

RAPID LIVELIHOOD ASSESSMENT

IMPACT OF THE COVID-19 CRISIS IN THE MALDIVES

SUMMARY



With support from the National Bureau of Statistics, The Maldives National University, Ministry of Tourism, Ministry of Fisheries, Marine Resources and Agriculture, Ministry of Youth, Sports and Community Empowerment and the Ministry of Arts, Culture and Heritage.



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CHRONOLOGY OF EVENTS RELATED TO THE COVID-19 CRISIS IN THE MALDIVES

03 February 2020

Restricted entry to all passengers, regardless of nationality—except for Maldivian citizens—who have China as their port of embarkation or have transited through China

07 March 2020

First confirmed positive cases of COVID-19 in the country (two tourists)

12 March 2020

State of Public Health Emergency declared

14 March 2020

Restricts travel from resorts to all inhabited islands of the Maldives, and vice versa, and suspends all check-ins at all guesthouses and city hotels in the Greater Malé Region

15 March 2020

Established travel restrictions for passengers originating from, transiting to or with a travel history in Iran, South Korea, Italy, Bangladesh, Spain, Germany and France

17 March 2020

Established travel restrictions for passengers from Malaysia and the UK

.....
A nationwide shut down of all guesthouses and city hotels

19 March 2020

Government offices and schools and education service providers closed

.....
Suspension of entry of all tourists arriving via safaris, yachts and other passenger vessels

20 March 2020

Government announced the Economic Recovery Plan (ERP) of \$162 million, to support businesses and individuals severely impacted by the crisis

21 March 2020

All passengers entering the country subject to mandatory quarantine for 14 days

22 March 2020

All dine-in services offered by local restaurants and hotels in the Greater Malé Region closed

23 March 2020

All tourist excursions across the country banned

25 March 2020

Employees at resorts and safari boats are instructed to remain on board for 14 days after the last guest departs

27 March 2020

First Maldivian tested positive for COVID-19 while in quarantine facility

.....
Suspension of on-arrival visa for all passengers arriving to the Maldives by air and sea¹, except for individuals with special permission granted by the Government

2 April 2020

A three-hour (5 pm to 8 pm) curfew in the Greater Malé Region enforced

15 April 2020

The first case of community transmission was confirmed in the capital, Malé

.....
A 24-hour lockdown in the Greater Malé Region announced

¹ Maldivians and spouses of Maldivians who are foreign nationals will be allowed in but subject to quarantine measures.

16 April 2020

Ban on nationwide travel and public gatherings

17 April 2020

Lockdown extended for a period of 14 days as cases increase

22 April 2020

Income support of MVR5,000 under ERP to lodged cases in Job Center portal

23 April 2020

Community transmission surpasses 100 cases

25 April 2020

The national carrier, Maldivian, commenced delivering cargo to all domestic airports to solve supply issues faced within the atolls

701 foreigners granted clearance to travel back home on evacuation flights

28 April 2020

The first community transmission outside of the capital, in an outer atoll, confirmed

29 April 2020

First COVID-19 related death: a Maldivian woman of 83 years

2 May 2020

Special visas granted to certain parties, such as resort owners and investors, as well as officials from international institutions, to travel to the Maldives

7 May 2020

National Taskforce on Resilience and Recovery established by the President to plan recovery

14 May 2020

Lockdown extended in Greater Malé Region until 28 May 2020

29 May 2020

Lockdown easing measures introduced in the Greater Malé Region in phases

31 May 2020

Government offices reopen for essential work with limited hours and staff

12 June 2020

Community transmission surpassed 2,000 cases, with 8 fatalities

15 June 2020

Nationwide restrictions on travel and public gatherings lifted, except Greater Male' Region

20 June 2020

Government announced reopening of borders on 15 July 2020; resorts can resume operations

1 July 2020

National Emergency Operation Centre phased out; tasks shifted to the Ministry of Health

Businesses, including offices, shops, cafés and restaurants, reopened on 1 July 2020, adhering to health and safety guidelines from HPA and relevant authorities

5 July 2020

Government offices and schools for key stages reopen

15 July 2020

State of Public Health Emergency extended

Borders reopen, 40 resorts resume operations

INTRODUCTION

BACKGROUND TO THE CRISIS

The World Health Organization declared a COVID-19 pandemic on 11 March 2020. A highly communicable disease caused by a newly discovered coronavirus, COVID-19 first broke out in late 2019 in Wuhan, China.² Symptoms include respiratory illness, and severity is dependent on age and underlying medical conditions. The safest way to prevent transmission is by practicing sanitary and respiratory etiquette, as no specific vaccines or treatment have yet been found, despite many ongoing clinical trials.

The first positive cases of COVID-19 emerged in the Maldives on 7 March 2020. The cases were imported cases that originated in tourist resorts. The first case of community transmission was reported in the capital Malé on 15 April 2020 and the Greater Malé Region has been the epicentre of the outbreak with sporadic outbreaks in some of the outer lying atolls. As of 5 August 2020, a total of 4,446 confirmed cases and 19 deaths have been reported, and the mortality rate has been as low as 0.43 percent.³

To prevent the transmission of the virus, several restrictions were placed on tourism-related travel into the country. On 3 February 2020, a travel ban was placed on those travelling from China. Since then, travel restrictions were placed on those travelling from high-risk countries or virus hotspots. These restrictions

were further tightened with the cancellation of on-arrival visas for foreigners on 27 March 2020, which effectively closed the country's borders. The country's borders were reopened on 15 July 2020, with 40 resorts resuming operations on the same day.⁴

Since the middle of March 2020, the Government of Maldives has put in place strict containment measures, including closing government offices and education facilities, closing eateries, imposing travel bans to and from resorts, quarantining all incoming travellers to the Maldives, and barring tourists who were transferred to resorts from travelling to any inhabited islands. Since the community outbreak, the Greater Malé Region and several islands were under a 24-hour lockdown with restricted movement, and a nationwide ban on travel and public gatherings was imposed. The lockdown-easing measures were implemented in a phased approach starting at the end of May 2020. Government offices and schools started gradually reopening on 1 July 2020. Travel out of the Greater Malé Region to other atolls remains restricted to essential travel with requirement of 14-day self-isolation upon arrival.

² World Health Organization, COVID-19 Situation Report-67

³ As of 05 August 2020 - <https://worldometers.info>

⁴ 15 July 2020, Joint Press Statement by Ministry of Tourism, Maldives Marketing & PR Corporation and Maldives Airports Company Ltd

PURPOSE OF THE ASSESSMENT AND METHODOLOGY

This report is commissioned by the Ministry of Economic Development, the Government of Maldives. The assessment was completed with support from UNDP Maldives. To address the sensitivity of time and urgent need to understand the context, a preliminary report was released in early June 2020 with initial findings and recommendations. This final report is a compendium of three separate reports. They include: Part I: Economic Overview; Part II: Employment Impact; and, Part III: Impact on MSMEs.

The rapid assessment aimed to understand the extent and nature of the impact of the COVID-19 crisis on the Maldivian economy. More specifically, the assessment covers the impact on employment and Micro, Small and Medium Enterprises (MSMEs). The overall purpose of the assessment was to support timely economic response and recovery planning for the Maldives. This report summarizes the key information and key findings from Part II and III.

To guide the direction and scope of the assessment, and to provide technical support and quality assurance to the data collection, a technical team composed of key partners was formed (see list of technical members above). The technical team met regularly and has, to date, provided support to develop the assessment methodology, data collection tools and quality assurance on reporting and analysis.

The assessment methodology applied a mixed-method approach and utilized quantitative and qualitative data. The assessment attempted to cover overall impacts of the crisis on employment and businesses across all economic sectors through secondary data that was available. Primary data collection and in-depth analysis of the assessment focused primarily on the tourism sector. Tourism sector impacts were explored in detail as it is the largest industry, as well as the largest source of private sector employment in the economy, and the industry was exposed to the COVID-19 crisis from its onset in February 2020. The detailed methodology, data collection activities and limitations are provided in the Part II and III reports.

The final reporting of this assessment was undertaken during July to early August 2020. The draft report was reviewed by the technical advisory team members, members of the UN Maldives Socio-Economic Working Group on COVID-19, technical experts at the UNDP Global Policy Network (GPN) and thematic experts at the UNDP Bangkok Regional Hub (BRH). Editing and additional quality assurance support was provided by the UNDP BRH and UNDP Maldives.

KEY FINDINGS – IMPACT ON EMPLOYMENT

This section summarizes the findings of the rapid livelihood assessment on impacts of COVID-19 on employment. The findings and analysis build on several data and information gathering activities: (i) a resort management survey covering 34 resorts that represent a third of total payroll employment of resort establishments in Maldives, (ii) JobCenter data covering employment complaints of 7,500 individuals and (iii) key informant interviews with resort employees identified from those registered with the JobCenter. The detailed findings are in Part II of the Rapid Livelihood Assessment publication.

KEY FINDING 1:

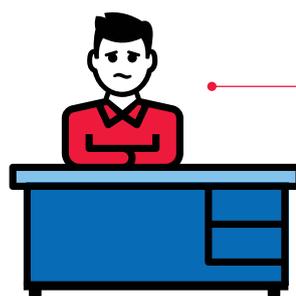
THE IMPACT OF THE CRISIS ON EMPLOYMENT WAS IMMEDIATE AND WIDESPREAD.

The tourism sector was the first industry to absorb the economic shock from the crisis, with impacts felt as early as February 2020.⁵ It was the first industry to completely shut down with cancellation of on-arrival visa to the Maldives, which effectively closed off the country’s borders. In contrast, most businesses in other sectors ceased operations much later, with the onset of community transmission and subsequent lockdown in the Greater Malé Region.



The large scale and immediate impact of the crisis on employment in the tourism sector is evident from the JobCenter data of over 7,500 employment complaints. More than half of the cases (54 percent) relate to employees working directly in the tourism sector and 14 percent of the cases relate to those working in the transport sector, which is linked to tourism.

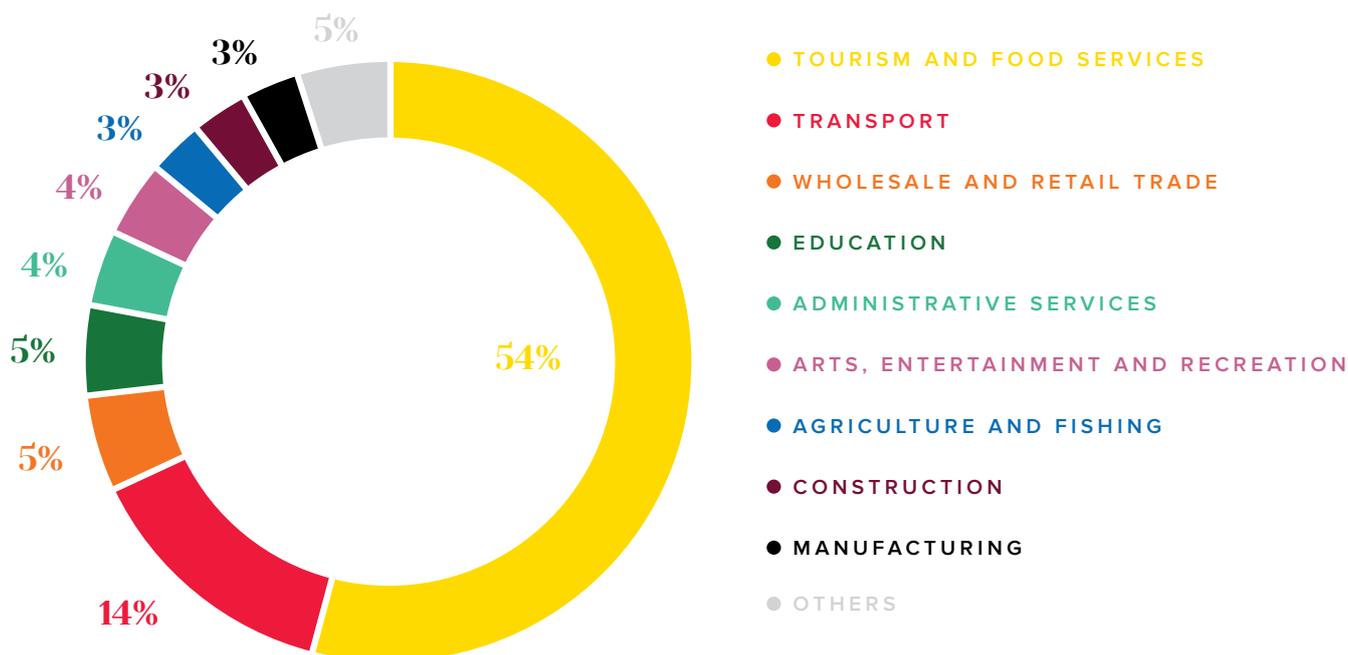
While statistics on employment in the tourism industry as a whole is not available, existing data shows that resort establishments alone employ 45,000 employees, including 22,000 Maldivians.



According to the JobCenter data, the majority of those affected work in service areas, in lower-paying categories, or are self-employed.

⁵ See Part I of the Rapid Livelihood Assessment

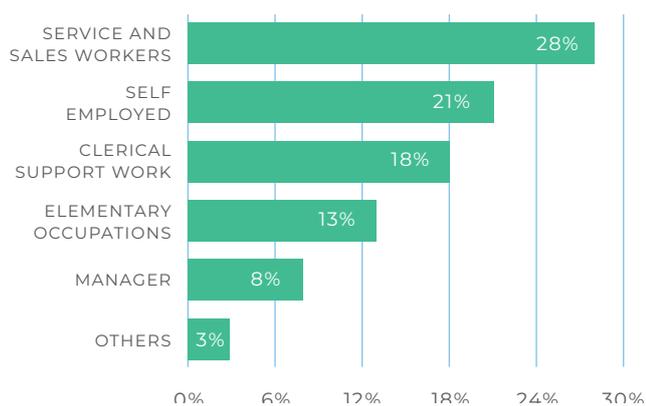
Figure 1 Employment impact across sectors - JobCenter data



Source: JobCenter.mv data

The JobCenter.mv site does not cover employment complaints of foreigners, and therefore sectors that rely heavily on foreign expatriate workers, such as construction and informal workers, may be underrepresented. Similarly, complaints of public sector employees are low given that there were no dismissals in that sector, nor were there salary reductions that equate to a monthly income less than MVR 5,000, which is the monthly income support available from the Government relief plan. The data in JobCenter mostly relates to employment impacts in formal private sector employment. The data therefore validates that within the formal labour market, aside from the public sector, tourism and related sectors in the value chain experienced the highest impacts on employment (Figure 1).

Figure 2 Impacted occupation groups



Source: JobCenter.mv data

Factoring in the exclusion of foreign expatriate workers and the potential under-representation of informal workers, the impacted occupation trends in the JobCenter dataset are an indication of the groups most vulnerable to the negative impacts on employment, including income insecurity, poverty and unemployment. The data shows that employees working in the area of service and sales work (28 percent) are the most impacted with job loss or income loss. This corresponds to the type of work most common in key sectors impacted - tourism, transport and trade. The second highest occupational group impacted are the self-employed (21 percent). Clerical workers (18 percent) and elementary workers (13 percent) are also amongst the most impacted with job loss/income loss. Only 8 percent of impacted people said they work in managerial positions (Figure 2).

KEY FINDING 2:

KEY EMPLOYMENT IMPACTS WERE IN THE FORM OF REDUNDANCY, NO PAY OR REDUCED PAY



According to the JobCenter data for all sectors, 44 percent reported redundancy/complete loss of income, 24 percent reported no pay leave, and 32 percent reported receiving partial pay (Figure 3).

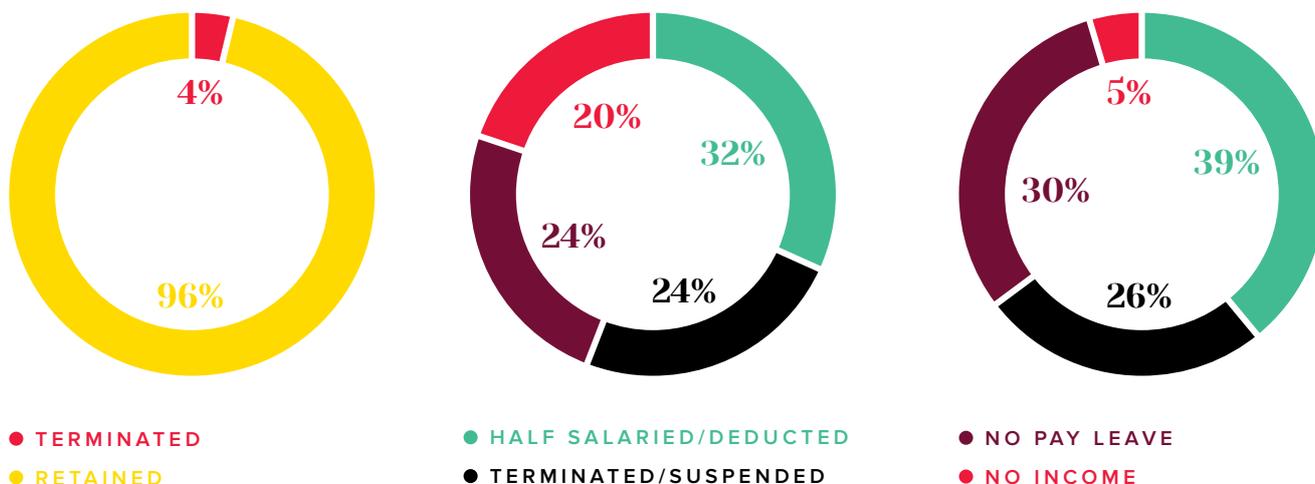


According to the JobCenter data for the tourism sector, 31 percent reported redundancy/complete loss of income, 30 percent reported no pay leave, and 39 percent reported receiving partial pay (Figure 3).



The resort management survey conducted for the purpose of this assessment indicated that 96 percent of employees on payroll were retained with partial pay for the initial period of closure of resorts (April-June period), while only 4 percent of employees were terminated (Figure 3). 68 percent of the resorts participating in the survey reported deducting employee annual leaves.

Figure 3 Nature of impact on employment



Source: Resort management survey

Source: JobCenter.mv data
All sectors

Source: JobCenter.mv data
Tourism sector impact

JobCenter was the primary avenue for applying for the Government’s income support programme. It is likely that the majority registered in order to apply for the income support,⁶ and a majority of those seeking income support are likely to have lost their source of income through redundancy or no-pay leaves. This could be a key reason why a large proportion of people in JobCenter reported being made redundant or put on no pay when compared with the findings of the resort management survey.

It is noted that the resort management survey covers the impact on payroll staff of resorts while the JobCenter data covers self-employed people, consultants and payroll staff of various operations within the tourism value chain in addition to resort establishments. This suggests that for the initial period of the closure of resorts (April-June 2020), job loss and full income loss was minimized for the majority of payroll employees working in resort establishments.

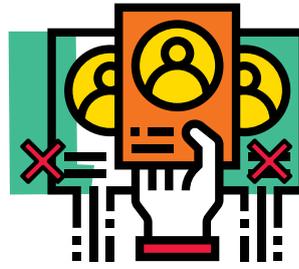
⁶ JobCenter data trends showed that there was a spike in employment complaints lodged in the portal when the Government announced its income support programme at the end of April 2020.

KEY FINDING 3:

UNEMPLOYMENT RISKS INCREASE AT THE END OF THE INITIAL STAGE OF THE CRISIS (APRIL-JUNE PERIOD)



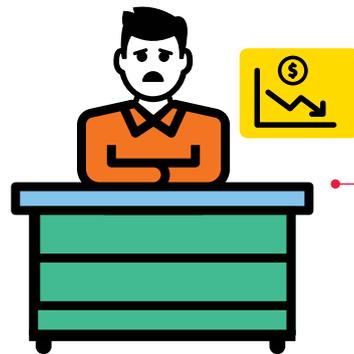
The resort management survey shows that about 4 percent of payroll employees were immediately terminated, which means that potentially 1,800 local and foreign payroll employees in resorts lost their jobs in March/April as a result of the COVID-19 crisis.



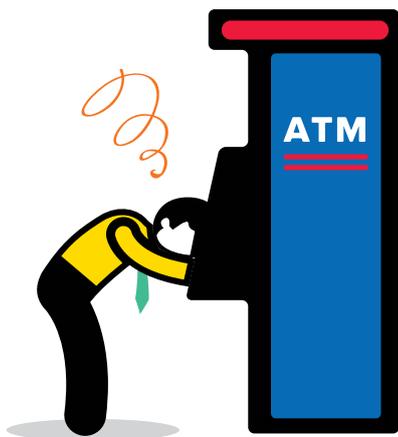
This indicates that loss of employment was avoided by the majority of payroll employees working in resort establishments in the initial phase of the resort closure (April-June 2020).



The JobCenter data shows higher levels of redundancy for the tourism sector as a whole (26 percent) and for all sectors (24 percent) compared to resort management survey findings.



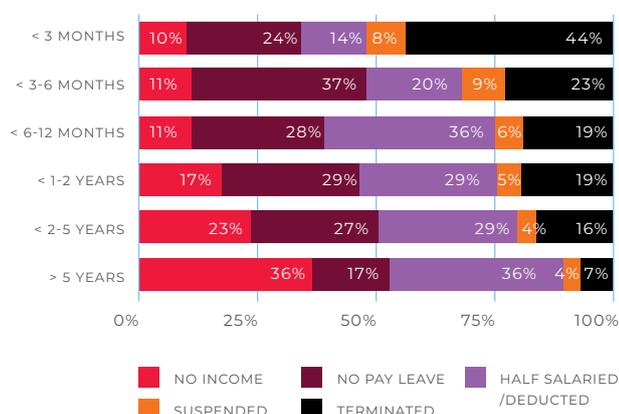
The resort management survey and JobCenter data show that immediate redundancy was mostly experienced by employees on probation contracts (typically those with a contract duration of less than 3 months).



Slow tourism sector recovery poses a risk of a rapid increase in unemployment as redundancy risk is high even for those retained in the initial period of resort closure (April-June period).

The resort management survey showed a high retention ratio of employees (96 percent payroll employees) with pay in resorts. This indicates that most of the 45,000 or so payroll employees in resorts, including the 22,000 local payroll employees, were not immediately affected with job loss between April-June 2020. A similar trend was also observed in the in-depth interviews held with resort workers. Out of 31 interviewees from 13 resorts, only one resort had applied redundancy across the board, except for the core team that would remain on the island during the period of the resort closure. All other resorts had different employee retention arrangements in place. However, feedback from interviewees indicated a possibility of redundancy after June if the resorts were not able to reopen.

Figure 4 Duration of employment amongst impact groups



Source: JobCenter.mv data

The resort management survey and the JobCenter data both report that redundancy was most common amongst ‘probation’ employees. It’s common practice that any employee with a contract less than three months has a probation contract. Given that job transitions amongst employees in resorts, particularly amongst Maldivian employees tend to be frequent, it is likely that a high proportion of employees have probation status at a given time. Similarly, newly opened resorts tend to have a high proportion of probation staff. Figure 4 shows that from the JobCenter data, termination and suspended cases were highest among impact groups that had contracts of less than three months. Termination and suspension rates were lower amongst impact groups that had longer contract durations. It is assumed that those with contracts less than three months were on probation. Likewise, the resort management survey shows that about four percent of payroll employees were on probation at the time of survey. Of those, nearly one third (29 percent) have lost their jobs.

Research undertaken by the Maldives National University (MNU) forecasts low occupancy rates for resorts, averaging 30 percent for the third and fourth quarters of 2020, hence it is uncertain whether resort operations will normalise within this year. Even if they did, the speed at which operations would normalise to pre-pandemic levels is an important factor that will determine job security for employees of resorts and across the tourism value chain, job seekers and new entrants to the labour market.

These uncertainties were echoed in the resort management survey findings, where the majority of the resorts (57 percent) expressed uncertainty as to when operations would normalize. The following was observed in the resort management survey.



Given the slow recovery forecasts for the tourism sector, it is likely that the existing unemployed and those in job transition are at a high risk of facing prolonged unemployment. Similarly, new entrants to the job market will face challenges in securing employment.

The resort management survey findings also show that 63 percent of the payroll employees were sent back to their home island / country as a result of the operational decisions taken for the initial three-month resort closure period. Those employees sent back are at high risk for redundancy beyond June 2020 if resorts do not become operational in the third and fourth quarters of 2020. The general feedback received during in-depth interviews indicated that the informants would look for alternative ways of coping for the three-month resort closure period, but prolonged impact to the industry poses a high risk for unemployment and income insecurity beyond July 2020.

KEY FINDING 4:

IMMEDIATE AND SUBSTANTIAL INCOME LOSS WAS EXPERIENCED BY THE EMPLOYED POPULATION

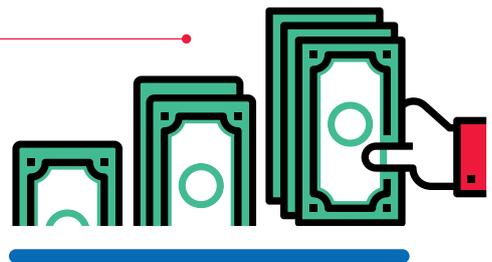


The analysis of the JobCenter data showed that, of the total cases reported across all economic sectors, 68 percent faced complete income loss while 38 percent reported reduced pay at the time of reporting. For those impacted with no-pay leave, 70 percent lost income between MVR 5,000 and 14,999 (\$324 - \$973), while about 21 percent lost income of over MVR 15,000 (>\$973). Likewise, for those terminated, 75 percent lost income between MVR 5,000 and 14,999 (\$324 - \$973), and 18 percent lost income over MVR 15,000 (>\$973).



The JobCenter data shows that tourism sector employees were earning an average income of MVR 12,480 (\$809) per month prior to COVID-19, slightly higher than the total average income earned when compared with all sectors. Based on the JobCenter cases, 2,400 tourism sector employees were faced with complete income insecurity as a result of the COVID-19 crisis, which is estimated to result in an average income loss of more than MVR 30 million rufiyaa (\$1.9 million) per month for these tourism sector employees.

Impacts on incomes for resort employees were felt at the onset of the crisis due to a fall in service charge, which accounts for more than 40 percent of income for most employees.



It is estimated that those employees who were working in resort establishments that were retained and receiving a partial pay during the period April-June 2020 have experienced 70 percent loss of income compared to pre-COVID-19 levels. The three months' pay package period ended in June 2020 for most retained employees, and most resorts have not resumed operations. This increases the risk of dismissal or no pay beyond June 2020 and in turn a complete income loss.

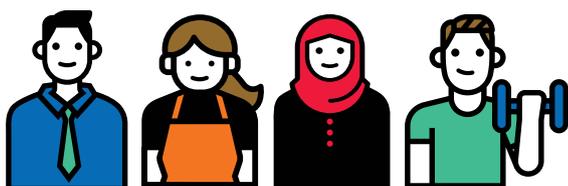
The resort management survey shows that the average service charge earned by resort employees in March 2020 was 38 percent lower than that of the previous year. The average service charge paid by the surveyed resorts in February and March 2020 was \$621 and \$442 respectively. Most resorts experienced a decrease in service charge payments in March 2020 compared to the same period last year, while there was no difference for about 18 percent of resorts in the survey. The difference in service charge payments between March 2020 and the previous year was 40 percent or more for 35 percent of the resorts.

The temporary closure of all operations across 95 percent of resorts in the second quarter of 2020 resulted in zero arrivals for the first time in the history of the tourism industry. Therefore, resort employees earned no service charge between April and June 2020. Service charge income contributes to more than 40 percent of the monthly income earned for those resort workers below professional levels and managerial positions, as observed from the JobCenter data. The resort management survey shows that the average monthly service charge income earned between April and June in 2019 was \$482. Therefore, there was an average income loss of about \$482 (MVR 7,432) per month for resort employees from loss of service charges alone between April and June 2020 as a result of COVID-19 impact. This is equivalent to \$32 million (MVR > 450 million) in losses for local employees in resorts during this period.

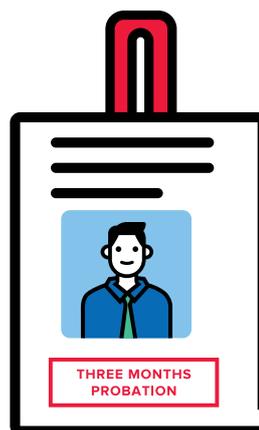
Therefore, the resort management survey shows significant income loss to employees retained during the resort closure period between April and June 2020. For those receiving pay packages in this period, the average minimum salary is \$325 (MVR 4,996.08). About 26 percent of the resorts reported paying above this rate between \$350 - \$500 (MVR 5,397 - MVR 7,710), while 24 percent of the resorts reported the minimum salary in those three months to be below \$200 (MVR 3,084). There are resorts that have set the monthly salary to be merely \$69 (MVR 1,000). Furthermore, only one resort reported a minimum salary above \$500 (MVR 7,710).

KEY FINDING 5:

IMPACT GROUPS THAT WERE MOST VULNERABLE TO THE IMMEDIATE EFFECTS ON EMPLOYMENT



I. Young people



II. Employees on probation contracts



III. Third-party contract employees of resort establishments



IV. Migrant casual workers



V. Self-employed, freelancers and community vendors

(I) YOUNG PEOPLE

More than half of the employment complaints in the JobCenter relate to those under the age of 30. Overall, more than two out of every five people (41 percent) who reported an employment or income impact on JobCenter are youth between the ages of 21-30 years, while 9 percent are between 15-20 years. A similar trend was found amongst those who reported from the tourism sector on JobCenter, where 45 percent were in the age group of 21-30 years. The JobCenter data shows that, across the tourism sector, redundancy and therefore loss of income impact was highest amongst young people between 15-20 years. Most people in this age group served in elementary and clerical level jobs. About 75 percent of young people in the 20-30 age group are experiencing complete income loss and 39 percent between 21-30 years and 25 percent between 15-20 years are affected with partial income loss.

(II) EMPLOYEES ON PROBATION CONTRACTS

JobCenter data, resort management surveys, and in-depth interviews with resort workers indicate that probation employees are amongst those most affected with job loss from the onset of the crisis. Given that job transitions amongst resort employees, particularly Maldivian employees, tend to be frequent, it is likely that a high proportion of employees have probation status at a given time. Similarly, newly opened resorts tend to have a high proportion of probation staff.

JobCenter data across all sectors shows that for those individuals who had worked for three months or less, 86 percent reported redundancy, which is significantly higher than for those who had worked for durations over three months. Likewise, the JobCenter data on the impact of job loss in the tourism sector shows that 18 percent had worked at their current job for less than three months, indicating an impact on probation employees, while the resort management survey also shows that nearly one third (29 percent) of those on probation (4 percent) at the time of survey were terminated.

(III) THIRD-PARTY CONTRACT EMPLOYEES OF RESORT ESTABLISHMENTS

The resort management survey indicated that there were about 1,186 employees in third-party contracts amongst the survey resorts. Different contractors in the surveyed resorts had taken a variety of measures for the employees in third-party contracts, including terminating all contracts until operations resume, significant reductions of employees in third-party contracts, and no third-party contract employees were to remain on the resorts during the period of resort closure. Although information regarding third-party employees is limited, it is likely that employment adjustments made by the businesses resulted in severe income loss for these employees.

(IV) MIGRANT CASUAL WORKERS

Resort operations are supported by a significant ratio of foreign migrant workers who are considered casual workers (see discussion in Part II of the assessment). The resort management survey shows that arrangements for casual migrant workers during the COVID-19 crisis varied by resort.

ARRANGEMENTS FOR CASUAL MIGRANT WORKERS



In-depth interviews held with resort employees indicated that while none of them were third-party contract employees, a majority of the employees working in their respective resorts for third-party service providers lost their jobs, including migrant casual workers. These interviews highlighted that many migrant workers were sent off to neighbouring inhabited islands and Malé city, which cut them off from the free food and proper shelter that was available while they were residents on resort establishments. As a result, many migrant casual workers experienced displacement. The JobCenter data does not cover employment complaints of foreign migrant workers.

(V) SELF-EMPLOYED, FREELANCERS AND COMMUNITY VENDORS

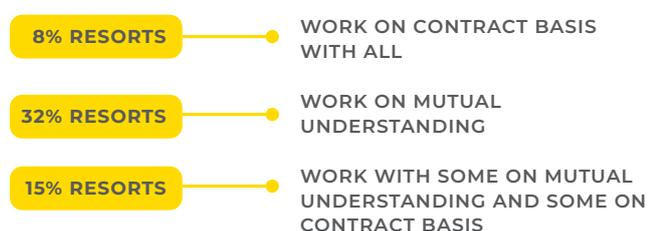
The JobCenter data showed that the highest ratio of people who reported as self-employed are those in transport sector, followed by tourism, agriculture and fishery, arts, entertainment and recreation and education sectors. The majority of the reported cases were taxi drivers, mainly in the Greater Malé Region, where demand reduction was felt the most due to the citywide lockdown. Income loss amongst the self-employed people who reported on JobCenter shows that more than half (52 percent) earned an income over MVR 15,000 (\$973), while 27 percent of people earned between MVR 5,000 and MVR 9,999 (\$324 - \$648) and 17 percent earned between MVR 10,000 and MVR 14,999 (\$646 - \$973) per month, all of which has been lost due to the COVID-19 crisis.

The resort management survey findings indicate that before the COVID-19 crisis began, several resorts were working with freelance music bands, DJs, ‘boduberu’ groups and photographers. JobCenter data shows those impacted in the arts, entertainment and recreation sectors are amongst the highest income earners compared to those impacted in other sectors. Most of the people in this sector work as freelancers and reported an average monthly income of MVR 14,521 (\$942) indicating a significant loss in income as a result of service disruptions due to the COVID-19 crisis.

Findings from the resort management survey shows the lack of formal contracts and the informal nature of the work undertaken by freelancers in the arts, recreation and entertainment sectors who provide services to resorts, which made it difficult for them to apply for the income support programme.

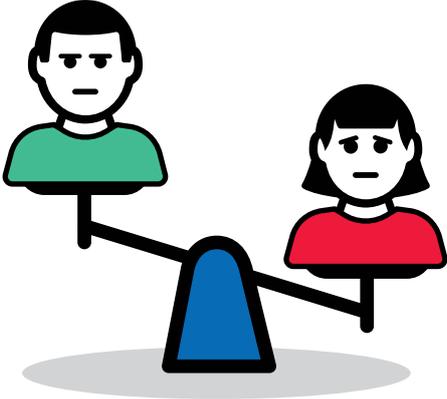
The resort management survey also showed that more than six out of every 10 resorts were getting their fresh fish supplies from local community vendors, while some resorts also had vegetable/fruit suppliers. Other local vendors, who are commonly women, supplied cooked food for the staff canteen and sometimes for the tourist buffet. Some resorts also have their chemical supplies and waste transport services outsourced to community vendors/suppliers. These vendors and suppliers are likely to have lost all incomes and source of livelihood with the resort closures.

79% RESORTS WORK WITH FREELANCERS



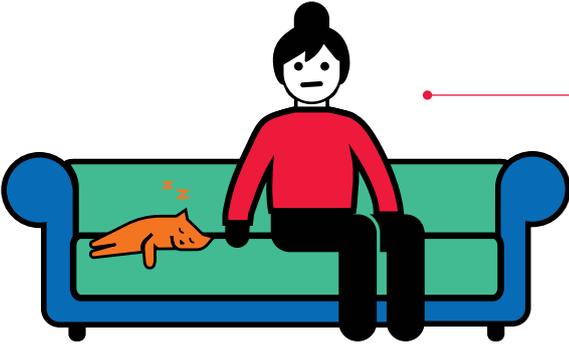
KEY FINDING 6:

GENDER IMPACTS



Impacts on the employed population show that women were disproportionately affected. The JobCenter data for all sectors shows that redundancy and complete loss of income was higher for women than men.

The JobCenter data shows that women were earning less income compared to men. Analysis of the data shows that fewer years of work experience and women's employment in lower-paying occupations are amongst the reasons for the lower reported income for women.



Increasing unemployment pressures may push young women out of the labour force permanently or may prevent young women from entering the labour force all together.

About 55 percent of women compared to 47 percent of men reported redundancy (Figure 5 – all sectors). The gender difference is even higher when the tourism sector data on JobCenter is analysed. According to the data, 65 percent of women faced redundancy while the same was true for only 54 percent men (Figure 5 – tourism sector). This reveals the higher vulnerability of young women to employment risks, including the risk of losing the required work experience and professional development time that would enable income independence and the financial security of women in the future. The redundancy of women also risks driving many young women out of the labour force all together.

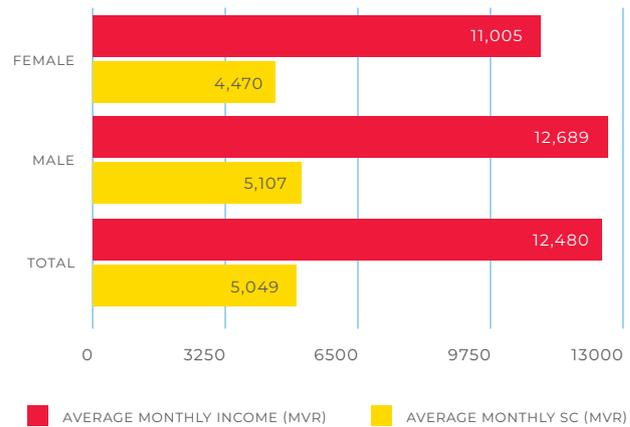
Figure 5 Redundancy and income loss impact by gender and income comparisons



JobCenter data - all sectors



JobCenter data - tourism sector



JobCenter data - tourism sector

The gender comparisons on the JobCenter data also show that the ratio of women who are impacted with duration of work below two years and above two years is 61:39, whereas the ratio across the same age groups is 54:46 for men. This indicates that the younger age group of women are in jobs that have been more deeply impacted, exposing them to more vulnerabilities (Figure 6 and Figure 7).

Figure 6 Reported cases by gender and age groups

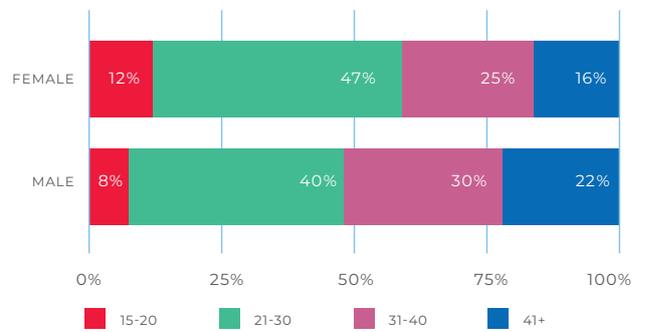
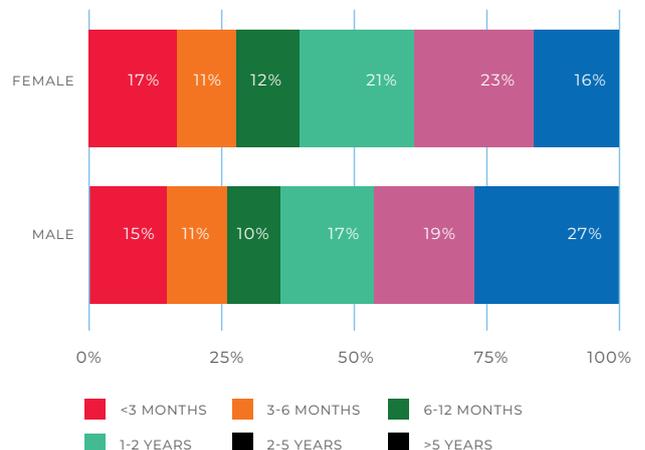


Figure 7 Reported cases by gender and contract duration



Gender comparisons across impacted occupational groups show more than eight out of every 10 people impacted in the education sector are women. Likewise, the ratio of women impacted in industries in the ‘other’ category (health sector, household activities and professional services) is higher. The ratio of men impacted from rest of the industries is higher, with men consisting of more than 93 percent of the impacted workers from agriculture and fisheries, 88 percent of the impacted workers from construction and 87 percent of the impacted workers from tourism and food services (Figure 8).

Gender comparisons across the occupational groups show that the ratio of men compared to women impacted is higher across all occupation groups. The gender ratio difference is lowest in the clerical and support work group which has a men to women ratio of 53:47 (Figure 9). These gender dimensions reflect the difference in gender composition across industries and type of work.

Figure 8 Reported cases by gender and occupation groups

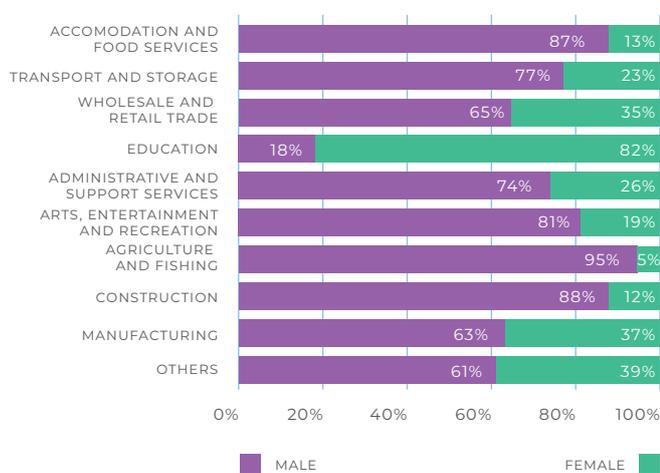
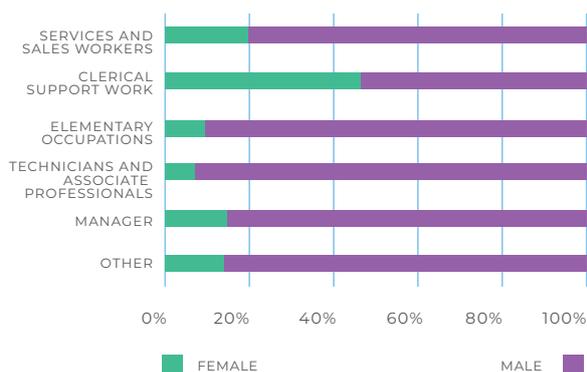


Figure 9 Reported cases by gender and type of work



KEY FINDINGS – IMPACT ON MSMEs

This section summarizes the findings of the rapid livelihood assessment on the impacts of the COVID-19 crisis on MSMEs. The findings and analysis build on several data and information gathering activities: (i) an analysis of survey data provided by the Business Center Corporation (BCC) which included a coverage of more than 2,000 businesses during April - May 2020, hereafter referred to as the ‘BCC survey data’; (ii) a synthesis of secondary data and information available from various impact assessments and reports shared by business associations; (iii) in-depth qualitative interviews conducted by phone or online with MSMEs in the tourism value chain; and (iv) meetings with industry/business associations to validate preliminary findings of this assessment. The detailed findings can be found in the Part III of the Rapid Livelihood Assessment publication.

KEY FINDING 1:

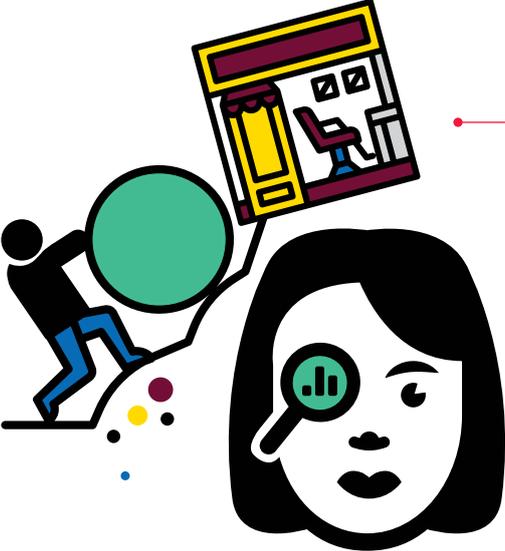
IMPACTS ON MSME OPERATIONS

Businesses in tourism services (resorts, guesthouses, dive/water sports and excursion services, etc) and support services of tourism (freelancers, community vendors, transport services) were the first to be impacted from international and Maldivian border closure.

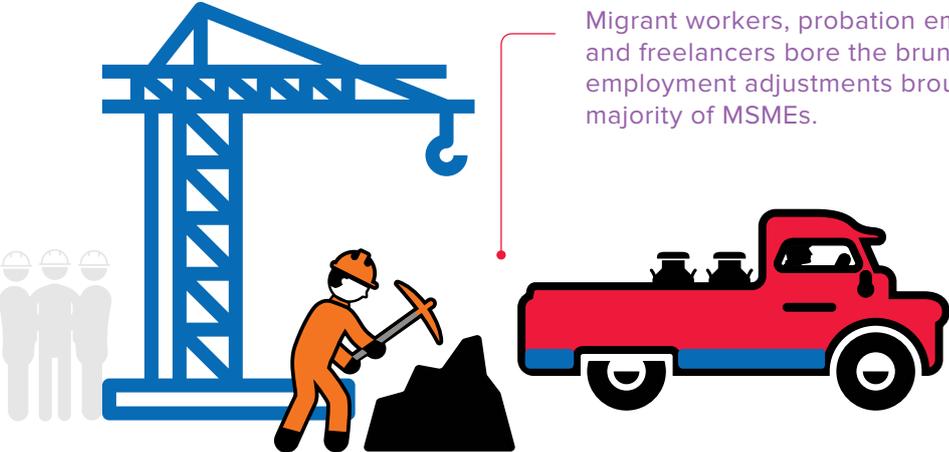
Restricted operating hours and lockdown in the Greater Malé Region affected several formal and informal MSMEs, particularly, cafes, traders, restaurants, taxi service providers, education services, event planners, dressmakers, suppliers and freelancers in art and entertainment areas.



Restricted inter-island travel and movement to and from the Greater Malé Region brought about major supply disruptions for businesses across the country. BCC survey showed that transport disruptions impacted the trade sector the most (67 percent) compared to the national average of 57 percent amongst all businesses.

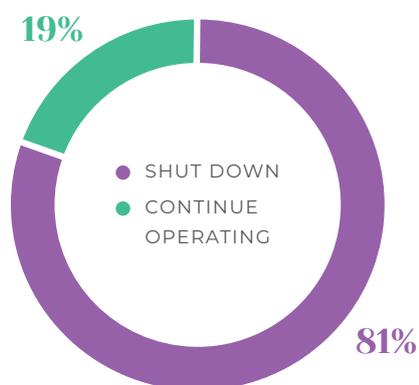


In the in-depth interviews, almost all businesses reported that their cashflow was affected. The majority of businesses indicated that they were already struggling at the time of the interview, while only a small proportion could manage their cashflow up to three to six months.



Migrant workers, probation employees, casual workers and freelancers bore the brunt of the immediate employment adjustments brought about by the large majority of MSMEs.

Figure 10 Impact of business operations, February – June 2020



Source: MSME in-depth interviews

Disruption to businesses. The BCC survey showed that those MSMEs who had completely stopped operations either did so due to the COVID-19 crisis or prior issues with performance, which worsened with the COVID-19 situation. In-depth interviews with businesses in the tourism value chain showed the severity of impact on tourism-related MSMEs, where more than 80 percent interviewed reported having to shut down operations at least temporarily between March and July 2020. Only 19 percent of businesses said that they were able to continue with some changes to operations (Figure 10). Customer perception of safety was a significant factor that affected business operations across the country from mid-April onwards, especially for trade and food service businesses.

Supply disruptions. The BCC survey also indicated that the disruptions in inter-island mobility, owing to interruptions in transport and logistics, impacted the trade sector the most (67 percent). This is in contrast to the national average (57 percent) of all businesses that reported having encountered some form of supply difficulty from March onwards. The supply challenges specified include challenges with sea freight (53 percent) and airfreight (46 percent). Similar findings of negative impacts on supply were expressed by most MSMEs during the in-depth interviews. Of the businesses that reported that their supplies were not affected, 20 percent said this was mainly because their operations had ceased temporarily. Eight percent of businesses said that they had enough stock/reserve to withstand the supply disruptions, which was mostly due

to the usual accumulation of stock in preparation for the month of Ramadan (which took place during May - June 2020). Feedback from business associations attributed the overdependence on the Greater Malé Region and the unplanned regional centers for warehousing and storage of goods in the outer atolls as key factors that caused disruptions to business operations, particularly for trade and construction businesses on islands that did not have COVID-19 outbreaks.

Figure 11 Impact on revenue



Source: MSME in-depth interviews

Impacts on cost of operations. The in-depth interviews with 67 businesses indicated that the top operating costs for the businesses included salaries, utilities, rent, consumables and equipment maintenance. A small proportion of businesses interviewed indicated that insurance, internet, marketing and leasing of equipment were among the top three costs of their businesses. As most businesses were temporarily closed during the period April-July 2020, the majority of the businesses did not incur any additional costs during the COVID-19 crisis. However, about 19 percent of the 67 businesses that participated in in-depth interviews reported that they incurred one or more additional costs due to purchase of sanitisers/disinfectants, Personal Protection Equipment (PPE), installation of hand-washing facilities, and delivery services.

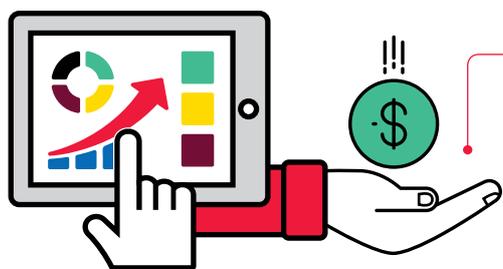
Loss of sales and revenue. The BCC survey showed that 87 percent of businesses reported reduced earnings across all major sectors. In-depth interviews showed that 58 percent of the businesses that stopped operations temporarily lost all revenue, while those who remained operating in the period March-July 2020 experienced revenue reductions of 30–80 percent (Figure 11).

Impact on cashflow. The BCC survey found that about half of the businesses in the trade sector had run into an immediate need for liquidity as they were unable to finance the purchase of inventory at the time of survey. Given the anticipated low movement of inventory and limited shelf-life of a high portion of retail goods, businesses in the trade sector were reported to be struggling to finance further purchases of day-to-day inventory to keep operations going. Similarly, a larger number of sole proprietors were found to be facing liquidity/working capital challenges as they accounted for a larger share of the retail trade sector in the survey responses. Food and beverage businesses were also found to be having liquidity issues. In the in-depth interviews with MSMEs, all businesses indicated that their cashflow was affected during the period March-June 2020. With current operations, 57 percent of businesses interviewed said they were already struggling, and 18 percent of the businesses said they could only manage for another one to two months. Only six to thirteen percent of businesses interviewed said that they could manage cashflow up to three months or six months, respectively (see discussion in Part III for details).

Employment adjustments made by MSMEs. The impact of COVID-19 on employee compensation and redundancy was not fully captured in the BCC survey. However, survey findings show that 12 percent of employees in tourism and related businesses were made redundant during this period. Of the 67 businesses interviewed, 43 percent of businesses said that they made changes to employment. This included terminations of 372 full-time employees, including most foreign expatriate workers and all casual and probation employees. The retained staff were subject to a range of pay scales, with 40 percent of employees receiving no changes to pay, 38 percent of employees subjected to 20 to 50 percent salary cuts, and three percent of employees provided only a sustenance allowance. These applied mostly to foreign expatriate workers who were put on no-pay leave but were in some cases provided with accommodation, meals and some sort of a sustenance allowance. The interviews indicated a similar pattern to the key findings on employment impacts discussed in the previous section of this report.

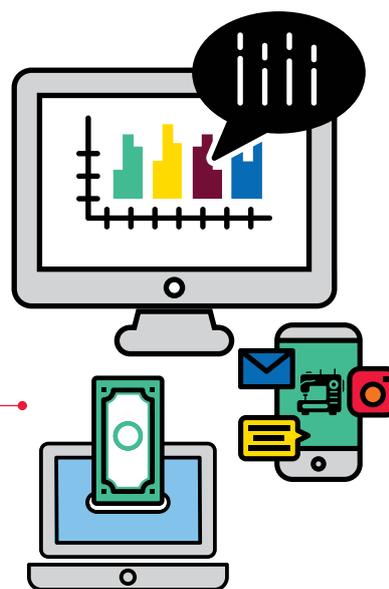
KEY FINDING 2:

CHALLENGES TO DOING BUSINESSES IN THE NEW NORMAL



According to the BCC survey, 46 percent of businesses expressed financial assistance as the most critical form of assistance required by the businesses.

The BCC survey found that most businesses do not have access to business advisory and taxation support services. Most MSMEs do not manage inventory or undertake financial forecasting, nor do they have a Business Continuity Plan (BCP).



Training needs identified by MSMEs as important capacity needs are developing business plans, marketing plans, customer retention plans, and business contingency plans, and improving videography and marketing skills and basic skills such as online banking, use of internet, Viber and social media, especially for entrepreneurs with little formal education or those based in atolls.



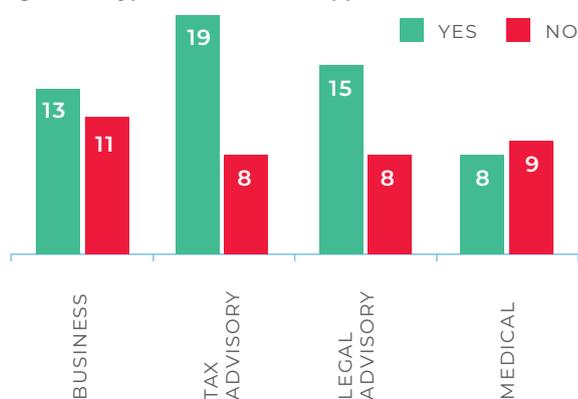
Although businesses in the Greater Malé Region and those in tourism services utilize digital technology, adoption of digital technology by businesses nationwide is slow.



Potential for adoption of green technology and sustainability practices is high, and businesses need to be geared towards and supported in shifting to those practices.

Barriers to access finance. Financial assistance was identified as the most critical form of assistance required by the businesses surveyed. In the in-depth interviews held with MSMEs, 57 percent said that they have not had access to any external finance, while a few had applied and some reported receiving the assistance. Feedback from MSMEs and business associations gave the following as reasons for inaccessibility of the loan assistance: high interest rates, short grace periods, ineligibility for the loan based on annual revenue, uncertainty of the pandemic and ability to continue operations, lack of information and awareness on the types of assistance available and cumbersome loan applications process. Feedback from the businesses show that they were critical of the employee retention conditions tied to the government's COVID-19 loan assistance. The feedback further indicated that the support available for small businesses was not adequate and somewhat unfair compared to the rent exemption and financial assistance schemes implemented for large tourism establishments.

Figure 12 Types of business support services accessed



Limited access to business support services. The BCC survey found that most businesses do not have access to business advisory and taxation support services. Figure 12 shows the type of business advisory services accessed by MSMEs as identified in the in-depth interviews. Informal businesses and some businesses in the atoll zones such as fish excursions, guest houses, artisans, cafes, corner-shops, local food vendors, renovation and maintenance contractors, and freelancers in the arts and entertainment areas typically do not access these technical support services according to interview findings. When probed on the types of business support services and their accessibility, several businesses pointed out the importance and

need of having business advisory services. Although under the Business Center Corporation (BCC), the government has established several Business Centers (BCs) in the atolls, the feedback from in-depth interviews show that majority of the businesses were not aware of their existence nor their role.

Unmet skills requirements in areas of business management. Findings of the BCC survey undertaken in April - May 2020 show that 78 percent of businesses do not have a business contingency plan. Some businesses did mention having contingency plans including the move to online marketing and working from home. Others reported plans such as reducing the operating margins and temporary downsizing. Furthermore, only 47 percent of the businesses expressed that they would be able to absorb the responsibilities of employees that may fall ill or become infected, while other businesses indicated that employees falling sick could lead to a temporary halt in operations and or a delay in services. Out of the 67 businesses, almost half of the businesses did not respond to questions on inventory management, likely because they were small-scale or home-based businesses or those that do not rely on large amounts of stock. About 35 percent of informants indicated that they have some form of inventory management system. When asked about sales projections, revenue and cashflow forecasting, more than half of the businesses interviewed indicated that they project forecasts based on past experience and intuition. This includes mostly small-scale businesses and home-based/self-employed entrepreneurs. Out of the 67 businesses, 17 businesses reported that they based their forecasts on their business experience and their knowledge of past market trends. When asked about Business Continuity Plans (BCP), many believed BCPs were important while very few had written BCPs. The feedback received from the interviews indicated that businesses had very little feedback to provide on work force management in the new normal of their operations. Many pointed to following precautionary measures and health and safety advice from Health Protection Agency (HPA) while others expressed the need to better understand how social distancing measures can be practiced in certain business areas such as diving and fish excursions.

Slow technology uptake. Although several technological advancements have been made in the country, the in-depth interviews reveal that there is much progress to be made with regard to technology integration into business operations. The in-depth interviews found that about half of the businesses used computers and the internet in their work. Businesses in tourism services particularly noted the use of digital technology in their work. Those who used internet said access to the internet was not a major issue; however, some expressed that they were unhappy with the internet services, mainly with regard to speed and price. Online banking was more often used than cash transactions by most of the businesses in the Greater Malé Region and those who offer services digitally, such as tourism services. About 28 percent of businesses said they use cash-only transactions; these were predominantly businesses based in the atoll zones. The meetings with business associations shed light onto some of the barriers with regard to internet and technology use in outer atolls and remote islands and amongst certain types of businesses, such as home-based businesses run by the older generation or run by women in the islands. They identified the need to improve banking services and to find convenient and cost-efficient solutions for MSMEs in remote islands who experience high costs of financial operations in the absence of banking services in the island.

Limited scale of transition to green/environmentally friendly technology. The in-depth interviews with MSMEs indicated that overall, most businesses appear to be aware of environmental sustainability aspects of business operations. While most businesses in the Greater Malé Region appear to be familiar with some sustainability practices, some businesses in the atoll zones demonstrated consciousness of green business practice and technology. The most common form of environmentally friendly practices mentioned by the businesses was the use of energy-efficient air conditioners. The musicians and event management businesses mentioned discouraging the use of plastic bottles, while photography and videography businesses indicated use of environmentally friendly equipment. A few businesses highlighted the need for more incentives from the Government and acceptance from the public of environmentally friendly methods. Meetings with business associations highlighted the need for market information on sustainable technology, equipment, methods and practices that can be adopted by businesses.

Weak enforcement of laws that disadvantage MSMEs. Although no direct feedback was received from the interviews with businesses on regulatory areas, the meetings held with business associations to validate preliminary findings of the assessment highlighted issues in enforcement that disadvantage local MSMEs. One example highlighted was the weak enforcement of tour guide permits, allowing those without permits to operate, which affects the income for licensed tour guides. Similarly, the unregulated ability of foreigners to own and operate dive centres with no requirement to hire locals was highlighted as a hindrance for local talent development, retention, and revenue generation related to one of the most significant natural assets central to the Maldives. The photography/videography businesses highlighted the need for an institution to regulate the sector, including professionalism of talent as well as maintaining internationally competitive pricing.

KEY FINDING 3:

COVID-19 ADAPTATIONS BY BUSINESSES



Businesses who continued to operate during the most challenging period of the pandemic made quick changes and adaptations to continue operating. Some strategies are:

- o Starting/expanding delivery services
- o Moving to online payments
- o Ramped up online presence and marketing via Facebook, Instagram and Twitter
- o Moved to work-from-home
- o Product modifications
- o Product or service diversification using existing resources
- o Reduced the prices to increase sales



Salons, cafés, corner shops, artisans, fish processing women, guesthouses, freelance photographers, Information and Communications Technology (ICT) businesses are amongst some MSMEs who made quick adaptations to continue operating the business.



Businesses interviewed shared examples of innovations that they were familiar with taken up by other businesses. Some of the success stories of innovations by MSMEs include product modifications due to supply shortages or out of necessity for survival in the new normal, reviving past agricultural initiatives or utilising existing digital technology for new services such as digital education.



Opportunities for innovation: Feedback received from business associations during the validation of preliminary findings indicated how the crisis opened doors for new opportunities, especially for women, introduced new ways of doing business, and brought about shifts in behaviour and consumption patterns. The mode of working from home and acceptance of it within the society created economic opportunities for women even after the crisis. Online businesses have boomed within the last few months, fostering new female entrepreneurs. Wide use of delivery services and online ordering of groceries and food have also increased the number of women actively contributing to production, sale, and supply of products. Some women-led businesses or businesses operating from home were able to divert their operations and products to meet the needs of the crisis, such as sewing face masks, and some without prior operations have started businesses and earned income through those sales. The construction industry association expressed utilizing drone technology for construction site inspections and monitoring works that can be adopted, since most engineers work remotely. This would also be beneficial for investors of the project and could improve monitoring and supervision in construction sites. Likewise, the business associations also expressed how MSMEs could adopt alternative work modes and digital options for cross-country meetings with association members. However, operational challenges such as the cost, speed and access of internet needs to be addressed to facilitate the shift and gear businesses towards this adaptation.

KEY FINDING 4:

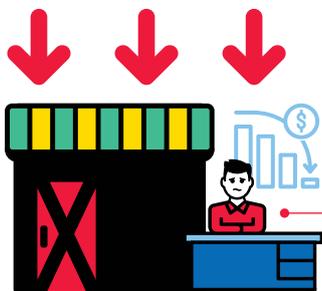
FUTURE OUTLOOK



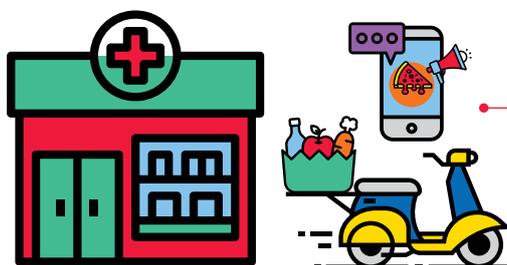
According to the in-depth interviews with 67 businesses, 42 percent of the businesses said they might have to suspend business within this year, while 40 percent of the businesses said that they have plans for expansion and diversification. Many, however, temporarily halted expansion plans because of the economic impact of the pandemic.



About 55 percent of businesses interviewed acknowledged that they knew of other businesses that had completely shut down or are at risk of shutting down.



New business ventures, especially by young people, were identified amongst those most at risk of permanent closure, along with tourism-related business, transport sector businesses, other informal businesses.



The types of businesses that will be successful in diversifying and adapting after the pandemic were identified as: grocery shops and those containing merchandise for regular consumption, businesses that were able to move to online platforms, internet service providers, ICT services, pharmaceutical and medical equipment and restaurants with delivery services.

The duration and extent of the crisis will play a central role in determining the impacts to businesses, and likewise many MSMEs expressed that their future would be determined by how the situation evolved. The uncertainty of the crisis and projected slow recovery of international tourism, arrivals to the Maldives and overall recovery of the Maldives economy will further put many MSMEs at risk of stopping operations entirely. This will affect consumers and suppliers as well as impact innovation, future growth, and the entrepreneurship landscape in the country.

KEY RECOMMENDATIONS

This section summarizes the key recommendations in Part II and III of the Rapid Livelihood Assessment. The first part of the recommendations focuses on mitigating the negative impacts of the protracted economic crisis associated with COVID-19 in the short term with respect to impacts on employment and MSMEs. The second part of this section proposes an economic recovery framework that is to be implemented in the medium to long term, taking advantage of the crisis to convert existing economic vulnerabilities into opportunities for the future. These detailed recommendations are in the Part II and III of the Rapid Livelihoods Assessment publication.

RECOMMENDATIONS TO ADDRESS IMPACTS ON EMPLOYMENT: SHORT TERM (6 MONTHS)

Key recommendation 1: Implement immediate support for those directly affected. The findings show that a protracted COVID-19 crisis will increase the risk of redundancy and unemployment within tourism and across all sectors. It is therefore critical that the Government continues to reach out to those affected and provide a range of support services such as:

- Psychosocial Support (PSS), personal development and coaching for those who have registered in the JobCenter database.
- Scale up higher education and skill development opportunities targeting those affected, including (i) academic courses for young women and men; (ii) upskilling for those working in service areas, low-paying jobs and those employees that had probation contracts; (iii) upskilling Maldivians into middle and upper management positions and professional categories; and (iv) training and job matching tailored to new job profiles that might be relevant to the new normal operations such as health and safety and ICT related work.

Key recommendation 2: Upgrade JobCenter.mv services and ensure current support systems are adapted to a context of slow economic recovery and protracted economic crisis. It is critical that the JobCenter.mv services be upgraded and made more comprehensive to respond to the new reality of prolonged economic crisis and the rise in unemployment trends that are predicted in this report. Key actions to be taken include:

- Ensure JobCenter.mv registration continues and is developed further into a formal system for tracking unemployment and for generating labour market intelligence for both the government and private sector.
- Introduce job matching and career counselling services through the JobCenter.mv for those whose employment is affected.
- Develop separate features for registration of freelancers/self-employed entrepreneurs and informal workers within the JobCenter.mv.
- Ensure that JobCenter.mv is institutionalized and that it establishes a network of service providers at the local level.
- Identify and facilitate job transitions for those affected from tourism to other employment areas such as fisheries, agriculture and the Government's Public Sector Infrastructure Programme.
- Introduce contract negotiation and familiarization services for employees on the employment law and redressal mechanism and increase advocacy for employment rights.

Recommendation 3: Harmonize income support scheme with labour market services and expand the programme in the context of slow economic recovery to mitigate the impacts of the protracted crisis.

The Government has introduced income support to those who have lost jobs and income with a monthly cash benefit of MVR 5,000.00 for the period April - June 2020. Building on this support and complementing the efforts of the labour market services discussed above, it is recommended that social protection support be strengthened for the longer term. In light of this, the recommendations are:

- Expand the income support programme in collaboration with business actors and development partners to increase coverage and duration of assistance. The programme should either open a second window for informal workers and self-employed freelancers with requirements that are favourable to these vulnerable groups.
- Ensure that the income support is complemented with job market services from the JobCenter.mv.
- Facilitate establishment of an investment fund for health and other types of insurance for tourism employees to mitigate employment impacts in future crises.
- Design a remittance bond or savings product targeting foreign and local employees working in the tourism sector.

Recommendation 4: Accelerate labour governance reforms:

The impacts of the crisis and response have exposed several weaknesses in the institutions and policies related to labour governance. The following recommendations are made with respect to labour governance reforms with a view toward strengthening institutional response for labour issues in the future and building on the various steps taken by the Government in response to the crisis.

- Strengthen labour monitoring by the Labour Relations Authority (LRA).
- Ensure that health and safety standards are met by employers in new normal operations through effective enforcement mechanisms.

- Improve labour standards in third-party contracting undertaken by resorts and eliminate the engagement of 'irregular' or 'undocumented' migrant workers in the tourism industry.

- Address underlying issues within the labour sector such as legal reforms and institutional capacity building to combat human trafficking.

Recommendation 5: Improve planning and decision-making - strengthen and streamline the labour force statistics.

The report finds that data on employment is limited and data collection is done ad hoc by various agencies. It is therefore recommended to:

- Revise tourism statistics regulation to include regular data collection on employment statistics by all types of establishments.
- Invest in a national statistical system and strengthen legal framework for statistics.
- Introduce a regular labour force survey.
- Improve administrative data systems, interoperability of various databases and data quality.
- Conduct regular business surveys and maintain an updated statistical business register.
- Produce a Tourism Satellite Accounts (TSA) for Maldives.

RECOMMENDATIONS TO ADDRESS IMPACTS ON MSMEs: SHORT TERM (6 MONTHS)

Recommendation 1: Increase financing for MSMEs with more tailored assistance for micro and small enterprises and informal businesses. Given that the current forecasts for recovery look unpromising, it is recommended that the Government build on the COVID-19 *Viyafaari Ehee* loan scheme or loan assistance, implemented by SME Development Finance Corporation (SDFC), and explore the next phase of financing, taking into account the protracted nature of the economic crisis and the challenges facing businesses to survive in this context. The next phase of funding should focus on the following areas:

- The SDFC should systematically review the quality of loan applications, identify the gaps in applications and document the reasons for rejection. This can then be linked to BCC services to conduct the necessary outreach and build capacity of businesses in areas where their access to finance can be improved in the future.
- Establish a financing window, which provides grants and/or zero interest loans targeting micro, small and informal businesses. This should be complemented with mandatory capacity building offered through the BCC (discussed below).
- Support medium to large businesses by customizing loans based on needs and targeting those with potential for growth with lower interest loans.
- Zero and low interest loans to support start-up businesses.
- Review the moratorium period for working capital loans in light of the current economic projections, as several businesses do not foresee recovery within 2020 to start repaying loans.
Explore and enable alternative financing mechanisms such as capital market financing for businesses with new instruments and products targeting MSMEs.

- Introduce targeted financing for businesses to transition to low carbon operations, digitization and application of other sustainability measures.

Recommendation 2: Strengthen institutional support of the Ministry of Economic Development and the chain of services of key bodies such as the BCC, SDFC and Maldives Fund Management Corporation (MFMC) which are to be delivered in a coherent and coordinated manner. The government has established the BCC (for business advisory and support services), the SDFC (for MSME financing) and the MFMC (for investment promotion and to unlock financing for innovation). Interventions to strengthen their services include:

- Conduct a large scale MSME outreach programme targeting the hard-to-reach and vulnerable businesses/groups to inform businesses and the general public of the types of support services offered by the government including the services of BCC and SDFC.
- Link support services of the BCC business centres for those seeking financing through SDFC.
- Increase transparency measures, including regular information sharing with the public, on the current financial assistance offered through SDFC and the COVID-19 loan scheme.
- Develop a registry of informal businesses, including businesses run online.
- Increase efficiency of services offered by the Ministry of Economic Development on business registration, obtaining of operating permits, and foreign expatriate engagement services.
- Strengthen enforcement of laws, particularly in areas that disadvantage MSMEs.

Recommendation 3: Build capacity of businesses through a range of technical support and advisory services. The findings of this report highlight the various capacity gaps amongst MSMEs, including business advisory, legal and medical support services. It is recommended that the BCC introduces the following technical advisory support services for MSMEs, in partnership with service providers in the atolls and business associations in an affordable, widely accessible and quality manner:

- Introduce support services to provide forward-looking market intelligence in key economic sectors including global and local trends.
- Strengthen outreach and coverage of business advisory support services with a strong focus on risk-based business planning, contingency planning, and human resource management.
- Introduce a legal advisory helpline and provide support for MSMEs in contract negotiations, document review and improvement of the overall documentation of businesses.
- Collaborate with HPA to provide clear, consistent and tailored messaging and medical advisory for various MSME operating sectors, including tailored advisory.
- Introduce networking for businesses on supply management, logistics handling and other support services.
- Introduce e-tools and build business capacity to adopt those tools to improve quality and efficiency in business management.
- Facilitate knowledge exchange and expertise exchange from global, regional and local success stories, new business models and champions on how businesses are adapting in new normal.
- Introduce business-to-business mentorship programmes.
- Introduce a networking platform for freelancers and the self-employed.

Recommendation 4: Establish a collaborative working relationship with active business associations and provide technical capacity for the associations to function effectively and support/represent MSMEs in their relevant sectors. The findings of the assessment show that many business associations have been active in documenting the impact of COVID-19 on businesses in their sectors. The meetings held with business associations to validate the preliminary findings of this report further alluded to the potential advocacy role of businesses and their willingness to contribute to the recovery process. Specific actions proposed to strengthen the role of business associations are:

- Establish a regular consultative and/or dialogue platform with business associations to discuss economic policy responses and potential collaborative interventions to support MSMEs.
- Introduce capacity building opportunities for business associations in areas of managerial, administrative and technology adaptation, identified as barriers for operation by associations.
- Explore co-sharing of workspaces for business associations in collaboration with BCs and other office outlets of the Ministry of Economic Development.
- Facilitate knowledge exchange, exposure and partnership with regional and global business associations and interest groups for local business associations.
- Strengthen capacity of business associations to conduct regular data collection within their sectors, to produce market intelligence reports and other outputs on sector performance.
- Explore options to introduce tailored technical advisory services in collaboration with BCC for MSMEs, complementing the BCC business advisory services.
- Explore partnerships with business associations to run industry-wide campaigns on sustainability measures such as banning plastics and adopting adequate labour standards.

Recommendation 5: Accelerate support for business adaption and speed up digital transformation.

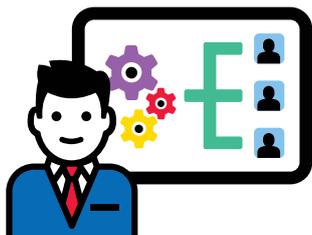
Speeding up the digitization drive and shifting business culture towards this new direction was identified as a crucial need by businesses and business associations.

Some of the key actions to undertake include:

- Ensure affordable and good quality internet for MSMEs through subsidized rates in collaboration with telecommunication operators.
- Conduct outreach programmes and trainings via television programme and various other channels, to inform the general public on simple use of applications, such as video-conferencing applications, use of mobile applications, and digital marketing.
- Conduct targeted training programmes for businesses on digital solutions, e-commerce, and digital marketing in collaboration with the Maldives Polytechnic.
- Explore technology adaptation, financing and technical support services to enable businesses to integrate clean technology, including renewable energy and green agro-technology.
- Scale up the technical and advisory services of BCC to businesses in the atolls through digital means.

OVERALL RECOMMENDATIONS TO REVIVE TOURISM SECTOR

Given the heavy reliance of the economy on tourism, the restoration of employment and rehabilitation of MSMEs depend heavily on the recovery of the tourism sector. The government, in collaboration with all actors, need to develop a coordinated strategy for tourism recovery for the upcoming high season of tourist arrivals. October to March is typically the peak travel season and it is therefore critical that the country is equipped to attract visitors and manage travel for the upcoming peak season. To achieve this, the following actions are recommended:



Establish a business task force for revitalizing tourism



Conduct collective destination marketing with a unified strategic approach across the properties, instead of singular efforts by tourism establishments, tour operators and airlines.



Ensure testing, isolation and treatment capacity is developed across the atolls, which can be co-invested by the government and private sector and utilized by the visitor population and local population in a given atoll.



Develop arrangements for rehabilitating guest house tourism. This can be achieved through arrangements facilitated for domestic travellers and special arrangements for long stays

RECOMMENDATIONS FOR THE MEDIUM-TO LONG-TERM – ‘BUILD FORWARD BETTER, BLUER AND GREENER’.

Combined with the above-mentioned recommendations to mitigate the negative impacts of the protracted economic crisis, a medium to long-term recovery and development framework is being proposed as a final recommendation of this report.

An economic recovery framework based on the core principles of the Agenda 2030: resilience, sustainability and inclusion. Building on the short-term recommendations, the medium to long term recovery framework aims to convert the key vulnerabilities of the Maldives that were exposed by the COVID-19 crisis into key opportunities for transforming its economy to generate long term benefits for the people and the environment. The key dimensions of the recommended recovery framework are:

A more inclusive and sustainable tourism industry for the Maldives. As tourism is the current driver of the economy and the main source of employment, transforming the tourism industry can build resilience of the population in the future. The Maldives exclusive brand leverage can be further consolidated by the proposed three key strategies. The **first strategy** is to reduce onsite employees through establishing living and commuter facilities between resorts and neighbouring inhabited islands. Businesses and the government can jointly invest in developing selected islands in a given atoll with housing/accommodation, schooling, day-care, health and training facilities for resort employees and their families. This can unlock employment opportunities for those who face barriers to on-site resort living, such as women. Investments in employee families can help to increase motivation, productivity and minimize employee turnover for resorts. This new model will be conducive to managing health and safety standards, social distancing and exclusivity of resorts for visitors. The **second strategy** is to support digitization and automation of resort operation functions and facilitate transition to virtual operations. The report indicates that 14

percent of the resident resort population work in administration. By moving certain departments online such as human resource management, procurement/purchasing, finance, administration, reservations and telephone operators, resorts can minimize on-site employees, increase productivity and engage more diverse groups in employment, including women and persons with disabilities (PWDs) that have barriers to living on-site. The workforce management of the industry should prioritize decent wage, work-life balance and upskilling Maldivians to create the next generation of business leaders. The **third strategy** is facilitating transition of the Maldives tourism industry onto a low-carbon path.

A diversified economy and future of work integrating the blue, the green, the digital and the care economy. The pandemic has exposed the vulnerability of the economy due to its heavy reliance on tourism and imports including food and fuel. Strategies proposed to overcome this include: (i) harnessing the blue economy through sustainable fisheries and protection of coastal and marine resources; (ii) creating local green industries and entrepreneurship in the areas of clean and climate-smart technology, developing solar-powered marine transport, sustainable farming and developing circular models for existing industries; (iii) boosting the digital economy through a range of digital services; and (iv) putting in place the necessary labour protection guarantees and affordable and quality care services to enable women to enter and remain in the workforce. Policy, legal and financing incentives therefore need to be designed and put in place to unlock investments in these alternative growth sectors. Similarly, building the MSME ecosystem is needed and MSME integration into these value chains needs to be ensured through increased capital, training, technology, and research and development partnerships.

- I A future of work and future of skills framework aligned with the diversification priorities.** The alternative growth sectors identified above will not proceed unless a readily available workforce exists to drive the economic diversification ambitions. Skilling and re-skilling Maldivian women and men to integrate themselves to either work or conduct business within the value chain of the green, blue and digital economy is critical. This should include professional skill development in environmental and marine science, data science, AI and machine learning and ICT.
- I An integrated financing strategy for enabling recovery and transformation to sustainable development.** To unlock additional financing and to ensure that the current financing generates impact towards sustainable development as envisioned in the proposed dimensions of the economic recovery framework, it is recommended that an integrated financing strategy be developed. The strategy should explore the role of all types of financing flows including the national budget, international development assistance, private sector participation, capital market and innovative financing. Some of the emerging innovative instruments in the financing landscape for sustainable development that could be highly relevant to the Maldives include: debt restructuring and debt swaps such as the ‘debt for nature’ scheme, blue financing, climate finance, blended finance and risk insurance, digital finance, and impact investing that paves the way for social entrepreneurship. Similarly, while fiscal space is limited in the current context, an opportunity exists to make the right fiscal adjustments by prioritizing inclusive and sustainable investments and incentivizing the same for the private sector.
- I A more integrated, efficient and holistic social protection system based on the principles of universal basic income (UBI).** The crisis has exposed the vulnerabilities of the population, including the risks of households falling into poverty as a result of COVID-19. Impacts on employment income and wealth disparities are likely to widen. A strong social protection system is therefore key to ensuring that the most vulnerable are protected against future crises including climate-related impacts. The current social protection system includes a range of benefit schemes that are run for various target groups through different modalities, and financing arrangements, yet their effectiveness is still to be determined. Old age benefit schemes such as a monthly allowance by the state overlap with a contributory pension scheme. New benefit schemes such as an unemployment benefit have been planned.⁷ It is recommended that current schemes be revisited to create a more holistic system where all vulnerable groups are covered with a universal basic income.

⁷ Government of Maldives Strategic Action Plan 2019-2023

RAPID LIVELIHOOD ASSESSMENT

IMPACT OF THE COVID-19 CRISIS IN THE MALDIVES

SUMMARY

With support from the National Bureau of Statistics, The Maldives National University, Ministry of Tourism, Ministry of Fisheries, Marine Resources and Agriculture, Ministry of Youth, Sports and Community Empowerment and the Ministry of Arts, Culture and Heritage.



Ministry of Economic Development
Republic of Maldives

