

Procedure to Follow Where the Government Undertakes Joint Venture Investment in Islands or Land

(A translation)

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| Introduction and Title | <p>1. (a) This Procedure stipulates the process by which the Government shall undertake joint venture investments in the leasing of islands and land pursuant to section 5 of Law No. 2/99 (Maldives Tourism Act).</p> <p>(b) This procedure shall be cited as “Procedure to Follow Where the Government Undertakes Joint Venture Investment in Islands or Land”.</p> |
| Object | <p>2. Notwithstanding that section 5 of the Maldives Tourism states that islands and land for development as tourist resorts shall be leased to the party that submits the best-qualified bid in respect of such islands or land in accordance with pre-established procedures in a public tender held by the Ministry of Tourism; the same section states that those Islands or land in which the Government makes an investment wholly or in joint venture shall be exempted from the Procedure provided therein; and therefore the object of this procedure is to determine the procedure to follow in that prescribed exemption status.</p> |
| Leasing of islands or land or shallows for development in a joint venture with the Government | <p>3. Uninhabited islands or land may be leased to a company created under a joint venture with the Government for tourist resorts, tourist hotels and marinas development pursuant to this Procedure.</p> |
| Determining Investments in | <p>4. Pursuant to section 3 of this Procedure, uninhabited islands or land or shallows shall be leased for a joint venture with the</p> |

Which the Government is a Party.

Government for development as according to one of the following two options:

- (a) Leasing islands or land to invest with those meeting the prerequisites prescribed in section 5 of this Procedure; or
- (b) Transforming to tourist resorts, islands already leased for purposes related to tourism, save those leased to develop as tourist resorts, tourist hotels and marinas.

Prerequisites for leasing islands or land

5. Islands and land for development as tourist resorts shall be leased for those meeting the following prerequisites:

- (1) The net worth of the party undertaking a joint venture with the Government must have a minimum worth of Maldivian Rufiyaa 300 million.
- (2) The party must agree to pay as a lump sum, the lease acquisition cost that the Government determines having studied the existing market.
- (3) Where the party developing the island or land is developing it as a private island resort as according to standards maintained by the Ministry, the party must agree to pay the annual acquisition cost determined by the Government.
- (4) The initial capital investment must be a minimum of US Dollars 100 million or more.
- (5) Must provide a bank guarantee worth 10% of the total proposed project
- (6) Where the applicant to develop the island or land is foreign, the investment funds must be brought from

abroad.

Submitting
Proposals

6. (a) All applicants wishing to undertake a joint venture with the Government in uninhabited islands or land, to develop tourist resorts, tourist hotels and marinas, pursuant to section 4 (a) of this Procedure, must submit their applications to the Tourism Ministry.
- (b) The proposals submitted under subsection (a) of this section shall be studied by a specialised technical committee.

Islands Leased for
Purposes Related
to Tourism, Save
Those Leased to
Develop as Tourist
Resorts

7. For the purpose of section 4 (b) of this Procedure, those parties leasing islands for purposes related to tourism – save those leased to develop as tourist resorts, tourist hotels and marinas – may be allowed to transform the island to a tourist resort where they meet the following prerequisites:
 - (a) Having annulled the existing lease agreement, to lease the island under a lease agreement pursuant to the Tourism Act, to develop as a tourist resort. And where there is any outstanding rent, fee, tax or any other monies owed to the Government in relation to the island, to pay the dues fully before the existing agreement is annulled. And where there are any outstanding dues owed to parties other than the Government, to agree to pay the dues.
 - (b) To pay an acquisition cost pursuant to subsection (c) of this section to transform the island to resort status.
 - (c) The acquisition cost payable to the Government pursuant to subsection (b) of this section shall be, to include in the amount arrived at after having calculated at the rate of 600,000 US Dollars per a hectare of land, the sum arrived at having calculated the island's distance to Ibrahim Nasir

International Airport at the rate of 1,000,000 US Dollars.
The sum shall be calculated by using the following formula:

$$1,000,000 - \text{distance to Ibrahim Nasir International Airport} \times \frac{1,000,000}{150}$$

150

- (d) 20% of the acquisition cost determined under subsection (a) of this section must be paid on the day the lease agreement is signed with the Government. The remaining sum of the lease acquisition cost must be paid fully within 36 (thirty-six) months from the day the lease agreement is signed, in accordance with the Government's directive on payment procedure.

Application of the Law to Islands and land stated in this Procedure

8. In addition to meeting the prerequisites prescribed in sections 5 and 7 of this Procedure, all other provisions prescribed in the Maldives Tourism Act shall apply.

Obligation to Create Joint Venture Company

9. (a) All islands and land leased under this Procedure shall be leased to a joint venture company created between the proposed investor and the Government, and under a joint venture agreement signed between the parties.
- (b) The Government shall determine the proportion of Government shares to be held in any joint venture company created to lease islands or land pursuant to subsection 4 (a) of this Procedure, after having taken into account the size of the investment. However, those joint venture companies so created to lease islands or land pursuant to subsection 4 (b) of this Procedure must have a minimum 10% Government share.
- (c) The amount determined as Government investment in an

island or land leased under this Procedure, shall be resolved within the sum duly agreed as Lease Acquisition Cost to be paid to the Government. Moreover, further expenditure required to complete the development of the island or the land or the shallow shall be borne by the proposed investor in joint venture with the Government.

- Exemptions
10. The leasing of islands or land to a public company created or to be created with Government participation shall be exempt from this Procedure. Moreover the lease of those Islands or land in which the Government had undertaken an investment in joint venture pursuant to section 5 of the Tourism Act before this Procedure is applied, and where the Government had decided to follow certain procedure in relation to them, shall be exempt from this Procedure.
- Interpretation
11. (a) 'leased island' means the islands and land leased before this Procedure comes into force.
- (b) 'purposes related to tourism' means specialised services provided to tourists arriving to the Maldives such as diving services, water sports services and picnic services.
- Enforcement
12. This Procedure shall come into force upon publication of this Procedure in the Maldives Government Gazette.
