



Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

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**BASIC INFORMATION****A. Basic Project Data**

Country	Region	Project ID	Parent Project ID (if any)
Maldives	SOUTH ASIA	P179286	
Project Name	Maldives Competitiveness and Growth Project		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Finance, Competitiveness and Innovation	Investment Project Financing	3/5/2023	5/22/2023
Borrower(s)	Implementing Agency(ies)		
Republic of Maldives	Ministry of Finance		

Proposed Development Objective

The project development objective is to enhance private participation in State-Owned Enterprises and competitiveness of small and medium enterprises.

Financing (in USD Million)	Amount
Total Project Cost	15.00

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

Country, Sector and Institutional Contexts and Relationship to CPF:

Maldives is a small island developing state (SIDS) and an upper-middle-income country with a robust growth trajectory prior to the COVID-19 pandemic. Though the three-month border closure during COVID-19 had significant adverse impacts on tourism and the economy, following the sustained rebound in tourism, the economy grew by 41.7% in 2021 and continues to show steady recovery in 2022. However, the Balance of Trade is perpetually unfavorable for Maldives since it imports nearly all consumer goods; and fiscal and debt vulnerabilities have greatly increased since 2019. In addition, domestic labor supply does not satisfy the industry demand in terms of skillset and



firms depend heavily on foreign labor. While the Government has made considerable progress in implementing policy reforms, more needs to be done to sustain past gains and accelerate economic growth.

Given the ongoing fiscal vulnerabilities, the Government aims to reinvigorate its delayed SOE reform program. This includes: (i) pursuing private participation in SOEs where feasible; (ii) dissolution of nonviable SOEs; (iii) injecting more discipline in the management of SOEs through implementing deeper program and corporate governance reforms; and (iv) subsidy reform.

In addition, small and medium enterprises (SMEs) face a volatile operating environment and are subject to many challenges that can be mitigated by enhancing firm capabilities and resolving finance market issues. These challenges include, inter alia, high vulnerabilities to exogenous shocks such as COVID-19; diseconomies of scale which limits firms' ability to establish comparative advantage; dysfunctional market structures; high transportation costs; limited natural resources; and competition with SOEs.

The project is anchored in the Government's Strategic Action Plan (2019–2023) that puts forward several reforms to facilitate a conducive business environment for trade, investments, and economic diversification. In addition, the project conforms to the priorities of the FY23-27 Country Partnership Framework (CPF). The project's goals of supporting SOE reforms and SME competitiveness are consistent with the CPF's High Level Outcome 1 (HLO 1) Objective 1 on "Increasing Efficiency and Transparency in the Fiscal Space", HLO 2 on "Increased Access to Economic Opportunities", and HLO 2 Objective 4 on "Strengthening Overall Competitiveness". These HLOs and Objectives will be achieved through, inter alia, strengthening the investment climate, access to finance, and private participation. Further, the project aims to utilize digital technologies for enabling the provision of credit of SMEs, which aligns with the CPF's cross-cutting theme of "Fostering the Digital Economy to Promote Economic Transformation". The project will also advance the Green, Resilient, and Inclusive Development (GRID) agenda and address climate change in the Maldives by supporting climate resilience of SOEs and climate-smart financing for SMEs in the face of increasing natural hazards.

Summary Description of Proposed Project:

The project development objective is to enhance private participation in State-Owned Enterprises and competitiveness of small and medium enterprises.

The project components include: (1) Accelerating SOE Reforms; (2) Fostering SME Competitiveness; and (3) Project Management.

Component 1: Accelerating SOE Reforms (US\$7.0 million)

- Component 1.1: Increasing private participation in ownership of select SOEs – This Component will finance technical assistance activities such as the following: (i) support to a few SOEs to develop policies and business plans, identify specific private participation opportunities, publication in the Official Gazette, and listing on the stock exchange; (ii) support to on-board transaction advisors (including financial advisors) to advise on the private participation process; and (iii) assist in undertaking necessary technical evaluations and due diligence (environmental, social, legal, technical) of specific nominated SOEs to complement and support the work of the transaction advisors. To complement these activities, a communications program will be supported: this will involve the development of an



overall communications plan, a communications plan for each individual SOE as they are brought to market, active consultation with stakeholders, preparation of supporting materials, and establishment of a digital presence.

- **Component 1.2: Improving SOE regulations and governance at the program and corporate level** – This Component will finance technical assistance activities such as: (i) advise on the design and implementation of SOE laws and regulations and guidelines pertaining to, inter alia, establishment, scope and governance (including on matters related to energy efficiency and climate-resilience of new infrastructure), divestment and dissolution of SOEs, building on prior and recent recommendations made by the World Bank and other development partners; (ii) assist in capacity building of Government institutions engaged in owning and monitoring SOEs to improve overall governance of SOEs at the program level including fiscal management; (iii) advise on improved corporate governance plans and practices in select SOEs; and (iv) advise on increased private sector access to SOE procurement opportunities.
- **Component 1.3: SOE public service obligations (PSO) reform** – This Component will finance technical assistance that supports better targeting and accountability of operating subsidies and price and tariff subsidies. In the case of tariff and price subsidies in respect of PSOs, a core objective is to ensure that the most vulnerable populations are protected through targeting, while SOEs are transparently compensated for the cost of these PSOs to ensure their accurate financial accountability. The Component will also finance activities aimed at undertaking stakeholder consultations and communications.

Component 2: Fostering SME Competitiveness (US\$7.0 million)

- **Component 2.1: Digital Financial Infrastructure** – This Component would include support for: (i) the development of technology platforms to help collect secure SME business data from everyday touchpoints (transactions, income flows); (ii) incorporation of value-added business management features (such as predictive analytics and automated loan-reminders) in the technology platform to be used by the SMEs; (iii) establishment of a proprietary information sharing mechanism with the Credit Information Bureau (CIB) and financial institutions; (iv) the building of alternative credit scoring models based on transactions history and SME cash-flow; (v) the promotion of financial literacy and technology adoption to ensure robust collection of data; and (vi) the initiation of an extended consultation and TA program to support financial institutions' uptake of lending opportunities made possible by this fintech transformation.
- **Component 2.2: SME Growth Acceleration Program** – This Component will center around a structured, high quality, intensive business support program that will identify an agreed number of high potential SMEs (at least 50 over five years), with a special emphasis on women-owned/led SMEs and: (i) provide growth diagnostics; (ii) develop sustainable and climate-conscious action plans; (iii) offer performance-based TA from experts/mentors for structured management improvement; (iv) link to finance providers for additional finance; and (v) provide targeted capacity building support to local knowledge providers. Some support will be tailored, some provided in groups or cohorts. The program will also support the establishment and capacity building of local SME advisory networks and mentors.

Component 3: Project Management (US\$1.0 million)

- The primary implementing agency will be MoF. A dedicated Project Management Unit (PMU) will be established in MoF. The PMU will be responsible for carrying out project activities and conducting monitoring and evaluation, including: (i) preparing the annual work plans, budgets, and quarterly project reports for endorsement by the PSC; (ii) undertaking coordination, management, procurement, FM, communications, and environmental and social management activities under the project and related follow-up; (iii) carrying out the overall communications and dissemination of project information to key stakeholders including policymakers, SOE officials, private sector, and the public; (iv) monitoring and evaluation; and (v) reporting to the PSC, acting as its technical adviser, and liaising with



the World Bank team on any matters related to project progress and the use of the proceeds of the financing. A functional management information system (MIS) will be developed early in implementation.

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The project will have nationwide coverage, across the Maldives, supporting State Owned Enterprises (SOEs) that have a reach in all Atolls and extending support to Small and Medium Enterprises (SMEs) that can be located anywhere in the Maldives. While the exact locations of project targeted atolls and islands are not known at the concept stage. The project will not finance any civil works as part of its operation. Support from the project will focus on providing only technical assistance to reform SOEs and assist them in the privatization process via the requisite studies, legal reviews, and other such interventions. This preliminary list can be amended during project preparation and/or implementation. As per the project design the Bank will decide on what SOEs that the project will support via the project interventions. Such funding support will include support to these SOEs to develop policies and identify specific private participation opportunities; on-board transaction advisors to help manage the private participation process; and undertake necessary technical evaluations / due diligence (environmental, social, legal, technical) of specific nominated SOEs to complement and support the work of transaction advisors where applicable. The locations that SOE interventions are based for which Technical Assistance have central operations based out of Male and Hulumale. Assets that these known SOEs operate are located in various inhabited and uninhabited islands, such as airport islands and industrial islands, across the Atolls.

Support to the SME sector via Component 2 will focus on supporting SMEs and High Growth Firms (HGFs). The component will support technical analysis better management of businesses. The SMEs targeted can be from any sector and operate from anywhere in the Maldives. Further details on targeting of Atolls and/or specific sectors will be known during project preparation. In 2013, the Government of Maldives enacted an SME Act that defined SMEs in the country. As of June 2022, 853 small and 134 medium enterprises are registered. The Maldivian SME sector mostly participate in Retail Trade and are based a majority in the Central Atolls around Male.

In terms of geography, Maldives is an island nation in the Indian Ocean oriented North-South off India's Lakshadweep Islands. It consists of 1,192 coral islands grouped in a double chain of 26 atolls, with a total land area of approximately 300 Km², with islands varying in size from 0.5 Km² to 5.0 Km². The country's atolls encompass a territory spread over roughly 90,000 Km², making it one of the world's most geographically dispersed countries. Over 200 of the 1,192 islands in the Maldives are inhabited by the country's population, with an average of 5-10 islands in each atoll being inhabited islands. Generally, inhabited islands have infrastructure such as housing, roads, and other facilities built in. A significant number of uninhabited islands in each atoll have also been converted to resorts and tourism facilities, and some even house infrastructure such as industrial facilities and airports. The Capital, Male is the most populous city in the Republic of Maldives, housing a population of around 133,412 individuals and an area of 9.27 square kilometer.

D. 2. Borrower's Institutional Capacity

The primary counterpart will be the MoF that has implemented World Bank projects and are familiar with World Bank policies and procedures. In the past the MoF has been the implementing agency for projects on PFM strengthening and Technical Assistance that have used the Bank's former Environmental and Social Safeguard Policies. Experience



on ESF implementation however has been limited and will require additional capacity strengthening and support, while basic understanding does exist due to capacity building initiatives that have captured MoF and the Privatization and Corporatization Board and/or State Shareholding Department staff as well.

A dedicated Project Management Unit (PMU) housed in the MoF will include the following capabilities: Project coordination, procurement, financial management, the environmental and social framework communications, monitoring and evaluation, and technical advisors for specific topics. PMU staff could be newly hired or reassigned from (or shared with) existing projects. Retroactive financing for advance hiring of critical PMU positions will be permitted. An Environmental and Social Officer has already been assigned in MoF and led the preparation of project ESF instruments. Significant capacity building measures will have to be embedded in the project for these agencies to develop due diligence procedures, implementation, and monitoring mechanisms. The project's Environmental and Social Commitment Plan (ESCP) and Stakeholder Engagement Plan (SEP) includes an agreed set of capacity building activities targeted to project beneficiaries (SOEs as well as SMEs) on operational environmental and social management.

II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Moderate

Environmental Risk Rating

Moderate

The environmental risk of the project is rated as Moderate at project appraisal. While the nature and magnitude of the potential environmental risks and impacts associated with the project interventions are expected to be low the risk is elevated due to the limited capacity and experience of the implementing agency with implementing environmental due diligence when working on projects. Project activities which will focus on technical assistance and support to both SOEs and SMEs are not expected to have large-scale or significant environmental impacts due to the following. Component 1 of the project will only support SOEs on technical interventions associated with the management and legality of the privatization process and will not support feasibility studies, design studies or other interventions to support the capital expenditure or planned capital expenditure of SOEs. Component 2 will support the development of financial technology platforms for SMEs and establish advisory services for SMEs focusing on High Growth Firms (HGFs). The development of digital platforms will support the purchase of equipment for operation but will not finance any support to civil works associated with the expansion of SME operations of new startups nor the purchase of equipment. In line with the project interventions the main risks associated with Component 1 have no major environmental concerns but more the need for management of residual risks if identified during project implementation associated with SOEs. The need to ensure that the SOEs are supported to ensure adequate provision of environmental risk mitigation into SOE operational processes in line with the ESF and National Regulations for the Maldives to ensure any future interventions via the project will help mitigate this risk. Component 2 will support equipment purchasing for the development of financial digital platforms. These will include risks such as the generation of waste, including e-waste and hazardous waste when equipment are disposed over the useful life cycle, occupational health and safety (OHS) during operations of IT Equipment, may include potential risks associated with minor burns due to units overheating, shorts and potential risks of fire especially during operation of servers. Such impacts will need to be managed via guidelines and communications on use as per operating manuals and safety instructions. The MoF has demonstrated fair capacity of successfully implementing safeguards and the ESF. While the



Environmental laws and due diligence procedures in the Maldives are robust, there will be a need to support project specific capacity building as the capacity and experience of implementing due diligence in line with ESF, especially ESS1 and ESS4 are limited. The MoF also do not have inhouse expertise for environmental management.

Social Risk Rating

Moderate

The social risks associated with the project is rated as 'Moderate' at the appraisal stage mainly due to the uncertainty around stakeholder reactions to SOE reform and existing social issues associated with SOE operations. On the other hand, the Project is expected to bring positive social impacts including economic benefits from the improved performance of the SOE and SME sectors including skills and knowledge transfers that will generate positive productivity spillovers and women's economic empowerment. As activities under the project is expected to finance mainly technical assistance & capacity building through component 1 and support development of financial digital platform and advisory services for SME sector through component 2, adverse social impacts from project interventions are not expected. However, the key social risks associated with project activities will include: i) risks of resistance & opposition to SOE reforms from stakeholders (i.e. SOE officials, their workers, unions, public and other interest groups) due to various concerns such as fears from the public that increased private ownership will lead to increased costs and reduction in services, from workers on the impacts on their future employment with the SOEs, concerns regards the rational for identifying certain SOEs over others etc. ii) concerns related to land ownership issues during private participation including legacy issues associated with land (e.g. existence of squatters) ; and under component 2: iii) exclusion of eligible High Growth Firms (HGFs) due to lack of fair selection criteria & processes including transparency in the selection of SMEs to receive support from the SME Growth Acceleration Program.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

Sub component 1.1 will finance: (i) technical assistance to support the Government's efforts to develop supporting policies, (ii) transaction advisors (in collaboration with IFC and other stakeholders) to help manage the private participation process, and (iii) necessary technical evaluations/due diligence of specific nominated SOEs in the environmental, social, legal, and technical areas to complement and support the work of transaction advisors. This approach will allow for the involvement of multilateral agencies such as IFC and the ADB in transaction mandates. This preliminary list can be amended during project preparation and/or implementation. There will be no support to feasibility studies or support to ongoing capital expenditure or financing to augment or support ongoing operations of these SOEs.

It is expected that potential issues that may arise when dealing with SOEs in the Maldives that will need to be managed via environmental and social (E&S) due diligence measures in line with the ESF and national laws include the following legacy issues , if identified during project implementatoon associated with the existing assets . These can range from minor issues around management of liquid, solid and gaseous emission and waste in factories to inadequate occupational health and safety. There is also the need for building capacity within SOEs to ensure they follow a robust social & environmental due diligence process to mitigate any associated social & environmental risks associated with the proposed reforms and privatization for each of the SOEs. For example, as part of the diligence



process, social risk assessments would assess likely legacy as well as current and future risks associated with land use and labor. In regards to labor, risk assessments will help to gauge potential risks/impacts leading to retrenchment and ensure adequate provisions of risk mitigation measures/actions are in place. In addition, E&S risk assessments will identify business activities of SOEs that can potentially generate adverse E&S impacts on the environment, present hazards to human health, or negatively affect local communities as a result of improper planning or low capacity for enterprise management. There is also a lack of associated environmental standards and monitoring by the EPA of SOE operations and thus the project interventions and support on ESF capacity building will also focus on supporting the EPA on strengthening their capacity on due diligences processes and implementation of state/international financed projects that SOEs will have to follow.

Component 2 focuses on creating Competitive Markets for SMEs. Sub-component 2.1 and Sub-component 2.2 will finance technical support, development of financial technology platforms for SMEs and establish advisory services for SMEs focusing on High Growth Firms (HGFs). The development of digital platforms may involve procurement of digital equipment including hardware such as servers for government agencies which may not already have these. The procurement, use, and disposal of this equipment will lead to the generation of E-waste that can be managed via protocols and arrangements to ensure that sound management is undertaken in line with the regulations of the Maldives Waste Management Department, Environmental Protection Agency, and in line with Good International Industry Practice (GIIP). An E-Waste Management Plan will be prepared once the nature and typology of equipment to be purchased will be finalized by the project.

The Implementing Agency has prepared, in line with the World Bank's ESF an Environmental and Social Commitment Plan (ESCP). The ESCP outlines all requisite capacity building measures for project implementing agency and other entities, such as project supported SOEs and SMEs that will have to be undertaken during the project life cycle to augment gaps identified on the implementing capacity and experience of these entities.

The project will develop an Environmental and Social Guideline to be included into the project's Operations Manual to guide the process of E&S due diligence to be followed for TA activities under Component 1 and the processes and technical guidance to be followed during the development of digital platform and advisory services for SMEs under Component 2. This E&S Guideline in the project Operations Manual would contain sub-project and TA associated eligibility criteria and exclusion list and guidance on designing assessment and mitigation measures in accordance with relevant ESSs. An exclusion list, including projects that have significant environmental impacts according to the national legislation concerning the Environmental impact assessment and projects listed in the IFC excluding list and those deemed by the Environmental Protection Agency of the Maldives will be prepared and will part of the projects Operations Manual. The Manual will be prepared over the course of project implementation. Specific measures for strengthening E&S capacity of teams within SoEs under this project will also be integrated into the project design and Operations Manual. In addition, for TA activities, the E&S Guidance Manual will provide guidance on measures to incorporate reference to the E&S Standards in Terms of References (TORs) to ensure that activities and outputs are consistent with the ESF. Labor Management Procedures and a Stakeholder Engagement Plan have also been prepared .



ESS10 Stakeholder Engagement and Information Disclosure

In regard to stakeholder engagement and communications, for activities under component 1, inadequate consultation and stakeholder engagement and lack information disclosure & transparency in the SOE reform processes could create and increase resistance & opposition from the key stakeholders such as from SOE officials, workers, unions, even the public and other interest groups. Therefore, the SEP includes a mapping of the key stakeholders and plan to engage them in targeted consultations and communication activities to address specific concerns of different stakeholder groups. In addition, the project will support the communication and dissemination of information to key stakeholders including policymakers, SOE officials, private sector, and the public. The requirements and measures for the protection framework/policy for SOE workers affected by privatization reforms' will be widely consulted with and communicated to stakeholders. Furthermore, under component 2, there could be risks associated with the exclusion of eligible SMEs benefiting from SME Growth Acceleration Program the due to lack of information disclosure and transparency in the selection procedures. Therefore, the SEP will also detail out the communications strategy for the SME Growth Acceleration Program.

The project will adopt a coherent approach to engage stakeholders given the many concerns the project stakeholders could raise especially under component 1 focusing on reforming SOEs. Stakeholders such as policy makers, SOE officials, investors, workers, unions, suppliers, the public and other interest groups could resist and oppose SOE reforms if there is inadequate consultation and stakeholder engagement and lack of information disclosure & transparency in the SOE reform processes. For example, SOE workers will be concerned about losing their jobs including possible revisions to their employment terms and conditions, public will be concerned in general about loss of sovereignty and with such loss of risks leading to a decline in service and an increase in prices, investors will be concerned about future liabilities of their investments including environment and social issues associated with SOEs etc. The SEP will also detail out a plan to disclose and communicate project information to ensure transparency in the SOE reform processes. The project will also finance the development of SOE private participation policy that will address stakeholder concerns (related to labor, environment, land ownership, etc.) and private participation policy will be publicly disclosed and used as a guide to educate and engage stakeholders.

Under component 2 focusing on creating competitive markets for SMEs, the project will engage with multiple stakeholders and create networks to reach out to eligible SMEs and support systems. Selected SMEs will receive TA from experts/mentors through the local SME advisory networks established supported by the project. Hence participating SMEs will have access to international knowledge networks, expert advisors, and other potential services needed for their growth. Therefore, the stakeholder engagement activities under component 2 will be planned and implemented in such a way to build networks to reach out to SMEs and also create support systems. In addition, a communication campaign will be implemented to make SMEs aware about technology platforms available to secure SME finance and access SME advisory networks.

The project will utilize surveys to obtain feedback from project stakeholders and beneficiaries. Surveys will be conducted to receive feedback from a) SOE union representatives and SOE workers in regards to the satisfaction of the reform policies that address stakeholder concerns and from b) SME representatives and their staff to assess satisfaction of the digital financial infrastructure platforms and advisory services provided. A project GRM will also be made operational to promptly respond to complaints of stakeholders. The project GRM will be designed in such a way to respond to both issues and concerns related to the SOE reform and SME sector growth activities. GRM data will also be analyzed regularly to understand the key concerns of stakeholders, and utilize the learnings for necessary



course correction. In addition to the two satisfaction related beneficiary feedback (BF) indicators, a BF indicator to measure percentage of Grievances addressed (within two weeks) will be included for reporting.

Consultation with key stakeholders have already commenced during the two joint World Bank / International Finance Corporation (IFC) missions held from May 28 to June 3, 2022 and November 20–24, 2022. The objectives of the missions were to discuss the project design including the proposed interventions, implementation arrangements, procurement, financial and ESF requirements and agree on the next steps to commence the preparatory work. During the consultations, the mission met with key counterparts from the Ministry of Finance (MoF), Ministry of Economic Development (MoED), Maldives Monetary Authority (MMA), Capital Markets Development Authority (CMDA), Maldives Stock Exchange (MSE), Ministry of National Planning Housing and Infrastructure, Privatization and Corporatization Board (PCB), Business Centre Corporation (BCC), SME Development Finance Corporation (SDFC), Maldives Fund Management Corporation (MFMC), State Trading Organization (STO), Male' Water and Sewerage Company, Housing Development Corporation, Maldives Airports Company Limited, Maldives Ports Limited, Bank of Maldives (BML), Maldives Finance and Leasing Corporation (MFLC), Housing Development Finance Corporation (HDFC), USAID, SME and Entrepreneurs Federation of Maldives (SEFM), selected commercial banks (conventional and Islamic), and private sector leaders. During the preparation of the SEP, additional consultations will be conducted and throughout project implementation following the activities detailed in the SEP.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

ESS2 is considered relevant for the project. Accordingly, a Labor Management Procedures (LMP) will be prepared in proportionate to the nature and the types of risk and impacts of the Project in line with the requirements of ESS2 and disclosed before Project commencement. The requirements and measures for the protection framework/policy for SOE workers affected by privatization reforms' will be included in the LMP. Thus the LMP will provide necessary inputs to the private participation plans that will be developed for the SOEs. The LMP will also have a separate grievance mechanism to address any labor issues for project workers including SEA/SH incidents.

The project workforce will include: (i) direct workers, mainly the staff of the dedicated Project Secretariat, MoF, other supporting partner line ministries/agencies (e.g., MoED, MMA, PCB), selected SOEs & SMEs, (ii) Government workers with the MoF, other supporting partner line ministries/agencies (e.g., MoED, MMA, PCB) & selected SOEs involved in project implementation and supervision activities, (ii) Contracted workers, mainly consultants/experts hired to prepare necessary policies, carryout due diligence activities and provide technical advice on SOE reforms and SME development work, , and iv) primary supply workers providing digital infrastructure . Community workers will not be involved since the project is not expected to have any community driven development type interventions.

All direct, contracted, and primary supply workers will be subject to the requirements of ESS2, such as compliance with the national regulations pertaining to terms conditions of employment; principles on non-discrimination and equal opportunity; establishment of workers' organizations; rules prohibiting child labor and forced labor; and measures to ensure OHS issues around use and operation of IT equipment, ranging from ergonomics to risk of burns



etc. if not properly operated at the worksite. Government civil servants involved in the project will be bound by their existing public sector employment agreement or arrangement, hence the provisions under this LMP will not apply to such parties. Nevertheless, their health and safety will be considered. The potential risks associated with labor and working conditions, including OHS and the corresponding provisions of ESS2 that will apply to all workers, will be determined when carrying out the required E&S due diligence measures at the time of identification and screening of SOEs and during selection of SMEs. E&S due diligence measures will also assess and identify legacy as well as present and potential future issues associated with labor and land with the selected SOEs.

ESS3 Resource Efficiency and Pollution Prevention and Management

Transaction advisory support targeting SOEs under Component 1 may entail technical assessments, which are likely to include providing guidance on operational improvements and enlargements including the need for greater resource efficiency. The project will review and ensure privatization documents include eco-efficiency and climate friendly modernization interventions for future growth and development.

Component 2 may entail the procurement of IT-related equipment such as servers, which may lead to the generation of e-waste when equipment is disposed of at the end of its useful life. As there are efforts to tackle hazardous waste management e.g., National Solid Waste Management Policy; UNDP+GEF's Eliminating POPs through sound management of chemicals; AIIB+ADB's Greater Male Waste-to-Energy Project, standards for management of hazardous waste are parallelly being drawn up for the country, which includes E-Waste. Good International Industry Practice (GIIP) and criteria for equipment manufacturers/distributors for the management of e-waste, including the transport of decommissioned systems out of the country will be reflected in the provisions of procurement contracts with suppliers and contractors within the project. These will include measures such as a buy-back arrangement with equipment suppliers. The MOF will develop a stand alone E-waste Management Guideline, which outlines the measures that can be taken such as buy-back arrangements with e-waste vendors that will supply the products via the procurement process, and recycling and resource recovery measures. The Guideline will be prepared when the nature and typology of IT equipment is finalized during the 1st year of project implementation. The World Bank and GoM via the ongoing Digital Maldives for Adaptation, Decentralization and Diversification Project (P177040) has developed a standard E-Waste Guideline in accordance with ESS3 which will be used as a base guideline to prepare the projects guideline for e-waste management.

ESS4 Community Health and Safety

This standard remains non relevant at the appraisal stage. Since no construction or infrastructure development activity is envisaged under the project and/or as a result of the proposed interventions, nor will there be support to any SOEs or SMEs for the purchase of machinery and or equipment, project activities are not expected to cause risks and impacts to local communities. As project activities such as the set up of IT Equipment ,such as servers will be



within existing buildings, it is not expected that local community health or safety will be negatively impacted by any activities. It is also not expected that project activities will directly lead to a influx of labor in to local communities. No legacy issues linked to community and health safety associated with selected SOEs have been identified at appraisal,; as part of the E&S Guidelines, all subprojects will be screened against relevant aspects of ESS 4 and if any issues are identified, mitigation measures will be recommended and ESS4 will be considered relevant the E&S Guidelines will be updated to reflect any necessary mitigation measures.

As the ESF also applies to the technical assistance being provided, all studies undertaken under Component 1 will consider all the ESSs including ESS4, and provide recommendations for mitigation.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

The standard is considered relevant at Appraisal Stage. Activities under the project are not expected to create any adverse social and resettlement impacts due to acquisition of land. The project is expected to finance technical assistance & capacity building activities under component 1 and developing of financial digital platforms & SME advisory services under component 2.

However, the project will conduct a feasibility study as part of the due diligence process for SOEs under component 1 to assess possible options including risks and provide recommendations to allow foreign investors to own shares in SOEs that own land. For example, at present, the Government is not able to maximize the fiscal proceeds from increasing private participation because present Land Laws do not allow foreign (retail, financial and strategic) investors to own shares in SOEs that own land. A potential solution would be for the Ministry of Finance to “buy” the Land from the SOEs and then “lease” it back to the SOE at market rates on long-term (e.g., 99 year) renewable leases. However, a thorough feasibility study has to be conducted before such a methodology is adopted.

Therefore, as part of ESF support to the project, technical inputs will be provided to conduct the feasibility study to explore possible options, assess risks & mitigation measures and provide recommendations to allow foreign investors to own shares in SOEs that own land. The feasibility study will also include an investigation into the existence of legacy issues. Likely legacy risks including past and future risks associated with land use for SOE operations will be assessed during the due diligence study for SOEs. The project’s Operations Manual will include specific areas to be assessed as part of the due diligence activities that will be carried out for the nominated SOEs.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The standard is not considered relevant. Project activities are focused on technical assistance that will support privatization processes in SOE and Business management support to SMEs. This standard is not relevant at the concept stage as the project does not envisage any activities which have either direct or indirect impacts on biodiversity or any living natural resources areas. The E & S Guidelines that will present due diligence for all technical assistance activities will ensure that all activities identified as part of the technical assistance studies to be undertaken under the project are screened against an exclusion list to identify and eliminate exclude those activities



that could have an impact on natural habitats, biodiversity and living natural resources via the TA process if identified to do so.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

This standard is not relevant as there is no evidence suggesting the presence of Indigenous Peoples.

ESS8 Cultural Heritage

Subprojects under Component 1 and 2 will not involve risks or impacts on tangible or intangible cultural heritage.

ESS9 Financial Intermediaries

This standard is not relevant as the project will not provide credit through financing intermediaries. Component 2 will finance technical support, development of digital financial infrastructure platform for SMEs and establish advisory services for SMEs focusing on High Growth Firms (HGFs).

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways	No
OP 7.60 Projects in Disputed Areas	No

B.3. Reliance on Borrower's policy, legal and institutional framework, relevant to the Project risks and impacts

Is this project being prepared for use of Borrower Framework?	No
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Areas where "Use of Borrower Framework" is being considered:

The use of Borrower Framework is not being considered for the project. The project will comply with the World Bank's new Environmental and Social Framework (ESF) and its Environmental and Social Standards (ESS), and will also be subjected to the national and local permits and clearances as per the existing legal-institutional framework.

IV. CONTACT POINTS



The World Bank

Maldives Competitiveness and Growth Project (P179286)

World Bank

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Borrower/Client/Recipient

Borrower: Republic of Maldives

Implementing Agency(ies)

Implementing Agency: Ministry of Finance

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

Task Team Leader(s):	Suhail Kassim
Practice Manager (ENR/Social)	Robin Mearns Cleared on 02-Mar-2023 at 12:02:59 EST