



# Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 16-May-2020 | Report No: PIDA29288



**BASIC INFORMATION**

**A. Basic Project Data**

Country Maldives	Project ID P174014	Project Name COVID-19 Emergency Income Support Project	Parent Project ID (if any)
Region SOUTH ASIA	Estimated Appraisal Date 18-May-2020	Estimated Board Date 09-Jun-2020	Practice Area (Lead) Social Protection & Jobs
Financing Instrument Investment Project Financing	Borrower(s) Republic of Maldives	Implementing Agency Ministry of Economic Development	

Proposed Development Objective(s)

The Project Development Objective (PDO) is to mitigate the economic impact of the COVID-19 crisis on workers and their families and to increase the capacity of social protection programs to respond to future emergencies.

Components

Temporary assistance to workers affected by the COVID-19 pandemic  
Strengthening social protection delivery systems and institutions  
Contingent Emergency Response Component (CERC)

The processing of this project is applying the policy requirements exceptions for situations of urgent need of assistance or capacity constraints that are outlined in OP 10.00, paragraph 12.

Yes

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	12.80
<b>Total Financing</b>	12.80
<b>of which IBRD/IDA</b>	12.80
<b>Financing Gap</b>	0.00

**DETAILS**

**World Bank Group Financing**



International Development Association (IDA)	12.80
IDA Credit	6.40
IDA Grant	6.40

Environmental and Social Risk Classification

Moderate

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

**B. Introduction and Context**

Country Context

1. **Maldives is an island state comprising nearly 1,200 coral islands grouped into 26 atolls, spread across roughly 90,000 square kilometers of the Indian Ocean.** The Maldivian population, about 515,696 as of 2018, is widely dispersed across the islands, many of them remote and physically vulnerable to rising sea levels. Eighty percent of the total land area of the country, which is less than 300 square kilometers, is lower than 1 meter above mean sea level. The country’s exposure to natural hazards and climate variability poses a threat to lives and the economy. More than 30 percent of the population lives in the capital city, Malé, while the rest are distributed across 200 other inhabited islands. Basic human development indicators are high: Maldives ranks 101 out of 189 countries in the Human Development Index (HDI) for 2017, the second-highest HDI rank in South Asia after Sri Lanka.<sup>1</sup>

2. **Maldives is classified as an upper middle-income country with gross domestic product (GDP) per capita of US\$10,331 (2018).**<sup>2</sup> Real GDP grew by 5.3 percent in 2019. In 1980, Maldives was among the poorest countries in the world with a GDP per capita of US\$268; it is now on track to reach high income status in the next decade. This sustained economic growth has resulted in significant poverty reduction, and Maldives performs well on poverty outcomes compared to its regional, income, and small island peers. Tourism has been key to Maldives’ development success. Tourism directly and indirectly contributes to two-thirds of the Maldivian economy, 80 percent of exports and at least 40 percent of state revenue collections. Despite limited backward linkages to local island economies, the ‘one island, one resort’ model has been successful in attracting a large amount of foreign direct investment and foreign exchange earnings from tourism. The high share of tourism in the economy is both a strength and a limitation. While it has lifted economic standards and living conditions, it has also made the Maldivian economy highly vulnerable to developments that impact the tourism sector and the direct and indirect transmission of these effects to other sectors of the economy.

<sup>1</sup> Human Development Report, 2017.

<sup>2</sup> World Development Indicators, 2018.



**3. Maldives will be one of the hardest-hit economies in the world from the COVID-19 pandemic.** The Government of Maldives (GoM) has taken proactive steps to limit the spread of the disease to its population, restricting the entry of passengers from affected countries since February 4, 2020 and ramping up to a full border closure beginning March 27. These containment measures have had significant, adverse impacts on the Maldivian economy, state revenues, and the livelihoods of many households whose incomes depend on the sector. Local cases of the disease began to rise sharply in mid-April 2020, triggering a general lockdown that is likely to broaden the economic impact. While the Maldives had recorded only 20 confirmed cases before this date, mostly involving foreigners or locals who returned from abroad, the number of cases has risen drastically. Local transmission was initially only reported in the Greater Malé area, but other inhabited islands have also reported cases.

#### Sectoral and Institutional Context

**4. Maldives has a well-developed but narrowly targeted social protection system.** It comprises social assistance (cash transfers to vulnerable groups, and various subsidies), social insurance (health insurance and pensions) and social empowerment programs (training and job placement). The *Aasandha* program provides free public healthcare, covering the cost of treatment in public and many private facilities, as well as the cost of most prescription medications. This is supplemented by the *Medical Welfare* program, which covers residual health costs for the poorest. The pension system is well developed, with a national defined-contribution pension scheme run by the Maldives Pension Administration Office (MPAO) and a social pension that tops up the incomes of those over 70 years of age to a minimum of MVR 5,000 (about US\$330) per month. Social cash transfer programs run by the National Social Protection Agency (NSPA) are targeted narrowly to a few vulnerable groups: people with disabilities, single and foster parents, and the elderly. There are also various subsidies, for food, electricity, fuel and housing, that help defray the costs of living. However, Maldives has no broad-based cash transfer program for poor households not falling into the aforementioned ‘vulnerable’ categories, and no unemployment insurance program.

**5. Inefficiencies in social spending limit fiscal space for more targeted and scalable social assistance.** The *Aasandha* program’s costs have skyrocketed in recent years because of its expansion to near-universal coverage of public and private care, and due to issues with pharmaceutical pricing and billing. Subsidies also remain for food, fuels and electricity, which approached 10 percent of government spending in 2013. Finally, civil service pensions continue to weigh on the budget. Despite substantial legislative reform in 2009, which heralded the introduction of a defined-contribution pension scheme for public and private sector workers, a grandfathering arrangement still allows employees of some public sector agencies to receive a ‘double pension’ by benefiting from the old, defined-benefit pension as well as the new scheme. Put together, these policies consume a significant share of the government budget and limit fiscal space for broad-based social assistance to low-income households. While these issues have been flagged for attention by the government in its Strategic Action Plan (SAP) 2019-2023, the case for reforms has become even more urgent with the advent of the COVID-19 crisis.

**6. Despite the limited scope of its programs, NSPA has relatively well-developed delivery systems.** NSPA operates a modern customer service center in Malé to receive applications and handle matters relating to beneficiaries. The distances and costs involved in traveling between the nation’s many inhabited islands limit NSPA’s capacity to conduct regular monitoring and outreach visits. It compensates for this by drawing on support from island council (local government) offices to receive applications and update beneficiary information. NSPA maintains a robust beneficiary registry system called the Social Protection Information System (SPIS), which



securely collects and maintains data provided by applicants, determines eligibility, and serves as a Management Information System (MIS). However, the system is offline and island councils cannot access it presently, so all coordination is done by email and telephone. NSPA also relies on other government information systems, such as the courts registry, to cross-check the validity of claims made on applications, but again these systems are not linked to the SPIS. NSPA's payment system is well-developed. Benefits are transferred electronically to beneficiary bank accounts at the Bank of Maldives (BML), and funds can be accessed through branches, ATMs and point-of-sale devices in shops on most islands. In areas where electronic access to funds is not available, a boat-based mobile ATM visits islands regularly. With recent refinements to the payment system, payments are made monthly with no reported delays.

**7. A new *Jobcenter* has recently been set up to improve matching between employers and jobseekers.** Run by the Ministry of Economic Development (MoED), the *Jobcenter* publishes job advertisements and general information about participating employers.<sup>3</sup> The online platform enables registered job seekers to be notified through SMS and e-mail whenever a new job offering appropriate to their skills and experience is posted. Since the start of the crisis, the MoED has used the *Jobcenter* to register terminated and furloughed workers, and receive complaints about contract violations and unfair dismissal, which are investigated by the Labor Relations Authority (an independent body that enforces the Employment Act).

**8. The GoM has announced measures to encourage businesses to retain employees and help those affected by the pandemic.** The MoED and Ministry of Finance (MoF) have launched an Economic Relief Program (ERP) for businesses. Businesses with annual revenue above MVR 10 million are expected to apply for relief packages through the BML, while those with revenues below MVR 10 million will be eligible for relief packages through the SME Development Financing Corporation (SDFC). Relief will only be provided on the condition that firms do not dismiss any of their workers prior to or during the period of support. The MoED plays a key role in verifying applications for the ERP, using its data on employment contracts, in consultation with other actors such as the MPAO, to ensure that firms do not violate the conditions on retaining workers.

**9. While the ERP is designed to prevent firms from dismissing workers, the MoED anticipates that many workers may temporarily lose income or be made redundant.** Some employers are unable to continue to pay wages and have either reduced or stopped wage payments even for those workers with a contract. There are reports of casual and informal sector workers being laid off, while the self-employed are likely to see a significant drop in their incomes. Accordingly, on May 13, 2020 the GoM gazetted a temporary *COVID-19 Support Allowance* for formal and informal sector workers and the self-employed whose income has been affected by the crisis. The allowance will be offered to all Maldivian adults of working age, who were employed until March 1, 2020, and whose incomes are now below MVR 5,000 (about USD 330) per month. The allowance will be provided as a top-up to any income received, to a level of MVR 5,000 per month. The program is initially authorized for three months but may be extended. Further details on the scheme are provided in Annex 4. The scheme will be implemented in close consultation with the major resort operators, who together employ around 50,000 local and foreign workers.

**10. This complements support being provided to foreign workers and low-income households.** There is a large number of foreign workers in Maldives, many employed at resorts and in the construction sector. While some of these workers have returned home since the crisis began, others are remaining in Maldives at least temporarily.

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<sup>3</sup> Accessible at <https://jobcenter.mv>.



In the interim period, some resort workers continue to be housed and fed by their employers. Other workers – especially those in the construction sector – are being housed and fed by the government. While the *COVID-19 Support Allowance* will only be provided to workers who can demonstrate having lost their incomes since the crisis began, the government has also extended relief to the destitute and poor through other programs, including those provided by NSPA and the Zakat scheme run by the Ministry of Islamic Affairs.

**11. Further policies are under consideration to assist workers to cover their basic needs, stay active and keep their skills current until business activity can resume.** Such programs may include skills training, maintenance and improvement work, and other activities that can add value to workers and businesses without jeopardizing efforts to contain the spread of the virus. Emergency initiatives in this vein are yet to be announced, however the registration of beneficiaries and micro-enterprises through the *Jobcenter* platform (and stored in the SPIS) will make it easier to target future financial support and labor market reinsertion and small business revival programs beyond the three-month period of the *COVID-19 Support Allowance*. It will also help link jobseekers to existing support programs.

**12. The *COVID-19 Support Allowance* bridges a known gap in the current safety net.** The GoM had already planned in its SAP 2019-2023 to develop a contributory unemployment insurance program and broaden the base of its social assistance to cover all low-income households. The *COVID-19 Support Allowance* will serve as a temporary safety net for affected workers until these programs are developed. The *COVID-19 Support Allowance* will be implemented using NSPA’s administrative and payment systems, and beneficiary data will be stored in NSPA’s SPIS, in order to facilitate a smooth transition to the new programs once they are launched. In the longer run, the goal is to have a system of targeted social protection that can easily be scaled up to address the needs of crisis-affected households.

**13. This project will assist the GoM to respond to the COVID-19 crisis and build better social protection systems to improve responsiveness and resilience in the future.** It will do this by:

- (a) Financing the *COVID-19 Support Allowance*, which will be implemented by the MoED in partnership with NSPA. Although it is a temporary program, the data collected on beneficiaries will provide a basis for further government support, activation and reinsertion activities over time, with the objective of ensuring both the immediate welfare of beneficiaries and the rapid recovery of the economy and employment.
- (b) Providing technical assistance (TA) to the government over a period of two years, to strengthen its social protection systems and programs with the objective of making the safety net more adaptive to future economic crises and disasters.

### C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The Project Development Objective (PDO) is to mitigate the economic impact of the COVID-19 crisis on workers and their families, and to increase the capacity of social protection programs to respond to future emergencies.

#### Key Results

14. The PDO will be assessed with reference to the following results indicators:



- (a) *Mitigate the economic impact of the COVID-19 crisis on workers and their families*
  - (i) Number of beneficiaries enrolled in COVID-19 Support Allowance (and number female)
- (b) *Increase the capacity of social protection programs to respond to future emergencies*
  - (i) Island councils with access to NSPA SPIS to view and update records (percent)
  - (ii) National Social Protection Framework formally adopted by President's Office (yes/no)

#### **D. Project Description**

15. The proposed project would have two components and aim to achieve its PDO by: (i) providing emergency cash transfers to individuals who have lost their jobs or income sources as a result of the COVID-19 crisis; (ii) reinforcing the social protection policy framework by developing a new contributory unemployment insurance scheme, harmonizing social assistance programs, and improving pension schemes; and (iii) enhancing social assistance policy and delivery systems to ensure that the government can respond with assistance more quickly in future emergencies.

#### **Component 1. Emergency income support for those affected by the COVID-19 pandemic (US\$12 million equivalent)**

16. This component would finance temporary income support to up to 20,000 individuals for a period of 3 months. The support will be a top-up of any existing income to a maximum of MVR 5,000 per month. This assistance would be offered to anyone applying through the *Jobcenter* (online or in person at local island council offices) and demonstrating that they have either lost a job since the onset of the crisis or are suffering a total loss of income as a result of the crisis. A program of media outreach would be implemented to inform the public of the program and eligibility conditions, and a hotline will be provided to assist people with applications, receive complaints, etc. Details of the implementation of this component will be provided in the operations manual.

#### **Component 2. Strengthening social protection delivery systems and institutions (US\$0.8 million equivalent)**

17. This component will equip the social protection system to better respond to future crises and disasters. The following activities will be conducted to achieve these goals:

- (a) *Strengthening NSPA's Delivery and Targeting Systems.* The SPIS will be enhanced with linkages to island council offices to facilitate regular updates of data on beneficiaries. A review of programs and eligibility criteria will also be conducted. The project will also finance testing and rollout of the new systems in major population centers in each atoll.
- (b) *Developing a Fiscally Sustainable Unemployment Insurance Program.* Under this subcomponent, the GoM will design a fiscally sustainable unemployment insurance program, financed in part through employer/employee contributions, and covering both formal and informal sector workers. An international consultant will be hired to advise the GoM, drawing on international best practice.
- (c) *Reforming Pension Programs.* This subcomponent will develop a plan to improve the fiscal sustainability, coverage and benefits of the MRPS and address other issues impeding the effectiveness, fiscal sustainability and coverage of retirement pension programs in the Maldives. A consultant will be hired to review the MRPS and recommend changes to legislation and implementation arrangements that will



improve benefit adequacy and reduce the long-run fiscal burden of the programs.

- (d) *Developing a National Social Protection Framework.* This activity will support the development of a comprehensive national social protection framework in Maldives. The process will include a gender gap analysis to ensure that adequate actions are taken to strengthen gender-sensitive programming. This work will be led by the MoED in close collaboration with the MoF and key social protection agencies and consultation with a broad range of government and non-government stakeholders, community members and sector specialists.
- (e) *Project Management and Monitoring,* including incremental operating costs, project implementation staff and consultants, monitoring and evaluation, communication and relevant training.

**Component 3. Contingent Emergency Response Component (CERC) (US\$0 million).**

18. In the event of an Eligible Crisis or Emergency, the project will contribute to providing immediate and effective response to said crisis or emergency. The allocation to this component is to minimize time spent on a reallocation of funds from programmed activities.

Legal Operational Policies	
	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

**Environmental and Social Risk Classification (ESRC):** Moderate

**Environmental Risk Rating:** Low

19. The proposed project will provide cash support to about 20,000 individuals who have lost their jobs or income sources as a result of the COVID-19 pandemic; and technical assistance for strengthening of social protection delivery systems and institutions. The project will neither support the procurement of any materials or equipment nor rehabilitation or construction activities or civil works. Therefore, interventions under this project will not result in any negative environmental impacts.

20. However, Component 3 of the project is the Contingent Emergency Response Component (CERC). In case of activation of the CERC, the project ESMF will be updated as soon as the scope of the contingency component becomes better defined. In addition, a CERC Operations Manual will be prepared during project implementation to govern the operation of the CERC. The manual will be aligned with the ESMF at the time of preparation and will include provisions to ensure environmental and social due diligence in line with the requirements of the ESF.

**Social Risk Rating:** Moderate

21. The social risks are rated as ‘moderate’ due to the potential risks associated with: (i) full inclusion of eligible beneficiaries, particularly vulnerable groups who have limited access to information about the income support





program and project benefits; (ii) inadequate consultations with relevant stakeholders during the preparation and finalization of the National Social Protection Framework, pension program, unemployment insurance program, targeting systems, etc., under Component 2; (iii) occupational health and safety risks to project workers over potential infections as they interact with other staff and community members associated with the project; (iv) potential risks of gender-based violence linked to registration and increase in domestic violence due to financial strains on households and the receipt of financial transfer; these risks are however assessed to be 'low'; and v) social tension between project beneficiaries and non-project beneficiaries, especially if there is lack of transparency in the application and decision-making process.

22. These risks are expected to be avoided or mitigated by ensuring the project design, beneficiary selection processes etc. is carried out in an inclusive and equitable manner, including through specific outreach activities to ensure that vulnerable and marginalized groups, gender minorities, elders, people with disabilities, etc. are able to access information and application processing facilities. In addition, the project will have measures for meaningful consultation and engagement as well as mitigation of adverse impacts, specifically the community health and safety risks associated with the COVID pandemic as well as potential risks associated with GBV/SEA/SH during situations of emergency and extreme financial strains on individual households combined with cash transfer. There will be a GRM for communities (stakeholders and beneficiaries) as well as for project workers. The project will ensure the implementation of the LMP, SEP and ESMF prepared as per the ESF guidelines and government regulations.

## E. Implementation

### Institutional and Implementation Arrangements

23. **The project will be implemented by the Ministry of Economic Development (MoED).** The MoED has established a Project Management Unit (PMU) consisting of a Project Director, Deputy Project Director, Financial Management Specialist, Procurement Specialist, a Safeguards Specialist, a Monitoring and Evaluation (M&E) Specialist and a Communications Specialist. All of these positions have already been filled with consultants meeting the required qualifications. Some of these consultants are jointly supporting other projects, however formal assurances have been obtained by the MoED that they will have the time to provide the required support for this project. The PMU will conduct the project with reference to a Project Operations Manual (POM) that will be drafted prior to first disbursement.

24. **A Project Steering Committee (PSC) will be established to periodically review project progress, coordinate activities and make decisions on implementation.** It will be chaired by the State Minister for Economic Development, with high-level representation from the MoF, NSPA, MPAO, President's Office (PO) and other stakeholders as will be specified in the POM. A Project Technical Committee (PTC) will also be formed comprising members from the above ministries, to review bids for contract work under the project, and technical outputs stemming from that work. A MoED officer will serve as Additional Project Director to handle any official sign-offs and chair the PTC.

25. **Given the current challenges posed by social distancing policies, the project will make use of online and mobile-based application technologies already prevalent in Maldives.** To complement the online *Jobcenter* portal, island council staff will provide backup assistance to citizens who cannot access to the Internet and assist with sensitization and communications campaigns mainly through electronic media, radio and television.



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