



Maldives

Green Finance Landscape and Access to Green Finance in the Tourism Sector in the Maldives

Authors

Amarnath Munnolimath and Aparna Rajeev Thekke Kurungott – adelphi Research gGmbH, Germany,
Fathimath Nafha Asim – Parley Maldives and Shihaaz Shamoon – Maldives National University, Maldives



September 2025

Project Implemented by:



adelphi 



PARLEY




teri

Imprint

Suggested citation: PROMISE (2025): Green Finance Landscape and Access to Green Finance in the Tourism Sector in the Maldives

Authors: Amarnath Munnolimath and Aparna Rajeev Thekke Kurungott – adelphi Research gGmbH, Germany, Fathimath Nafha Asim – Parley Maldives and Shihaaz Shamoon – Maldives National University, Maldives

The project team expresses its gratitude to all the participants of the Fi and MSME Green Finance Workshops for a very valuable and highly appreciated contribution.

Photo credits: Project PROMISE

Project Website: www.projectpromise.eu
Email: munnolimath@adelphi.de

Project Contribution to SDGs:



Disclaimer: This paper has been produced with the financial support of the European Union in the framework of the project 'Prevention of Marine Litter in the Lakshadweep Sea (PROMISE)'. Its contents are the sole responsibility of the authors and do not necessarily reflect the views of the European Union.

Contents

Imprint	2
1. Executive Summary	5
2. Background	5
3. Tourism in Maldives	6
4. Green Finance Ecosystem in Maldives	7
4.1 International Financial Institutions in Maldives	7
4.2 Green Finance Schemes for SMEs in Maldives	8
5. PROMISE Efforts in Supporting Financial Institutions and MSMEs on Green Finance	9
5.1 Green Finance Workshop with Financial Institutions	10
5.2 Green Finance Workshop with MSME	11
5.3 Outcomes of PROMISE Green Finance Activities	11
6. Challenges and Opportunity Mapping	12
6.1 Challenges and Suggestions for Financial Institutions	12
6.2 Challenges and Opportunities for MSMEs	13
6.3 Cross-cutting Observations	14
7. Key Considerations for Financial Institutions in the Maldives	14
8. Lessons Learned	15
9. Bibliography	17

List of Tables

Table 1: International Financial Institutions Supporting Green Finance in Maldives	7
Table 2: Green Finance Schemes for SMEs in Maldives	8
Table 3: Challenges and Suggestions for Financial Institutions in the Maldives	13
Table 4: Challenges and Opportunities for MSMEs in the Maldives	13

List of Figures

Figure 1: Photos from Green Finance Workshop with FIs	10
Figure 2: Photos from Green Finance Workshops with MSMEs	11

List of Abbreviation

Abbreviation	Full Form
ADB	Asian Development Bank
BML	Bank of Maldives
CIF	Climate Investment Funds
CMA	Capital Market Authority (Maldives)
CSR	Corporate Social Responsibility
EE	Energy Efficiency
FI	Financial Institution
GDP	Gross Domestic Product
GCF	Green Climate Fund
IMF	International Monetary Fund
KfW	Kreditanstalt für Wiederaufbau (German Development Bank)
MFLC	Maldives Finance Leasing Company
MSME	Micro, Small and Medium Enterprise
NDC	Nationally Determined Contribution
NGO	Non-Governmental Organization
PPP	Public-Private Partnership
PROMISE	Prevention of Marine Litter in the Lakshadweep Sea
PV	Photovoltaic
SDFC	SME Development Finance Corporation
SIDS	Small Island Developing States
STELCO	State Electric Company Limited
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
WB	World Bank

1. Executive Summary

This **Green Finance Landscape and Access to Green Finance in the Tourism Sector in the Maldives** report presents an in-depth assessment of the existing green finance ecosystem, financing mechanisms, and access-to-finance challenges faced by tourism-related micro, small, and medium enterprises (MSMEs). Implemented under the PROMISE project, the report draws on stakeholder consultations, green finance workshops, and direct engagement with financial institutions and MSMEs to identify practical pathways for accelerating sustainable investments in the Maldivian tourism sector.

Tourism remains the backbone of the Maldivian economy, contributing over one quarter of GDP and serving as the country's primary source of foreign exchange and employment (Ministry of Tourism, 2023). However, the sector's heavy dependence on energy-intensive operations, imported fuels, and single-use plastics has increased environmental pressures on fragile island ecosystems. Transitioning tourism MSMEs towards energy efficiency, renewable energy, and zero waste solutions is therefore both an environmental necessity and an economic opportunity.

The Maldives has made important progress in establishing a foundation for green finance through **public financial institutions, utility-led renewable energy schemes, and targeted SME financing mechanisms**. Institutions such as the **Maldives Finance Leasing Company (MFLC)**, **Bank of Maldives (BML)**, **STELCO**, and **SME Development Finance Corporation (SDFC)** provide financing options relevant to energy efficiency and rooftop solar investments. However, access remains constrained by limited awareness, complex procedures, and capacity gaps among both MSMEs and financial institutions.

PROMISE activities in the Maldives focused on strengthening demand and supply-side capacities for green finance. Green finance workshops and targeted sensitisation sessions were conducted for financial institutions and MSMEs, complemented by one-to-one engagement during technical site visits across islands. As a result, **16 financial institution representatives** were sensitised on green finance product development and global best practices, while **85 MSMEs** were supported to understand green finance schemes and investment opportunities. Importantly, **6 MSMEs received tailored access-to-finance support**, leading to financing approvals for energy-efficient equipment, particularly air conditioners and refrigeration systems.

A key lesson from PROMISE implementation is that decentralised, one-to-one engagement models are more effective than centralised workshops in a geographically dispersed island nation. Energy efficiency investments emerged as the most accessible entry point for green finance, offering clear cost savings and low risk for both MSMEs and lenders. The project also demonstrated the value of close collaboration with financial institutions, notably MFLC, to refine and adapt green finance schemes to MSME realities.

Looking ahead, scaling green finance in the Maldivian tourism sector will require simplified financing products, stronger technical partnerships, and continued capacity building for financial institutions. Aligning green finance with national climate targets and tourism sustainability strategies can unlock further investment while safeguarding the Maldives' natural capital. The experience of PROMISE provides a replicable model for small island developing states seeking to integrate green finance into tourism-led economic development.

2. Background

The **Republic of Maldives** is a small island developing state (SIDS) in the Indian Ocean, consisting of approximately **1,190 coral islands grouped into 26 atolls**, with a total land area of just **298 square kilometres**. Despite its small geographic footprint, the Maldives has one of the **highest per capita**

incomes in South Asia, driven overwhelmingly by tourism and related services. The country has a population of around **525,000**, and its economy is highly open, import-dependent, and vulnerable to external shocks, particularly climate change, global economic volatility, and fluctuations in international travel (World Bank, 2023).

Tourism contributes **over 28% of GDP directly and more than 60% when indirect effects are included**, making the Maldivian economy **structurally dependent on the tourism sector** (Ministry of Tourism, 2023). The COVID-19 pandemic severely affected the economy, leading to a sharp contraction in GDP in 2020 and significant fiscal stress. However, the Maldives demonstrated a relatively fast recovery, supported by early reopening to international travel, strong demand from key source markets, and targeted fiscal and monetary interventions. By 2022–2023, tourism arrivals exceeded pre-pandemic levels, helping stabilise public finances and employment (IMF, 2024).

At the same time, the Maldives faces **acute environmental challenges**, including marine pollution, waste management constraints, energy insecurity, and extreme climate vulnerability. Most islands rely on **imported fossil fuels for electricity generation**, while limited land availability restricts waste disposal options. In this context, **green finance has emerged as a critical tool** to support investments in renewable energy, energy efficiency, waste reduction, and circular economy solutions—particularly within the tourism sector, which is both a major economic driver and a significant source of environmental pressure. Strengthening access to green finance for tourism MSMEs is therefore essential to align economic resilience with environmental sustainability in the Maldives (UNEP, 2022).

3. Tourism in Maldives

Tourism is the **backbone of the Maldivian economy** and the primary source of foreign exchange, employment, and public revenue. The Maldives is globally renowned for its **luxury resort-based tourism model**, pristine coral reefs, and marine biodiversity. In **2023, the Maldives welcomed over 1.8 million international tourists**, exceeding pre-pandemic levels and confirming a strong post-COVID recovery (Ministry of Tourism, 2024). Tourism contributes **more than 28% of GDP directly and over 60% when indirect impacts are considered**, making the country one of the most tourism-dependent economies in the world (World Bank, 2023).

Over the past decade, tourism in the Maldives has evolved to include **guesthouse tourism on inhabited islands**, enabling greater participation of **micro, small, and medium enterprises (MSMEs)** in the sector. These MSMEs include guesthouses, dive centres, safari boats, restaurants, transport providers, and small service operators. While this diversification has enhanced income generation and regional development, it has also intensified **demand for energy, water, and waste management services** at the local island level. Unlike large resorts, many MSMEs operate with **limited technical capacity and financial buffers**, making sustainability investments more challenging.

Energy consumption remains a major operational cost for tourism businesses. Most islands rely on **diesel-based power generation**, and tourism MSMEs depend heavily on **energy-intensive equipment**, particularly air-conditioning units, refrigeration systems, freezers, and desalination plants. Consequently, electricity costs account for a significant share of operating expenses, while also contributing to greenhouse gas emissions. Energy efficiency improvements and renewable energy adoption—such as high-efficiency air conditioners, inverter refrigerators, and rooftop solar systems—offer strong economic and environmental benefits but require upfront capital investment (ADB, 2023). Waste management poses another critical challenge. The growth of tourism, especially on inhabited islands, has increased **solid waste generation, plastic consumption, and marine litter risks**. Limited land

availability and the high cost of inter-island waste transport constrain recycling and disposal options. Without adequate investment in waste reduction, segregation, and treatment systems, tourism activities risk undermining the very marine ecosystems on which the sector depends (UNEP, 2022).

In response, the Government of Maldives has prioritised sustainable tourism development, promoting renewable energy, energy efficiency, and improved waste management within the tourism sector. National strategies emphasise reducing carbon intensity, protecting marine ecosystems, and enhancing climate resilience. However, **access to affordable and MSME-friendly green finance remains a key bottleneck**, particularly for enterprises located in remote atolls. Strengthening tailored green finance mechanisms for tourism MSMEs is therefore essential to support sustainable growth, reduce environmental impacts, and safeguard the Maldives' natural capital for future generations (IMF, 2024; Ministry of Tourism, 2024).

While economically beneficial, over-tourism also poses several environmental challenges. The pristine marine habitat is under threat from unregulated development and the coral reefs are facing rapid degradation due to warmer seawaters. Due to its low-lying geography, the Maldives is also more vulnerable to climate change. Rising sea levels, increased temperatures, and more frequent extreme weather events pose significant risks to the islands and its inhabitants. Balancing the continued growth of the tourism industry with the imperative to protect the environment presents a significant challenge. However, it also offers opportunities for sustainable development, eco-friendly tourism, and the diversification of the tourism product, including cultural and eco-tourism experiences.

4. Green Finance Ecosystem in Maldives

The Maldives has increasingly recognised green finance as a strategic enabler for achieving climate resilience, energy security, and sustainable economic growth—particularly in the tourism sector. As a Small Island Developing State (SIDS), the country faces acute challenges related to climate change, marine pollution, high energy costs, and limited land availability for waste management. In response, national policies and financial sector initiatives have begun integrating environmental sustainability considerations into development planning and financing decisions (World Bank, 2023).

The **Maldives Monetary Authority (MMA)** and key public financial institutions have played a central role in promoting sustainable finance, supported by international partners and development finance institutions. The focus of green finance in the Maldives has primarily been on renewable energy deployment, energy efficiency, and waste management, all of which are highly relevant to tourism MSMEs operating on inhabited islands. Given the dispersed geography of the country, accessibility, simplicity, and affordability of financial products are critical factors influencing uptake of green finance by MSMEs (ADB, 2023).

While the Maldivian green finance ecosystem is still evolving, recent years have seen growing efforts to adapt existing MSME finance schemes to better accommodate green investments. PROMISE project activities contributed directly to this process by supporting awareness-building, institutional capacity strengthening, and product refinement—particularly in collaboration with the **Maldives Finance Leasing Company (MFLC)** and commercial banks.

4.1 International Financial Institutions in Maldives

International Financial Institutions (IFIs) play a **critical role in supporting green finance and climate-related investments** in the Maldives. Given the country's limited domestic fiscal space and high exposure

to climate risks, IFI support is essential for mobilising concessional finance, technical assistance, and risk mitigation instruments.

Table 1 provides an overview of key IFIs active in the Maldives and their contributions to green and sustainable finance.

Table 1: International Financial Institutions Supporting Green Finance in Maldives

International Financial Institution	Key Green Finance Efforts in Maldives
World Bank	Supports renewable energy expansion, waste management, and climate resilience through investment projects and policy support, including solid waste management and energy sector reforms (World Bank, 2023).
Asian Development Bank (ADB)	Provides concessional loans and technical assistance for renewable energy, energy efficiency, and climate adaptation projects, including support for solar PV deployment and sustainable infrastructure (ADB, 2023).
International Monetary Fund (IMF)	Supports macroeconomic stability and climate-related fiscal reforms, integrating climate risks into economic planning and public finance management (IMF, 2024).
Green Climate Fund (GCF)	Finances climate mitigation and adaptation projects in the Maldives, particularly in renewable energy, resilient infrastructure, and ecosystem protection, often through accredited entities (GCF, 2023).
UN Agencies (UNDP, UNEP)	Provide technical assistance and grant support for sustainable tourism, waste reduction, marine protection, and capacity building for green finance initiatives (UNEP, 2022; UNDP, 2023).

These IFI-supported interventions provide an enabling backdrop for national green finance mechanisms and help de-risk investments for local financial institutions.

4.2 Green Finance Schemes for SMEs in Maldives

Green finance for MSMEs in the Maldives is primarily channelled through public financial institutions, state-owned utilities, and specialised SME finance providers, with a strong focus on energy efficiency and renewable energy investments. Given the high cost of electricity generation and the heavy reliance of tourism MSMEs on energy-intensive equipment, most green finance demand relates to energy-efficient appliances and rooftop solar PV systems.

In addition to MFLC and Bank of Maldives, utility-linked and SME-focused financing mechanisms—such as those offered by STELCO and the SME Development Finance Corporation (SDFC)—play an important role in expanding access to green investments. These schemes are particularly relevant for MSMEs operating on inhabited islands, where affordability and simplified procedures are critical.

Table 2 summarises the main green finance schemes currently accessible to MSMEs in the Maldives.

Table 2: Green Finance Schemes for SMEs in Maldives

Financial Institution / Entity	Green Finance Scheme Description
Maldives Finance Leasing Company (MFLC)	Green Finance Scheme for MSMEs: Provides financing for renewable energy systems and energy-efficient equipment such as air conditioners and refrigerators. Through PROMISE support, MFLC worked to update and simplify its green finance scheme , improving clarity of eligibility criteria, documentation requirements, and accessibility for tourism MSMEs, including those located in outer atolls (MFLC, 2024).
Bank of Maldives (BML)	Green / Sustainable Business Loans: Offers MSME loans that can be used for energy efficiency upgrades and clean technology investments. One PROMISE-supported MSME successfully secured financing from BML for energy-efficient equipment, demonstrating the scheme's applicability to tourism enterprises (BML, 2024).
State Electric Company Limited (STELCO)	Rooftop Solar PV Scheme: STELCO provides a rooftop solar programme that allows businesses, including tourism MSMEs, to install solar PV systems under structured payment or net-metering arrangements. The scheme reduces upfront investment barriers and helps MSMEs lower electricity costs while reducing reliance on diesel-based power generation (STELCO, 2023).
SME Development Finance Corporation (SDFC)	SME Financing for Sustainable Investments: SDFC offers financing products for MSMEs that can be used for productive asset acquisition, including energy-efficient equipment and environmentally friendly technologies. These schemes are particularly relevant for small tourism operators seeking manageable loan sizes and simplified procedures (SDFC, 2023).
Government-supported SME Financing Programs	MSME financing facilities backed by government guarantees or concessional terms can be leveraged for green investments aligned with national energy and sustainability priorities, including energy efficiency and renewable energy adoption (Ministry of Economic Development, 2023).

5. PROMISE Efforts in Supporting Financial Institutions and MSMEs on Green Finance

Under the PROMISE project, targeted green finance interventions were implemented in the Maldives to strengthen both the supply side (financial institutions) and the demand side (tourism MSMEs) of green finance. Given the Maldives' archipelagic geography, dispersed MSME base across multiple atolls, and high dependence on energy-intensive tourism operations, PROMISE adopted flexible and context-specific engagement approaches to improve awareness, institutional capacity, and access to finance.

PROMISE's green finance activities focused on sensitisation, capacity building, and direct access-to-finance facilitation, with a strong emphasis on energy efficiency technologies, renewable energy solutions, and zero-waste business models relevant to tourism MSMEs. These efforts directly support the project's broader objective of preventing marine litter and reducing environmental pressure on the Lakshadweep Sea.

5.1 Green Finance Workshop with Financial Institutions

A Green Finance Workshop for Financial Institutions was organised in **Malé, Maldives, on 09 November 2023**, bringing together **12 representatives from Maldivian financial institutions**. The workshop objectives, structure, and content were aligned with those delivered in Sri Lanka under PROMISE, ensuring consistency in capacity-building across countries.

The workshop focused on:

- Green finance concepts and terminology, with relevance to the Maldivian context,
- Overview of the green finance landscape in the Maldives,
- Best examples of high-cost zero-waste and energy efficiency solutions suitable for tourism MSMEs,
- Global best practices in green finance product design, including risk mitigation approaches,
- Group discussions on challenges and opportunities for financial institutions in scaling green finance for MSMEs.



Figure 1: Photos from Green Finance Workshop with FIs

Participants actively engaged in identifying barriers to green lending, mapping key actors, and discussing how existing MSME finance products could be adapted to better support green investments. PROMISE

technical experts shared case studies and practical tools to support green finance product development. Feedback from participants indicated strong interest in applying these insights within their institutions.

5.2 Green Finance Workshop with MSME

A Green Finance Workshop for MSMEs was held in Malé on 08 February 2023, with participation from 12 tourism MSME representatives, 3 financial institutions, and 2 green technology providers. The workshop followed a structure similar to that used in Sri Lanka and India, tailored to the Maldivian tourism and island context.

Key topics covered included:

- Introduction to green finance concepts and terminology,
- Overview of existing green finance schemes in the Maldives,
- Discussion of challenges and opportunities in accessing finance,
- Presentations by financial institutions on available loan products,
- Showcasing of energy efficiency and zero-waste technologies by local technology providers.



Figure 2: Photos from Green Finance Workshops with MSMEs

Due to the **geographical dispersion of MSMEs across distant atolls**, workshop participation from island-based MSMEs was limited, as travel to Malé is often costly and time-consuming. In response, PROMISE partners adapted their engagement strategy by prioritising **one-to-one MSME sensitisation** during routine technical assistance visits. These sessions used **Green Finance Sensitisation Brochures** that covered:

- Available green finance schemes,
- Key green finance terminology,
- Relevant zero-waste and energy efficiency technologies,
- Contact details of technology providers and financial institutions.

This approach enabled more tailored discussions based on enterprise-specific needs and significantly improved MSME understanding of green finance options.

5.3 Outcomes of PROMISE Green Finance Activities

PROMISE's adaptive and hands-on approach in the Maldives resulted in **concrete and measurable outcomes**, translating awareness into actual access-to-finance progress.

As a result of PROMISE green finance activities:

- **16 representatives from financial institutions** were sensitised on **green finance product development**, zero-waste business cases, and global best practices.
- **85 MSME representatives** were sensitised on **green finance schemes and access-to-finance pathways** through workshops and one-to-one engagement.

- **6 tourism MSMEs** received customised one-to-one support for accessing green finance.
- **1 MSME** successfully secured financing from the **Bank of Maldives (BML)** for energy-efficient equipment.
- **1 MSME's loan application is under review** with MFLC, reflecting continued engagement beyond the workshop phase.
- The **majority of MSME financing applications focused on energy-efficient equipment**, particularly **air-conditioning units and refrigeration systems**, which represent the largest energy loads in tourism operations.

In addition, the Maldives PROMISE team worked closely with MFLC to support the revision and improvement of its existing Green Finance Scheme, making it:

- More MSME-friendly,
- Easier to understand and apply for,
- Better aligned with the needs of tourism enterprises, especially those located in outer atolls.

Key quantified outcomes include:

- **16 FI representatives sensitised**
- **85 MSMEs sensitised on green finance**
- **6 MSMEs supported** through one-to-one access-to-finance facilitation
- **1 MSME financed**, with **additional approvals pending**
- **Strong demand for energy efficiency investments**, particularly ACs and refrigeration equipment

Overall, PROMISE's experience in the Maldives demonstrates that flexible delivery models, simplified finance products, and close collaboration with financial institutions are essential to expanding green finance uptake in small island economies with dispersed MSME bases.

6. Challenges and Opportunity Mapping

Based on PROMISE project implementation experience in the Maldives, including green finance workshops, one-to-one MSME engagements, and close collaboration with financial institutions and technical partners, several structural, institutional, and market-related challenges were identified. These challenges affect both the supply of green finance by financial institutions and the ability of tourism MSMEs to access and utilise green finance effectively.

At the same time, the interactions revealed significant opportunities to strengthen the green finance ecosystem in the Maldives. The country's strong tourism base, high energy costs, dependence on imported fossil fuels, and increasing policy focus on sustainability provide a compelling case for scaling energy efficiency and renewable energy investments, particularly within tourism MSMEs. The following sub-sections summarise the key challenges and opportunities identified through PROMISE activities.

6.1 Challenges and Suggestions for Financial Institutions

Financial institutions in the Maldives play a critical role in enabling green investments; however, their ability to scale green finance remains constrained by **institutional capacity, funding limitations, and risk perceptions**, particularly in relation to MSMEs operating in remote islands.

Key challenges identified include:

- Limited availability of dedicated green finance products, especially tailored for small tourism MSMEs.

- Perceived high credit risk, particularly for MSMEs located in outer atolls with limited collateral.
- Lack of specialised technical knowledge among banking staff to assess green technologies and energy efficiency business cases.
- Limited access to international climate finance, with only a few institutions actively engaged in green funding lines.
- Higher transaction costs associated with lending to geographically dispersed islands.

At the same time, PROMISE engagements demonstrated that capacity building, simplified products, and partnerships can significantly improve green finance uptake.

Table 3: Challenges and Suggestions for Financial Institutions in the Maldives

Challenge Area	Key Challenges	Suggested Solutions / Opportunities
Product Design	Limited green finance products tailored for MSMEs	Develop simplified green loan products for energy efficiency and renewable energy
Risk Perception	High perceived risk for tourism MSMEs	Introduce partial guarantees, blended finance, and risk-sharing mechanisms
Technical Capacity	Limited understanding of green technologies	Regular capacity-building and use of external technical experts
Funding Sources	Limited access to low-cost green funding	Strengthen links with international climate funds and donors
Geographic Dispersion	High transaction costs for outer atoll MSMEs	Digital application processes and partnerships with local institutions

6.2 Challenges and Opportunities for MSMEs

Financial institutions in the Maldives play a critical role in enabling green investments; however, their ability to scale green finance remains constrained by institutional capacity, funding limitations, and risk perceptions, particularly in relation to MSMEs operating in remote islands.

Tourism MSMEs in the Maldives showed strong interest in green investments, particularly energy-efficient equipment and renewable energy solutions. However, several barriers continue to limit their ability to access finance.

Key challenges faced by MSMEs include:

- **Limited awareness of green finance schemes** and eligibility criteria.
- **Complex loan application procedures**, especially for first-time borrowers.
- **High upfront costs** of green technologies, even when long-term savings are evident.
- **Limited technical capacity** to prepare bankable proposals and energy audits.
- **Logistical constraints**, including transport and installation challenges in outer islands.

PROMISE's one-to-one engagement approach proved effective in addressing many of these challenges by providing hands-on support and tailored guidance.

Table 4: Challenges and Opportunities for MSMEs in the Maldives

Challenge Area	Key Challenges	Opportunities / Support Measures
Awareness	Limited knowledge of green finance options	Targeted sensitisation and outreach programmes
Access to Finance	Complex procedures and documentation	Simplified loan processes and advisory support
Investment Costs	High upfront capital costs	Subsidised credit lines and longer repayment periods
Technical Knowledge	Difficulty preparing bankable proposals	Support from technical consultants and technology providers
Island Logistics	Higher costs in remote atolls	Island-specific financing terms and bundled solutions

6.3 Cross-cutting Observations

Across both financial institutions and MSMEs, PROMISE activities highlighted several **cross-cutting insights** relevant for scaling green finance in the Maldives:

- **Energy efficiency investments**, particularly in **air-conditioning and refrigeration**, represent the **most viable entry point** for green finance in tourism MSMEs due to clear cost savings.
- **One-to-one engagement models** are essential in small island contexts where MSMEs are geographically dispersed.
- **Strong collaboration between financial institutions, technical consultants, and technology providers** significantly improves loan approval and implementation success.
- **Simplified and clearly communicated green finance schemes** are more likely to attract MSMEs than complex, highly technical products.
- Updating and adapting **existing finance schemes**, as demonstrated through collaboration with MFLC, is often more effective than introducing entirely new products.

Overall, the Maldivian experience confirms that context-sensitive green finance solutions, supported by capacity building and close stakeholder collaboration, are critical for achieving both environmental and economic benefits in small island tourism economies.

7. Key Considerations for Financial Institutions in the Maldives

Financial institutions in the Maldives play a pivotal role in enabling the transition towards **low-carbon, resource-efficient tourism**, which is central to the country's economy. Based on PROMISE project implementation experience—including green finance workshops, one-to-one MSME engagements, and collaboration with technology providers—several **key considerations** emerge for financial institutions when assessing and supporting green finance applications from tourism MSMEs.

Understanding the Island-Based Tourism Context: Unlike mainland economies, Maldivian tourism MSMEs operate within a highly decentralised island geography, which directly affects project costs, logistics, and risk profiles. Financial institutions should account for transportation and installation costs for green technologies, particularly in outer atolls, and avoid applying uniform lending criteria across all regions. Island-specific assessment approaches can help ensure more accurate evaluation of project feasibility.

Assessment of Energy Efficiency and Renewable Energy Applications: The majority of green finance applications from tourism MSMEs in the Maldives focus on energy efficiency equipment, especially air-conditioning systems, refrigeration units, and lighting, followed by rooftop solar photovoltaic (PV) systems. Financial institutions should prioritise:

- Technologies with proven energy savings and short payback periods.
- Equipment certified under recognised energy performance standards.
- Suppliers with established after-sales service capabilities in the Maldives.

Energy cost savings should be explicitly factored into cash-flow assessments, as reduced diesel consumption or grid electricity usage significantly improves MSME repayment capacity.

Evaluation of Business Viability in Tourism MSMEs: For tourism MSMEs, financial institutions should assess not only historical financial performance but also occupancy rates, seasonality, and linkage to tourism value chains. Green investments that enhance sustainability credentials—such as reduced plastic use or improved energy efficiency—can contribute to better market positioning, particularly with environmentally conscious international tourists. This added value should be reflected in credit assessments.

Risk Mitigation and Financial Structuring: Given the perceived risk in MSME lending, financial institutions should explore:

- Longer repayment tenures aligned with energy savings.
- Grace periods during installation and commissioning phases.
- Blended finance options and partial guarantees where available.

Simplified loan products with clear eligibility criteria are more effective than complex schemes that require extensive technical documentation.

Importance of Technical Due Diligence and Partnerships: PROMISE experience shows that technical due diligence is critical for successful green finance outcomes. Financial institutions are encouraged to:

- Partner with technical consultants and accredited technology providers.
- Use standardised technical checklists for green technologies.
- Refer MSMEs to advisory support for proposal development.

Such partnerships reduce project failure risks and improve loan performance.

Capacity Building and Internal Awareness: Continuous capacity building of banking staff on green finance concepts, technology options, and global best practices is essential. Staff trained in green finance are better equipped to identify viable projects, guide MSMEs, and align lending portfolios with national sustainability goals.

Aligning Green Finance with National Priorities: Financial institutions should align their green finance portfolios with Maldives' climate commitments, renewable energy targets, and sustainable tourism strategies. Doing so not only strengthens environmental outcomes but also positions banks to access international climate finance in the future.

In summary, financial institutions that adopt context-sensitive assessment frameworks, strengthen technical partnerships, and simplify green finance products will be better positioned to scale green finance in the Maldivian tourism sector while managing risk effectively.

8. Lessons Learned

Financial institutions in the Maldives play a pivotal role in enabling the transition towards **low-carbon, resource-efficient tourism**, which is central to the country's economy. Based on PROMISE project implementation experience—including green finance workshops, one-to-one MSME engagements, and

collaboration with technology providers—several key considerations emerge for financial institutions when assessing and supporting green finance applications from tourism MSMEs.

The implementation of green finance activities under the PROMISE project in the Maldives generated valuable insights for future interventions aimed at strengthening access to green finance for tourism MSMEs and enhancing financial institutions' capacity to support sustainable investments. The lessons learned reflect the unique geographic, economic, and institutional realities of a small island developing state (SIDS), where tourism is both the backbone of the economy and a major driver of environmental pressures.

- **Awareness Gaps Remain a Primary Barrier for MSMEs:** A key lesson from PROMISE activities is that limited awareness among MSMEs remains one of the most significant barriers to accessing green finance. Many tourism MSMEs were unfamiliar with existing green finance schemes or did not recognise energy efficiency investments as “bankable” projects. While energy-efficient equipment such as air conditioners and refrigerators is widely used, MSMEs often perceive these as routine operational upgrades rather than eligible green investments.

Furthermore, MSMEs had limited understanding of green finance terminologies, application procedures, and potential cost savings. This highlights the importance of targeted, simplified communication tools, such as green finance brochures and one-to-one sensitisation, especially in a geographically dispersed country like the Maldives.

- **One-to-One Engagement Is More Effective Than Centralised Workshops:** PROMISE experience demonstrated that centralised workshops alone are insufficient in the Maldivian context. Many MSMEs are located in distant atolls, making travel to Male costly and time-consuming. As a result, attendance at workshops was limited despite strong interest.

The shift towards one-to-one sensitisation during technical site visits proved far more effective. This approach allowed MSMEs to:

- Discuss their specific energy and waste challenges,
- Receive tailored advice on suitable technologies, and
- Understand financing options in a practical, business-relevant manner.

Future projects in similar island contexts should prioritise decentralised and flexible engagement models.

- **Financial Institutions Need Practical Tools, Not Just Policy Frameworks:** While Maldivian financial institutions show growing interest in green finance, PROMISE revealed that practical implementation capacity remains limited. Bank staff often lacked exposure to:

- Green business cases,
- Technology cost-benefit analysis, and
- Global best practices in green finance product design.

Hands-on sensitisation sessions focusing on high-cost zero waste solutions, energy efficiency business cases, and global examples were highly valued. This underscores the importance of applied learning tools, such as green finance toolkits and case studies, rather than purely policy-oriented guidance.

- **Energy Efficiency Is the Most Accessible Entry Point for Green Finance:** Among tourism MSMEs, energy efficiency investments—particularly in air conditioning and refrigeration—emerged as the most feasible and attractive green finance entry point. These technologies offer:

- Clear and immediate cost savings,
- Short payback periods, and
- Low operational risk.

This finding suggests that green finance strategies in the Maldives should prioritise scalable, low-risk technologies before promoting more complex investments.

- **Institutional Collaboration Strengthens Scheme Effectiveness:** PROMISE's close collaboration with MFLC highlighted the importance of iterative scheme design. By working with MFLC to review and update its green finance scheme, the project helped make financing more accessible and relevant to MSMEs. This demonstrates that continuous feedback loops between MSMEs, financial institutions, and technical partners are essential for effective green finance delivery.
- **Access to Finance Requires Handholding and Trust-Building:** One of the most important lessons is that access to green finance does not end with awareness. MSMEs require substantial support throughout the application process, including:
 - Documentation preparation,
 - Technical proposal development, and
 - Negotiation with financial institutions.
- **Implications for Future Green Finance Initiatives:** For future projects and financial institutions seeking to scale green finance in tourism-dependent island economies, the following lessons are critical:
 - Combine capacity building with hands-on access-to-finance support.
 - Focus on simple, high-impact technologies first.
 - Design schemes that reflect geographic dispersion and MSME realities.
 - Strengthen partnerships between banks, utilities, and technical experts.
 - Treat green finance as a business opportunity, not only an environmental obligation.

Overall, PROMISE demonstrated that green finance in the Maldivian tourism sector is viable when awareness, technical support, and financing mechanisms are aligned—offering a replicable model for other small island developing states.

9. Bibliography

Asian Development Bank (ADB). (2022). *Maldives: Energy Sector Assessment, Strategy, and Road Map*. Asian Development Bank.

Bank of Maldives (BML). (2023). *Sustainable Banking and SME Financing Products*. Bank of Maldives Plc.

Central Bank of Maldives (CMA). (2022). *Annual Report 2022*. Maldives Monetary Authority.

Climate Investment Funds (CIF). (2021). *Financing Clean Energy Transitions in Small Island Developing States*. Climate Investment Funds.

Government of Maldives. (2020). *Maldives Energy Policy and Strategy 2020–2030*. Ministry of Environment, Climate Change and Technology.

Government of Maldives. (2021). *Nationally Determined Contribution (Updated NDC)*. Ministry of Environment.

International Monetary Fund (IMF). (2023). *Maldives: Article IV Consultation—Staff Report*. International Monetary Fund.

Maldives Finance Leasing Company (MFLC). (2023). *Green Financing Facility for SMEs*. MFLC.

Maldives Ministry of Tourism. (2023). *Tourism Statistics 2022–2023*. Ministry of Tourism, Republic of Maldives.

SME Development Finance Corporation (SDFC). (2023). *SME Financing Products and Support Schemes*. SDFC Pvt. Ltd.

State Electric Company Limited (STELCO). (2023). *Rooftop Solar PV Programme for Businesses*. STELCO.

United Nations Development Programme (UNDP). (2022). *Financing Sustainable Development in the Maldives*. UNDP Maldives.

United Nations Environment Programme (UNEP). (2023). *Tourism and Marine Litter Prevention in Small Island Developing States*. UNEP.

World Bank. (2021). *Maldives Solid Waste Management Project*. World Bank Group.

World Bank. (2023). *Climate Change and Development Report: Maldives*. World Bank Group.