Auditor General’s Report

PREPARATION FOR ACCELERATING SUSTAINABLE PRIVATE INVESTMENTS IN RENEWABLE ENERGY (ASPIRE) PROJECT

MINISTRY OF ENVIRONMENT AND ENERGY

FINANCIAL YEAR 2014
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Introduction

We have audited the accompanying financial statement; Statement of Receipts and Payments for the period 1 January 2014 to 31 December 2014 and notes to this statement as set out on pages 4 to 9 of the Preparation for Accelerating Sustainable Private Investments in Renewable Energy (ASPIRE) Project under the International Bank for Reconstruction and Development (World Bank) SREP Preparation Grant No. TF014565 as of 14 May 2013.

Management’s Responsibility for the Financial Statement

The Management is responsible for the preparation and fair presentation of this financial statement in accordance with the International Public Sector Accounting Standard: Financial Reporting under the Cash Basis of Accounting. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor General’s Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Statement of Receipts and Payments is free from material misstatements.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors’ judgement, including the assessment of the risks of material misstatements of the financial statement whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the entity’s preparation and presentation of the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified Opinion

In our opinion, the financial statement presents fairly, in all material respects, the cash receipts and cash payments for the period 1 January 2014 to 31 December 2014 and cash balance as at 31 December 2014 in accordance with International Public Sector Accounting Standard: Financial Reporting under the Cash Basis of Accounting.

In addition, we can provide assurance that:

(a) The funds provided under the Financing Agreement have been utilised for the purposes for which they were provided;

(b) The Special Account (bank account) transactions and its balance as at 31 December 2014 have been presented fairly on the financial statement, in accordance with the International Public Sector Accounting Standard: Financial Reporting under the Cash-Basis of Accounting. The cash at the end of the period shown on the Statement of Receipts and Payments reflects the cash balance which is reconciled to that of the Special Account as at 31 December 2014, and

(c) The Periodic Reports (Financial Monitoring Reports) submitted to the World Bank could be fairly relied upon to support the applications for withdrawals in accordance with the requirements specified in the Financing Agreement.

Other Matter

Without qualifying our opinion, we draw attention to the following management issue observed from our audit.

Non-delivery of the Workshop on Implementation of Renewable Energy Plan

According to Task Six of the project Deliverables (E), the workshop on Implementation of Renewable Energy Integration Plan has to be conducted within 46 weeks from commencement of the assignment-The Greater Male' Region Renewable Energy Integration Plan. This assignment has been contracted-
out at contract price of USD 398,822. Whilst the assignment was commenced on 22rd December 2013, we note that the contractor failed to deliver the said workshop to date. We also noted that the contract does not include any penalty or fines for delayed deliverables.

Failure to deliver the Workshop on Implementation of the Renewable Energy Integration Plan resulted in non-achievement of the Task’s objective - Catering for Stakeholder’s Capacity Building in order to ensure the Readiness for the Implementation of the Renewable Energy Integration Plan. In addition, PMU would find it difficult to make the contractor accountable or claim damages in respect of non-delivery of Tasks when no clause in the Agreement is provided for delayed deliverables.

**Recommendation**

We recommend the PMU to make sure that the contractor delivers the deliverables within agreed timeframes, and make such contracts with fines/penalties for delayed deliverables.

30th June 2015

[Signature]

Hassan Ziyath
Auditor General
PREPARATION FOR ACCELERATING SUSTAINABLE PRIVATE INVESTMENTS IN RENEWABLE ENERGY (ASPIRE) PROJECT

MINISTRY OF ENVIRONMENT AND ENERGY

FINANCIAL STATEMENT

FOR THE PERIOD 1 JANUARY 2014 TO 31 DECEMBER 2014
# Preparation for Accelerating Sustainable Private Investments in Renewable Energy (Aspire) Project – 2014

## Ministry of Environment and Energy

## Statement of Receipts and Payments

For the period 1 January 2014 to 31 December 2014

<table>
<thead>
<tr>
<th>Note</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds Received</td>
<td>879,081</td>
</tr>
<tr>
<td>Total Receipts</td>
<td>879,081</td>
</tr>
</tbody>
</table>

**Receipts**

- Greater Male’ RE Integration Plan: 119,646
- Preparing Outer Island Wastage-to-Energy Projects: 74,924
- Structuring Advisers: 66,923
- Development of ESMF: 12,772
- Project Management: 43,953

**Total Payments**: 318,218

<table>
<thead>
<tr>
<th>Increase / (Decrease) in Cash</th>
<th>560,863</th>
</tr>
</thead>
</table>

**Opening Cash Balance**: -

<table>
<thead>
<tr>
<th>Increase / Decrease in Cash</th>
<th>560,863</th>
</tr>
</thead>
</table>

**Closing Cash Balance**: 560,863

The Statement of Receipts and Payments was approved by the Project Management Unit (PMU) on 29th June 2015.

Signed for and on behalf of the PMU:

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Mr. Maumoon Khalid  
(Project Manager)

Mr. Hussain Shihab  
(Financial Management Specialist)

The accounting policies and notes on pages 5 through 9 form an integral part of the financial statement.
NOTES TO THE FINANCIAL STATEMENT

1. PROJECT INFORMATION

Key Highlights

Project Title: Preparation for Accelerating Sustainable Private Investments in Renewable Energy (ASPIRE) Project under Scaling up Renewable Energy Program

Start Date: 14 May 2013 (Effective Date)

Approved Budget: USD 1,000,000

Funded by: International Bank for Reconstruction and Development (World Bank) under Strategic Climate Fund (SCF)

Trust Fund Manager: World Bank

1.1 Objectives

The objective of the grant is facilitating the Preparation of the Accelerating Sustainable Private Investments in Renewable Energy (ASPIRE) Project, by encouraging and facilitating private investments in the sector through the provision of financial and technical assistance to the government and support to the development of appropriate risk mitigation instruments (such as a Partial Risk Guarantee) under consideration by the World Bank.

1.2 Project Beneficiaries

ASPIRE program beneficiaries are citizens and consumers in the Maldives. The initial project target consumer population are those in Male’ and Hulhumale islands. The consumer base would later expand to other islands in Maldives. Consumers would receive improved electricity services at the same or better electricity prices, with lower local environmental externalities.

The Government of the Maldives (GOM) is also a key beneficiary, since the proposed project would reduce the islands’ financial exposure to oil price volatility, and generate savings by replacing higher cost, imported diesel fuelled generation, with cleaner Photovoltaics generation. The program also reduces the need for public investment in the power sector, and helps reduce the operating and capital expenses of the state utility companies. Not only would this get the GOM closer to its stated goal of carbon neutrality, but it would also free up resources to fund key social needs such as education and health.

1.3 Project Activities

The following activities will be supported by the PPG, among others:

1.3.1 Greater Male' Region Renewable Energy Integration Plan

This is to undertake pre-feasibility level studies for renewable energy integration plan for renewable energy generation options and inter-island grid interconnection to bring power to the load centres in the Greater Male’ Area. The study will assess the technical, economic, financial and environmental viability of various options and recommend the ones to be supported.
1.3.2 Preparing Outer Island Waste-to-Energy Projects
Prepare detailed feasibility of waste-to-energy investment projects in S. Hithadhoo, HDh. Kulhudhufushi and R. Vandhoo to confirm techno-economic viability including environmental and social impacts, and prepare bidding documents and model contracts to offer said sites to the private sector for development.

1.3.3 Create The Enabling Environment (Structuring Advisers)
Create the enabling environment for distributed renewable energy development through the development of risk mitigation instruments and incentives and assist the Recipient with the technical design and financial structuring and implementation of the Project. This Activity will help characterizing the market, inter alia, through investor and credit market assessments, recommendations on improving the regulations and standard power purchase agreements and interconnected standards.

1.3.4 Outreach to stakeholders and awareness creation
Outreach to stakeholders and awareness creation by organizing conferences and initiating dialogue with national companies and international renewable energy business and financing community to make them aware of the emerging opportunities under the Project to help leverage private sector resources and improve the overall investment climate. Outreach will also be targeted to specific stakeholder groups, inter alia, domestic financiers and businesses, electricity consumers and building owners. This Activity will also support a broader communications strategy to improve the overall investment climate.

1.3.5 Program Management Support
Program management support to the Project Management Unit and Ministry of Environment and Energy (MEE) for management and implementation of the activities, including funds for travel, incremental operating costs, investor conference and other related events will be provided.

1.4 Project Financing
The project is financed by the International Bank for Reconstruction and Development (World Bank), acting as an Implementing Agency of the Scaling Up Renewable Energy Program in Low Income Countries (SREP) under the Strategic Climate Fund. First paragraph of the Financing Agreement signed on 14th May 2013 between the Government of Maldives and the International Bank for Reconstruction and Development (World Bank) states that a grant in an amount equivalent to USD 1,000,000 is given to facilitate the preparation of the ASPIRE project.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation
The Statement of Receipts and Payments are prepared in accordance with the International Public Sector Accounting Standard: Financial Reporting under the Cash Basis of Accounting.

2.2 Recognition of Receipts and Payments
Receipts and payments are accounted for on cash basis. Receipts are recognised when the Maldives Monetary Authority (MMA) receives the funds from World Bank to the bank account maintained for the project with it. This account is maintained in United States Dollars (USD). Payments are recognised at the time of outflow of cash either from the bank account, or from the cash account maintained for cash payments.
2.3 Presentation Currency

The Statement of Receipts and Payments has been presented using the United States Dollars (USD). All the figures have been rounded to the nearest Dollar.

2.4 Foreign Currency Translation

Receipts and payments in currencies other than the reporting currency (USD) are converted at the Mid-Exchange Rate (MMA’s published exchange rate less 0.05) existing between the transaction currency and USD at the time of the receipt/payment. Cash balances in currencies other than USD as at the end of the reporting period are shown in the financial statement at the exchange rate that was prevailing at the last day of the reporting period.

2.5 Reporting Period

Financial statement is generally prepared for one year (calendar year). Period for which financial statement is prepared are disclosed on the face of the financial statement.

3. Fund Received

For the period
1 Jan 2014 to 31 Dec 2014

<table>
<thead>
<tr>
<th>Description</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disbursement (Receipts) from World Bank</td>
<td>879,081</td>
</tr>
<tr>
<td>Total</td>
<td>879,081</td>
</tr>
</tbody>
</table>

4. Greater Male’ Region Renewable Energy Integration Plan

For the period
1 Jan 2014 to 31 Dec 2014

<table>
<thead>
<tr>
<th>Description</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Payment upon submission of the Inception Report</td>
<td>19,941</td>
</tr>
<tr>
<td>Second Payment upon completion Draft Report on Assessment of Potential RE options and Consultation Workshop</td>
<td>99,705</td>
</tr>
<tr>
<td>Total</td>
<td>119,646</td>
</tr>
</tbody>
</table>

Note:

Inception Report is submitted after the inception mission, which includes a detailed work plan indicating the breakdown of work components with the proposed deadlines and any revisions to the plans based on feedback from stakeholders. This is to ensure that the consultants get familiarized with the situation of the country and to get feedback from the stakeholders to ensure that the work plan and methodology is agreeable for all parties.
Draft Report on Assessment of Potential RE options and Consultation Workshop is a draft report presenting the findings of the existing power sector background assessments, techno-economic analysis and least cost plans of models at various RE input levels, advise on the costs at various levels of RE integration and with different technologies. This would lead to the finalization of the RE options to be adopted for feasibility studies through a consultation workshop with relevant key stakeholders including policy level decision makers.

5. Preparing Outer Island Waste to Energy Projects

For the period
1 Jan 2014 to 31 Dec 2014

USD

First Payment upon submission of the Inception Report
24,975

Second Payment upon submission of the Draft Feasibility Study Reports
49,949

Total
74,924

Note:

Draft Feasibility Study Report gives the details of waste transport/management and projection of waste generation, electricity demand (including forecasts), analysis of waste supply and electricity demand, technical assessment of existing grids, designs for waste transport systems from nearby islands in the respective regions, potential of production of portable drinking water and electricity (and any other possible applications such as ice-making) from waste-to-energy systems, proposed concept designs for incineration facilities, treatment of residues, respective techno-economic analysis and financial analysis of the proposed integrated solutions.

6. Create The Enabling Environment (Structuring Advisers)

For the period
1 Jan 2014 to 31 Dec 2014

USD

First Payment upon submission of the Inception Report
19,121

Second Payment upon submission of the OPICMA Report
47,802

Total
66,923

Note:

OPICMA Report: Outcomes of the Potential Investors and Credit Market Assessment (OPICMA) Report is prepared after carrying out an assessment of the market for financing ASPIRE supported projects under the FIT mechanism. The aim of the assessment is to identify the requirements on program design standards that potential developers may have, and also identify potential lenders and equity investors. While there limitations in the local financial market of the Maldives, the, the Consultant assess both local and international potential developers and investors.
7. Development of Environmental and Social Management Framework (ESMF)

For the period
1 Jan 2014 to 31 Dec 2014

<table>
<thead>
<tr>
<th>Description</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery of ESMF complaint with Maldivian legal framework and World Bank’s</td>
<td>12,772</td>
</tr>
<tr>
<td>Operational Policies in electronic form and hard copies.</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12,772</td>
</tr>
</tbody>
</table>

Note:

In order to mitigate the potential adverse impact, the projects will need to prepare Environmental Social Management Framework (ESMF) complaint with Maldivian legal framework and World Bank’s Operational Policies. The ESMF would be used to gauge and mitigate, where needed, potential environmental and social impacts of the all activities under the project. The ESMF will outline a screening¹ and a review process, which will determine whether a particular sub-project will trigger a Safeguard Policy and what mitigation measures will need to be put in place.

8. Project Management

For the period
1 Jan 2014 to 31 Dec 2014

<table>
<thead>
<tr>
<th>Description</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary and Allowances for PMU Staff Consultants</td>
<td>42,131</td>
</tr>
<tr>
<td>Operating Costs: Travel, training and other related</td>
<td>1,822</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>43,953</td>
</tr>
</tbody>
</table>

¹ Environmental Screening is designed to identify environmental risks, which may reduce the effectiveness of the intervention, or may lead to adverse impacts to people, their livelihoods and the wider economy. Screening should also identify environmental opportunities to improve development outcomes, such as improving governance of resources and empowering communities.

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