order to fulfill this, they will seek investors (foreign or domestic) and enter into joint-venture partnerships to manage the facilities. They will be assisted in this regard by the Invest Maldives department of the Ministry of Economic Development.

A Privatization Committee has also been established under the purview of the President's Office and will oversee the process. It includes representatives from all the relevant government ministries and departments.

The following companies have been created so far:

- Regional Utilities Companies (one in each of the seven regions)
- Thilafushi Corporation (to develop light and heavy industries)
- Maldives Entertainment Company
- Waste Management Corporation
- Maldives National Broadcasting Company

Calls for Expressions of Interest (EoI) that have been announced are available through the website [www.investmaldives.org](http://www.investmaldives.org). Information kits on investment opportunities available can be obtained electronically from this site, and hard copies can also be provided on request. Invest Maldives is the first port of call for all parties interested in investing in these projects. All investments will be routed through this channel in the interests of efficiency and transparency.

The Maldives is now officially “Open for Business” and is looking to spread this message far and wide. The invitations for EoIs have been communicated to the government’s international partners and it is looking for their support in linking up with companies that have the experience, interest and capability in running these projects. Further information will be outlined in the presentations on the privatization process.