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**The World Bank**

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Report No: PAD4297

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL GRANT

IN THE AMOUNT OF SDR 15.2 MILLION  
(US\$21.6 MILLION EQUIVALENT)

TO THE

REPUBLIC OF MALDIVES

FOR AN

ADDITIONAL FINANCING OF THE COVID-19 EMERGENCY INCOME SUPPORT PROJECT

January 5, 2021

Social Protection & Jobs Global Practice  
South Asia Region

This document is being made publicly available prior to Board consideration. This does not imply a presumed outcome. This document may be updated following Board consideration and the updated document will be made publicly available in accordance with the Bank's policy on Access to Information.

## **CURRENCY EQUIVALENTS**

(Exchange Rate Effective Nov 30, 2020)

Currency Unit = Maldivian Rufiyaa (MVR)

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MVR 15.36 = US\$1

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US\$ 1.43009 = SDR 1

## **FISCAL YEAR**

January 1 - December 31

Regional Vice President: **Hartwig Schafer**

Country Director: **Faris H. Hadad-Zervos**

Regional Director: **Lynne D. Sherburne-Benz**

Practice Manager: **Stefano Paternostro**

Task Team Leader: **Thomas Walker**

## ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
BML	Bank of Maldives
CAT-DDO	Catastrophe Drawdown Option
CERC	Contingent Emergency Response Component
CPF	Country Partnership Framework
E&S	Environmental and Social
ESMF	Environmental and Social Management Framework
FM	Financial Management
GDP	Gross Domestic Product
GoM	Government of Maldives
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
HDI	Human Development Index
IFC	International Finance Corporation
ISA	Income Support Allowance
IUFR	Interim Unaudited Financial Report
MoED	Ministry of Economic Development
MPAO	Maldives Pension Administration Office
MVR	Maldivian Rufiyaa
NCBP	Non-Concessional Borrowing Policy
NSPA	National Social Protection Agency
PDO	Project Development Objective
PMU	Project Management Unit
PPA	Performance and Policy Action
RVP	Regional Vice President
SCD	Systematic Country Diagnostic
SDFP	Sustainable Development Finance Policy
SDR	Special Drawing Rights
SPIS	Social Protection Information System

**Maldives**

**Additional Financing for COVID-19 Emergency Income Support Project**

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**BASIC INFORMATION – PARENT (COVID-19 Emergency Income Support Project - P174014)**

Country Maldives	Product Line IBRD/IDA	Team Leader(s) Thomas Walker		
Project ID P174014	Financing Instrument Investment Project Financing	Resp CC HSASP (9345)	Req CC SACMV (7034)	Practice Area (Lead) Social Protection & Jobs

Implementing Agency: Ministry of Economic Development

Is this a regionally tagged project?  No	
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Bank/IFC Collaboration  No
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Approval Date 09-Jun-2020	Closing Date 30-Jun-2022	Expected Guarantee Expiration Date	Environmental and Social Risk Classification Moderate
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**Financing & Implementation Modalities**

<input type="checkbox"/> Multiphase Programmatic Approach [MPA]	<input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input checked="" type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a Non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input checked="" type="checkbox"/> Responding to Natural or Man-made disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on, Enhanced Implementation Support (HEIS)

**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.

**Ratings (from Parent ISR)**

	Latest ISR
	14-Sep-2020
Progress towards achievement of PDO	HS
Overall Implementation Progress (IP)	HS
Overall ESS Performance	S
Overall Risk	M
Financial Management	S
Project Management	HS
Procurement	S
Monitoring and Evaluation	S

**BASIC INFORMATION – ADDITIONAL FINANCING (Additional Financing for COVID-19 Emergency Income Support Project - P175542)**

Project ID P175542	Project Name Additional Financing for COVID-19 Emergency Income Support Project	Additional Financing Type Scale Up	Urgent Need or Capacity Constraints Yes
Financing instrument Investment Project Financing	Product line IBRD/IDA	Approval Date 19-Jan-2021	
Projected Date of Full Disbursement 01-Apr-2022	Bank/IFC Collaboration No		
Is this a regionally tagged project? No			

**Financing & Implementation Modalities**

<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input checked="" type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a Non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input checked="" type="checkbox"/> Responding to Natural or Man-made disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on, Enhanced Implementation Support (HEIS)
<input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC)	

**Disbursement Summary (from Parent ISR)**

Source of Funds	Net Commitments	Total Disbursed	Remaining Balance	Disbursed	
IBRD				<div style="width: 0%; background-color: #ccc; height: 15px;"></div>	%
IDA	12.80	12.07	1.36	<div style="width: 90%; background-color: #4CAF50; height: 15px;"></div>	90 %
Grants				<div style="width: 0%; background-color: #ccc; height: 15px;"></div>	%

**PROJECT FINANCING DATA – ADDITIONAL FINANCING (Additional Financing for COVID-19 Emergency Income Support Project - P175542)****FINANCING DATA (US\$, Millions)****SUMMARY (Total Financing)**

	Current Financing	Proposed Additional Financing	Total Proposed Financing
<b>Total Project Cost</b>	12.80	21.60	34.40
<b>Total Financing</b>	12.80	21.60	34.40
<b>of which IBRD/IDA</b>	12.80	21.60	34.40
<b>Financing Gap</b>	0.00	0.00	0.00

**DETAILS - Additional Financing**



**World Bank Group Financing**

International Development Association (IDA)	21.60
IDA Grant	21.60

**IDA Resources (in US\$, Millions)**

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
<b>Maldives</b>	0.00	21.60	0.00	21.60
National PBA	0.00	21.60	0.00	21.60
<b>Total</b>	<b>0.00</b>	<b>21.60</b>	<b>0.00</b>	<b>21.60</b>

**COMPLIANCE**

**Policy**

Does the project depart from the CPF in content or in other significant respects?

Yes  No

Does the project require any other Policy waiver(s)?

Yes  No





**Environmental and Social Standards Relevance Given its Context at the Time of Appraisal**

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Not Currently Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Not Currently Relevant

**NOTE:** For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

**INSTITUTIONAL DATA**

**Practice Area (Lead)**

Social Protection & Jobs

**Contributing Practice Areas**

**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

**PROJECT TEAM****Bank Staff**

Name	Role	Specialization	Unit
Thomas Walker	Team Leader (ADM Responsible)		HSASP
Asif Ali	Procurement Specialist (ADM Responsible)		ESARU
Bernadeen Enoka Wijegunawardene	Financial Management Specialist (ADM Responsible)		ESAG2
Bandita Sijapati	Social Specialist (ADM Responsible)		SSAS1
Nadeera Rajapakse	Environmental Specialist (ADM Responsible)		SSAEN
Aishath Azfa	Team Member		SSAS1
Anita Lakshmi Fernando	Team Member		SACSL
Antonia T. Koleva	Team Member		HSASP
Gangadari Kamalalatha Ranawaka Ranawaka Arachchige	Environmental Specialist		SSAEN
Kamani Madhya Jinadasa	Team Member		SSAS1
Sankha Maldeepa Gamage	Team Member		SACSL
Shadiya Adam	Team Member		SACSN
Shanek Mario Fernando	Social Specialist		SSAS1
Sonya M. Sultan	Team Member		SSAS1
Srinivas Varadan	Team Member		HSASP
Thisuri Jinadhi Wanniarachchi	Team Member		HSASP
Vidya Venugopal	Counsel		LEGAS

**Extended Team**

Name	Title	Organization	Location
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## I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

### A. Background

1. **Maldives is an upper-middle-income country with gross domestic product (GDP) per capita of US\$10,331 in 2018.** Maldives has very low rates of poverty compared to its regional, income, and small island peers. It has sustained an average annual GDP growth rate of more than 10 percent over the last four decades, eliminating extreme poverty and performing well on human development indicators. Maldives ranks 101<sup>st</sup> out of 189 countries in the Human Development Index (HDI) for 2017, the second-highest HDI rank in the South Asia region after Sri Lanka.

2. **Despite its strong economic performance, the Maldivian economy remains dependent on a small number of sectors.** In 2018, tourism accounted for 20.2 percent of GDP, transport and communications 11.1 percent, construction 9.3 percent, and trade 9.0 percent. The importance of the foreign tourism sector is both a strength and a weakness. While the growth of tourism has largely driven the rapid rise in living standards in Maldives since 1980, it has also left the Maldivian economy highly exposed to external shocks. Fluctuations in tourist arrivals have direct and indirect impacts on other sectors and on the availability of foreign exchange, which in turn threatens fiscal sustainability. Periods of global recession, when tourist arrivals have fallen, have been particularly difficult for Maldives.

3. **The COVID-19 pandemic has caused significant job and income losses in Maldives.** Following an outbreak of the disease at a resort in March, the Government of Maldives (GoM) prohibited visitors from COVID-19-affected countries, ceased issuing visas on arrival, and stopped travel between resorts and local islands. A total curfew was imposed between mid-April and mid-June, and continuing measures include a night-time curfew and limitations on travel between islands. Although borders reopened to tourists in mid-July, tourist arrivals remained 90 percent lower between July 15 and November 30 compared to the same period in 2019.

4. **Support packages were introduced in April to incentivize private firms to retain their workers, but many firms dismissed casual staff and asked contract staff to take leave without pay or significant temporary pay cuts.** A recent study found that half of Maldivian workers have been affected by the COVID-19 economic crisis. Around one-quarter of workers surveyed had their contracts terminated, while the remainder had suffered significant pay cuts or were put on no-pay leave.<sup>1</sup> Self-employed workers have reportedly suffered significant losses of income as well, either because they are suppliers to restaurants, cafes, and resorts or as a result of drops in demand for their products and services due to social distancing and curfews.

5. **The Minister of Finance announced on April 1 that the GoM would pay a basic allowance to all workers for three months, and has since extended the program until December.** The Income Support Allowance (ISA) program is administered by the Ministry of Economic Development (MoED) and supports both formal and informal workers who were employed until or after December 1, 2019, and can demonstrate partial or total loss of income. The ISA provides a monthly cash transfer of up to MVR 5,000 (US\$320), which is deposited directly into the beneficiary's bank account. Applications for the program are lodged online at the GoM's Job Center (<https://jobcenter.mv>).

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<sup>1</sup> Ministry of Economic Development. 2020. *Rapid Livelihood Assessment – The Impact of the COVID-19 Crisis in the Maldives*.



## B. Original Project Objectives, Design and Scope

6. **The primary objective of the Maldives COVID-19 Emergency Income Support Project (P174014) was to assist the GoM to respond to the COVID-19 crisis by financing the ISA program.** The motivation was to protect affected workers from food insecurity and asset loss, discouragement, and erosion of human capital that would result from losing their incomes. Additionally, it was noted that many Maldivians had moved to Malé and surrounding islands from outlying atolls in search of better job opportunities. Because the cost of living in Malé is unsupportable without a regular income, these workers may be forced to return to their home islands without government assistance, and this in turn may discourage them from returning to employment once the crisis is over. This was seen as a particular possibility for women, who face greater barriers to finding employment and accommodation that are socially acceptable.

7. **The project also aimed to enhance the Maldives' social protection systems to improve responsiveness and resilience in the future.** While registration and payment systems had already been developed and were used to deliver the ISA program, the system had gaps and needed to be adapted to respond to the crisis. The project is providing technical assistance 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 responsive to future economic crises and disasters. This includes four activities:

- (a) Improvements to the Social Protection Information System (SPIS) of the National Social Protection Agency (NSPA) to enhance connectivity with other government databases. This will allow cross-validation of applications and data sharing and make it possible for island councils to collect and update data on beneficiaries of welfare programs.
- (b) Design of a new contributory unemployment insurance scheme, which will be implemented by the MoED. This will serve as a fiscally sustainable source of temporary income support for workers who lose their jobs or incomes in the future.
- (c) Reforms to the Maldives Retirement Pension Scheme and social and government pensions. This will ensure adequate income protection for the elderly and address design issues that create a fiscal burden and distort labor markets.
- (d) Development of a National Social Protection Framework. This will ensure broad-based and adaptive social protection coverage of Maldivians across their life cycle and improve coordination and data sharing between programs.

## C. Parent Project Performance to Date

8. **The parent project's performance to date is Highly Satisfactory.** This reflects the rapid and successful rollout of the ISA program under Component 1 and the progress of initiating activities under Component 2. The Project Management Unit (PMU) has been proactive in complying with all covenants, safeguards, monitoring and evaluation, and reporting requirements, and senior officials have displayed consistent support for the project. The total disbursement rate to date is 90 percent. The project has met the Project Development Objectives (PDOs) relating to Component 1 and is on track to meet the Component 2 objectives as well.



9. **The ISA program was launched publicly on May 13, 2020.** The MoED received 17,877 applications for income support for April, May, and June, from almost 6,000 individual applicants. The online portal (<https://jobcenter.mv>) has functioned without technical difficulties since its launch. For those without internet access, applications could also be submitted in hardcopy through local island councils. Of the 17,877 applications, 10,747 (60 percent) had been approved by the end of November 2020, for a total payout of US\$2.89 million.

10. **On August 9, 2020, reflecting the worsening employment situation in the country, the GoM announced an extension of the ISA program for July, August and September 2020.** Given the remaining funds in Component 1, the project was restructured on December 10, 2020, to allow these payments to be reimbursed.<sup>2</sup> With the extension of the ISA program beyond June, the GoM relaxed the requirement that the applicant needed to have been employed before March 1, 2020, and applicants employed before December 1, 2019 are now eligible. Given the increasing number of workers laid off after July, as well as the broader definition of eligibility, there was a surge in applications for July, August, and September (Table 1). As of the end of November, about US\$10.3 million had been disbursed by the GoM under the ISA program. Accordingly, the total payout for July, August, and September is likely to exceed the US\$12 million allocated under Component 1.

11. **The main constraint in the ISA program to date has been the MoED’s capacity to process applications.** Each application must be accompanied by documentation to support the claim of employment or income loss. The applications are reviewed individually by MoED officers, often requiring a phone call to the beneficiary or employer seeking further information. The PMU addressed the processing delays through system improvements and increased staffing, and the application processing time was reduced from 41 to 27 days by July 2020. A further 30 claims processing staff were hired by the project in October 2020 to handle the surge in applications for July, August, and September.

**Table 1. ISA Payments and Processing Status (as of November 24, 2020)**

	April	May	June	July	August	September
<b>Total applications received by job center</b>	<b>7,259</b>	<b>5,559</b>	<b>5,058</b>	<b>13,188</b>	<b>14,873</b>	<b>14,113</b>
No. of applications processed	7,248	5,555	5,054	10,870	11,076	7,332
<b>APPROVED</b>						
No. of applications approved for payment	3,854	4,027	3,871	9,593	9,783	6,057
Approval rate (% of processed)	53	72	77	88	88	83
Amount already approved for payment (MVR)	15,268,050	16,756,137	16,573,357	39,877,976	42,324,353	28,044,918
Average benefit per application (MVR)	3,962	4,161	4,281	4,157	4,326	4,630
<b>PROCESSING</b>						
Remaining applications to be processed	11	4	4	3,071	4,819	8,018

<sup>2</sup> The Level 2 Restructuring consisted of an amendment to the Financing Agreement to allow reimbursement of expenditures made under the revised ISA program gazette notification of August 9, 2020. No other changes were made to the project design or PDO.



	April	May	June	July	August	September
<i>Projected cost for applications in processing stage</i>	23,172	12,066	13,117	11,266,354	18,412,775	30,667,914
Total estimated cost (MVR)	15,291,222	16,768,203	16,586,474	51,144,329	60,737,128	58,712,832
Total estimated cost (US\$)	991,649	1,087,432	1,075,647	3,316,753	3,938,854	3,807,577
<b>Cumulative (US\$)</b>	991,649	2,079,081	3,154,727	6,471,480	10,410,334	14,217,911

12. **A beneficiary feedback survey conducted by the PMU in late September 2020 indicated that only 8 percent of beneficiaries were dissatisfied with the ISA program.** Most of these reported processing times as the source of dissatisfaction. However, the vast majority of respondents expressed appreciation for the Government’s support, which helped them meet their rental and food expenses. This indicates that the project has already had a substantial welfare impact, mitigating severe economic hardship as a result of the projected 20 percent contraction in the Maldives’ GDP for 2020.

13. **Component 2 has also commenced implementation.** Stakeholder meetings have been undertaken to finalize the terms of reference for the consultancies, and these have been approved in the Procurement Plan. Procurement has now begun for all four of the main consultancy contracts, and Component 2 activities are expected to commence by the end of 2020.

14. **Financial management (FM) and procurement.** Procurement and FM capacity were weak in the initial stages of implementation, slightly delaying the processing of the Procurement Plan and first Withdrawal Application. However, this has since been addressed with World Bank support. The Procurement Plan has been approved, and three contracts are under implementation. The reimbursement claims, including for the retroactive period, were submitted and approved, and the first Interim Unaudited Financial Report (IUFR) for Q1 FY21 (period ending September 30, 2020) has been submitted and approved. So far, altogether, three Withdrawal Applications have been approved and processed.

15. **Compliance.** The Environmental and Social Management Framework (ESMF) and other Environmental and Social Safeguards documents were disclosed on the MoED’s website<sup>3</sup> on May 17, 2020, in compliance with the Financing Agreement. Further, the Project Operations Manual was cleared by the World Bank and approved by the State Minister of Economic Development on July 29, 2020.

**D. Rationale for Additional Financing**

16. **The original objective of the project was to protect workers against losses to human capital and discouragement as a result of the crisis.** Given the continued high prevalence of infection worldwide, as well as in Maldives, hotels and resorts are forecasting weak demand through the peak northern winter season (December 2020—February 2021). Some have ceased operating, and many workers are now either on leave without pay or have been terminated. The employment impact of the crisis is likely to persist well into 2021.

17. **Given the strong demonstrated need for continued support to workers, and the solid performance of the program to date, the GoM has requested financial support to continue the ISA**

<sup>3</sup> <http://trade.gov.mv/news/income-support-allowance-program---world-bank-project-documentation17052020>



**program until at least December 2020.** This will ensure that workers continue to receive sufficient income to meet their rent payments and basic expenses. The Government has requested additional financing (AF) of US\$21.6 million. Since the final cost of the program depends on the number of approved applications, the amount needed may exceed this financing. Any excess costs would be financed directly by the GoM. Similarly, any funds remaining after payments for October, November, and December 2020 are made may be used for further extension of the ISA program (no later than the closing date) if the GoM observes continued economic difficulties.

18. **The additional financing is using the flexibilities provided under World Bank Policy for Investment Project Financing, paragraph 12: Projects in Situations of Urgent Need of Assistance or Capacity Constraints,** including preparation of the additional financing using condensed procedures and with a 40 percent retroactive financing ceiling. In addition, Management approved an exception to the World Bank IPF Policy to process the AF despite the project not having been under implementation for more than 12 months.

## II. DESCRIPTION OF ADDITIONAL FINANCING

19. **The proposed AF will be applied entirely to Category 1 to cover the cost of extending the ISA program (Table 2).** No changes are to be made to the design of the ISA program, its intended beneficiaries, or the implementation arrangements. The PDO will remain unchanged, as will the project components, activities, and closing date. To reflect the scale-up, the final targets for the core PDO indicators (number of beneficiaries and number of female beneficiaries) have been increased. New indicators have also been added to capture the number of person-months of support provided and the number of female self-employed beneficiaries (the rationale for which is discussed in the following paragraphs).

**Table 1. Revised Allocations by Component (US\$, millions)**

Component	Original Financing		Proposed Additional Financing		Proposed Total Financing		
	IDA Credit	IDA Grant	IDA Credit	IDA Grant	IDA Credit	IDA Grant	Total
1. Temporary assistance to workers affected by the COVID-19 pandemic	6.40	5.60	—	21.60	6.40	27.20	33.60
2. Strengthening social protection delivery systems and institutions	—	0.80	—	—	—	0.80	0.80
3. Contingent Emergency Response Component (CERC)	—	—	—	—	—	—	—
<b>TOTAL AMOUNT</b>	6.40	6.40	-	21.60	6.40	28.00	34.40

20. **No further procurement is envisaged beyond the existing approved Procurement Plan.** As mentioned earlier, retroactive financing of up to 40 percent of the AF amount will be available as provided for under Paragraph 12 of World Bank IPF Policy, ‘Projects in Situations of Urgent Need of Assistance or Capacity Constraints’. Since applications for October, November, and December 2020 have just been



opened, and a few weeks are needed for processing and payment, it is anticipated that the amount disbursed before signing would be less than the 40 percent allowable for retroactive financing.

**21. The female labor force participation rate is only 46 percent, compared to 77 percent for men.<sup>4</sup>**

In addition to their lower rates of labor force participation, one in four working women is self-employed or employed in an informal family enterprise, compared to only 13 percent of men.<sup>5</sup> Often this is to allow them better flexibility to manage their prescribed domestic and childcare responsibilities. Accordingly, women make up 56 percent of the self-employed workers in Maldives. A recently published report anticipates that loss of employment due to COVID-19 may push self-employed women out of the labor force permanently.<sup>6</sup> As described earlier, the ISA can help women remain in the labor force through the crisis, but the absence of formal contracts, lack of documentation, and the informal nature of their work make it more difficult for informal female workers to prove income loss and apply for the ISA. Under the project, the PMU will therefore encourage and assist women in self-employment to apply for the ISA in the following ways:

- (a) Targeting outreach and communications to women and self-employed workers.
- (b) Tailoring support services for female self-employed workers to help them apply, including training island council officials to support these workers with their applications and publicizing the ISA support hotline.
- (c) Providing flexibility in documentation requirements to be eligible for income support. Specifically, self-employed workers can provide documentation such as receipts and letters from customers or the council. Communications and outreach programs will publicize this.

**22. These activities measured by this indicator will ensure that the MoED prioritizes making the ISA available to female self-employed workers to ensure they remain in the workforce.** The data for this indicator will be obtained from the JobCenter portal. To satisfy the gender-tagging requirement, an additional PDO indicator—“Beneficiaries of social safety net programs - self-employed female”—will be added to the Results Framework.

**23. The scale-up of the ISA program under this AF supports Pillar 2 of the World Bank’s COVID-19 Crisis Response Approach Paper, ‘protecting the poor and vulnerable’.** The ISA program is open to informal and self-employed workers as well as formal workers, and 21.4 percent of applicants were self-employed as of September 2020. The ISA raises workers’ incomes to a minimum of MVR 5,000 (about US\$320) per month and tapers so that those still earning more than MVR 5,000 do not receive support. This makes the allowance highly progressive. Further details on how the project supports the World Bank’s response to the COVID-19 crisis are included in Annex 1.

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<sup>4</sup> National Bureau of Statistics. 2020. “Household Income and Expenditure Survey 2019: Employment Indicators.” <http://statisticsmaldives.gov.mv/nbs/wp-content/uploads/2020/09/Employment-Indicators-Infographics-v3.pdf>.

<sup>5</sup> National Bureau of Statistics. 2016. “Household Income and Expenditure Survey 2016 Data Tables.” <http://statisticsmaldives.gov.mv/nbs/wp-content/uploads/2020/09/HIES2019-EA1-EA12-Tables.xlsx>.

<sup>6</sup> Moosa, S., M. Suzana, F. Najeeb, R. Abdul Raheem, A. Ibrahim, F. Riyaza, and S. K. Usman. 2020. *Preliminary Report: Study on socio-economic aspects of Covid-19 in the Maldives (Round One-May 2020)*. Maldives National University.





### III. KEY RISKS

24. **The overall risk to achieving the PDO is Moderate.** This reflects high macroeconomic risk and moderate political and governance and institutional capacity risks. To address this uncertainty and increase the chance of achieving the project's expected outcomes, the project's design has been kept simple and streamlined by adopting a focused development objective, targeted interventions, and limited time frame for implementation. The risks have been downgraded in part due to the strong track record of the PMU in implementing the ISA program over the previous months, as a result of which, there is a high likelihood of all of the PDO indicator targets being met by the project closing date.

25. **The macroeconomic risk is High.** Maldives is highly vulnerable to macroeconomic shocks due to its small size, lack of economic diversification outside tourism, and heavy reliance on imports. As the crisis has deepened, so has the impact on the Maldives economy. Maldives faces a high risk of external debt distress and a heightened overall risk of debt distress. Maldives is also exposed to external exogenous risks, such as a worsening global downturn, global commodity price shocks and shortages, and deteriorating investor sentiment. While these factors pose little risk to the implementation of Component 1 activities (which are fully financed through the project and have continued without interruption thus far), there remains a residual risk that Component 2 activities—which are mainly of the nature of policy design and advice—may not lead to lasting change due to further worsening of the country's economic situation. Specifically, a tightening fiscal position could limit the GoM's ability to fund the social safety net programs designed and recommended through the work of Component 2.

26. **As an IDA-eligible country, Maldives is subject to the Sustainable Development Finance Policy (SDFP), which became effective as of July 1, 2020.** The SDFP aims to incentivize IDA-eligible countries to move toward transparent and sustainable financing and promote coordination between IDA and other creditors. The SDFP framework builds on the lessons learned during the Non-Concessional Borrowing Policy (NCBP) implementation and adapts to the new debt and creditor landscape. Under both NCBP and SDFP, Maldives, being at high risk of external and overall debt distress, is subject to a zero non-concessional external borrowing ceiling. As of November 2, 2020, the FY21 Performance and Policy Actions (PPAs) of Maldives under the SDFP have been approved by IDA's senior management. One of the three PPAs approved was zero non-concessional borrowing limit on external public and publicly guaranteed debt. Implementation progress of the PPAs will be assessed by May 2021. The World Bank team is working closely with the GoM to help address the fiscal and debt sustainability issues.

27. **The political and governance risk is downgraded from Substantial to Moderate.** The present crisis raises the prospect of political pressures associated with lockdowns, global uncertainty, and financing. The ISA program will be concluded in a relatively short period and will not require sustained policy commitment. On the other hand, the consultancies under Component 2 will require a sustained commitment to develop and implement. To mitigate this risk, the project will rely on regular consultation and broad buy-in, and the Project Steering Committee includes representatives from all the key stakeholders.

28. **There is also a moderate risk stemming from institutional capacity.** This has been revised down from Substantial in the parent project. The MoED has faced some initial hurdles in implementation as a result of its inexperience in implementing World Bank projects, but the leadership of the MoED and the



PMU have demonstrated commitment and resourcefulness during the first few months of implementation. This has been complemented by close attention paid to the project by the World Bank task team.

#### IV. APPRAISAL SUMMARY

##### A. Economic Analysis

29. **The AF extends the ISA program established under the parent project.** The worsening virus and economic situations since June were anticipated but not known at the time of the parent project preparation. Employers in Maldives, especially those in or connected to the tourism sector, will face ongoing challenges until at least mid-2021 due to COVID-19. Although the GoM introduced an Economic Relief Program at the outset of the pandemic with concessional loans for businesses, scope for further financial support to firms is limited by the country's fiscal situation. Formal sector workers therefore face continued leave without pay or even retrenchment, as resorts remain closed and, in some cases, wind up operations. Informal and self-employed workers, many of whom are dependent on the tourism sector for their incomes, are also likely to face an extended period of low income.

30. **For this reason, the rationale laid out in the parent project remains applicable to this AF.** Specifically, the ISA will reduce the risk of affected workers adopting negative coping mechanisms (such as pawning of productive assets, forced relocation, and taking children out of school) and protect their human and intangible capital. This is especially true of young and female workers in Malé, who in many cases have moved there from outlying atolls and pay high rents to live near job opportunities. A survey of ISA beneficiaries highlighted the positive impact that the project has had on their lives. Zahida, 30, worked at a concession at Malé's Velana International Airport. She was put on no-pay leave from her job in April. "[The ISA] helped me to pay my rent," she said in an interview with the project team. "Without the allowance, I cannot afford to live in Malé ... and [would] have to return back to my island." Women in Maldives face considerable barriers to working, including social pressures and difficulties finding suitable accommodation away from family. Such a setback could plausibly prevent women like Zahida from returning to their jobs after the crisis has passed.

31. **The economic analysis in the parent project's Project Appraisal Document lays out the potential value of a temporary cash transfer in protecting workers against longer-term impacts to their employment and earnings capacity.** International evidence shows that unemployment spells have a significant negative impact on wages upon reemployment as well as lifelong earnings. This was demonstrated in the case of the ISA, which had an estimated benefit-cost ratio of 3.3 for the original three months of support. Even without reducing the 'post-crisis without cash transfer' discounted lifetime income (which would now be lower due to the continuation of the crisis), the six-month extension of the program made possible by this proposed AF will still achieve a cost-benefit ratio of close to 3.<sup>7</sup> This is likely a significant underestimate, since it ignores the costs to employers of finding new employees once the

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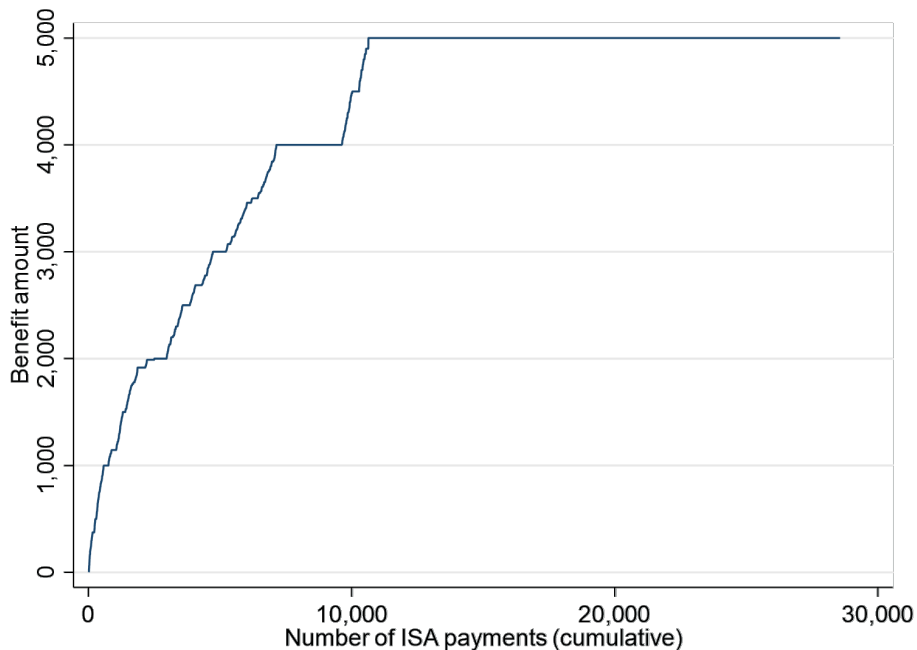
<sup>7</sup> The AF of US\$21.6 million (MVR 332.64 million) will pay for up to 74,000 person-months of support at an average of MVR 4,500 per person per month. With the current caseload of 12,000, this equates to just over six additional months. To the earlier estimated benefit of the program (MVR 41,474 increase in discounted lifetime earnings), the cash transfers are added and scaled up by a multiplier of 1.2 to get a net positive impact of MVR 68,474. This amounts to MVR 986 million for the 12,000 workers altogether, for a benefit-cost ratio of 2.96.



crisis has passed and the indirect social costs of the dislocation of 10 percent of the workforce (most of whom are younger Maldivians).

32. **The ISA benefit is capped at MVR 5,000 per month, which is a reasonable level of support in the context of Maldives and considering workers’ pre-crisis income.** Average pre-crisis monthly income for women reported on the JobCenter was MVR 9,671 (US\$627), while it is MVR 12,727 (US\$825) for men (MoED 2020).<sup>8</sup> Accordingly, the maximum ISA payment is 50 percent of women’s pre-crisis income, and 40 percent of men’s. A resort management survey also established the average minimum salary at MVR 5,000 per month. Further, the benefits are tapered for those earning part of their original incomes, so, for example, a worker receiving MVR 1,000 allowance during furlough will receive only MVR 4,000 from the ISA program but one with no allowance would receive the full MVR 5,000. This is reflected in Figure 1, which shows the distribution of payment amounts by month to approved beneficiaries. While the maximum payment is MVR 5,000, only two-thirds of beneficiaries receive the full amount.

Figure 1. Cumulative ISA Payments by Benefit Amount (April-September 2020)



Source: World Bank, based on administrative data downloaded from JobCenter website (<https://jobcenter.mv>).

**B. Technical**

33. **The AF will finance an extension of the ISA program until at least December 2020, and longer if funds remain.** The actual cost of the extension of the ISA program to December 2020 will depend on the number of claims submitted, the approval rate, and the average amount, which have changed significantly

<sup>8</sup> This is consistent with figures cited by the authors from the 2016 HIES data, which show women earning an average MVR 7,510 per month and men earning MVR 11,977 per month.



over the previous six months as shown in Table 1. The number of approved claims and average amount per claim has trended upward, reflecting the worsening employment situation. Assuming the program continues to cost around US\$4 million per month, the AF would cover up to six months of support. This support will continue to be needed for some months, since known conditions have not improved as of writing at the end of November 2020, and the most optimistic predictions are that international travel will not resume before mid-2021 at the earliest.

34. **The ISA program implementation has progressed smoothly.** The GoM started the program from scratch in April, but benefited from an already established and functioning job portal (<https://jobcenter.mv>) at the MoED and a social registry and electronic payment system operated by NSPA. These were repurposed rapidly for the ISA, and applications for support were received starting in April. Considering the program was established within one month and delivered payments to newly registered beneficiaries within 27 days after a thorough desk review of each application, the ISA program in many senses showcases international best practice and will be an important case study for future work in social protection.

35. **The PMU consists of the same staff managing the ISA program at the MoED, which has resulted in a very effective link with the project.**<sup>9</sup> The PMU has worked closely with the World Bank team since the start of the project, corresponding on a daily basis to resolve issues and discuss overall project progress. The World Bank team has made various recommendations to strengthen the ISA program, and these have all been rapidly implemented by the PMU. Examples are increasing capacity to reduce application processing times, the design and implementation of a mobile phone-based beneficiary feedback survey in September, tracking and resolution of grievances, and an enhanced communications and outreach program. The MoED continues to work on making the application process easier for the self-employed, and additional measures to support this under the project are discussed in section F.

### C. Financial Management

36. **The World Bank's FM procedures and requirements will also be applicable for the AF funds.** The eligible project expenditures will be the same under both the parent project and the AF. FM arrangements designed and applicable for the original project will prevail for the AF, including funds flow arrangements, expenditure reporting arrangements and Mandatory Direct Payment. A new Designated Account will be opened for the AF funds. In the case of cash grants to beneficiaries, the parent project grant and credit funds would be used before tapping the AF funds. A separate IUFRR will be prepared for the AF expenditures. A consolidated audit report (a single report) for the parent project and the AF will be issued by the Auditor General of Maldives. There are no overdue audit reports or ineligible expenditures under the implementing agency.

### D. Procurement

37. **The proposed change in the AF is to increase the funding for Category 1, which covers an extension of cash transfers under the existing policy.** This will not have any impact on the agreed procurement arrangements and procedures of the project.

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<sup>9</sup> The Project Director is also Director of the ISA program.



E. Legal Operational Policies

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

F. Environmental and Social

38. **The proposed AF (and the December 2020 restructuring) will not generate new environmental and social (E&S) risks, since the only change is the extension in the ISA program.** The design of the ISA program, its intended beneficiaries, and the implementation arrangements remain unchanged; therefore, the E&S rating will remain the same. During the recent implementation support mission, the project performance in terms of E&S compliance was rated Satisfactory, as the project had successfully expedited the processing of applications with hiring of adequate staff, carried out communication campaigns and consultations, administered a satisfaction survey, operationalized an effective grievance redress mechanism (GRM), and also put in place COVID-19 safety measures in accordance with the Stakeholder Engagement Plan, ESMF, and Labor Management Procedure. The beneficiary feedback survey conducted by the PMU in late September 2020 indicated that only 8 percent of beneficiaries were dissatisfied with the ISA program, with the long processing time being the main source of concern. To address this challenge, the PMU has increased its staffing, strengthened the online portal, and made overall system improvements. A majority of the application processing is done online, and payment of benefits is done via bank transfer, minimizing direct contact. A small percentage of applications are processed manually via the local council, and basic COVID-19 prevention measures have been followed. Going forward, the project will carry out additional E&S training for staff and consultations during the implementation of Component 2 activities.

39. **Climate change and disaster screening.** The Maldives is highly vulnerable to natural hazards and extreme climate events due to its fragile ecological profile and low elevation, combined with its geographic isolation and economic dependence on limited and climate-sensitive sectors. With sea levels expected to rise and extreme weather events likely to increase in frequency and intensity, Maldives is considered one of the world’s most vulnerable countries due to its location and mean elevation. The consequences of high-frequency events such as monsoonal flooding, coastal erosion, salt-water intrusion, and sea level rise—as well as less-frequent events such as pandemics, tsunamis, cyclones and prolonged dry periods—threaten lives and the economy in Maldives. The two main industries in Maldives are tourism and fisheries, both of which are extremely climate sensitive. The Maldivian economy is heavily dependent on its marine resources with around 89 percent of GDP, 71 percent of employment, and 98 percent of exports dependent on marine ecosystems. Sustainable growth and development in Maldives is entirely dependent on strong natural resource management, a diversified blue economy, and resilience to climate change impacts, including the need for careful planning and management of construction and island land expansion while avoiding degradation of corals and mangroves. Finally, all staple food, medicines, medical equipment, and other essential supplies are imported to Maldives. Therefore, interruptions to global supply chains have the potential to further exacerbate the impacts of the aforementioned climate vulnerabilities on food security.

40. **Climate co-benefits:** Although this project is not primarily motivated by climate change and will



not directly finance physical infrastructure, it supports soft interventions related to climate change adaptation and disaster risk mainstreaming. Component 1 provides income support to households that have lost their income or livelihood due to COVID-19. In the absence of such support, these households are likely to adopt negative coping strategies, such as selling productive assets or taking children out of school, which can reduce their resilience to future shocks. Negative impacts of such coping mechanisms can be intergenerational because of their likely impact on nutrition and education of children in the household. The income support provided by the project will preserve and enhance households' resilience to cope with shocks, both in the short and long terms, by preserving the current physical and human capital of the household and preventing intergenerational transfer of the potential disadvantage. Another impact of income support could be diversification of livelihoods if household members can use this as a resource to learn a new skill or start a new livelihood to get them through the current crisis. This will make households more resilient to future climate shocks. Component 2 of the parent project contributes to climate resilience by developing a National Social Protection Framework and strengthening the NSPA's delivery systems to enable social protection programs to scale up rapidly in response to future natural and man-made disasters. This will increase the country's economic and social resilience to climate change. The CERC will allow for rapid reallocation of funds in the event of a natural or man-made disaster or crisis that has caused (or is likely to imminently cause) a major adverse economic and/or social impact. To trigger this component, the GoM would need to declare an emergency, a state of a disaster or provide a statement of fact justifying the request for the activation of the use of emergency funding. Therefore, having the CERC provides more scope to respond to climate change-induced disasters during the project period.

## **V. WORLD BANK GRIEVANCE REDRESS**

41. **Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

**VI SUMMARY TABLE OF CHANGES**

	Changed	Not Changed
Results Framework	✓	
Components and Cost	✓	
Implementing Agency		✓
Project's Development Objectives		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓

**VII DETAILED CHANGE(S)****COMPONENTS**

Current Component Name	Current Cost (US\$, millions)	Action	Proposed Component Name	Proposed Cost (US\$, millions)
Temporary assistance to workers affected by the COVID-19 pandemic	12.00	Revised	Temporary assistance to workers affected by the COVID-19 pandemic	33.60
Strengthening social protection delivery systems and institutions	0.80	No Change	Strengthening social protection delivery systems and institutions	0.80
Contingent Emergency Response Component	0.00	No Change	Contingent Emergency Response Component	0.00



(CERC)			(CERC)	
<b>TOTAL</b>		<b>12.80</b>		<b>34.40</b>

**Expected Disbursements (in US\$)**

Fiscal Year	Annual	Cumulative
2020	200,000.00	200,000.00
2021	33,600,000.00	33,800,000.00
2022	600,000.00	34,400,000.00

**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

Risk Category	Latest ISR Rating	Current Rating
Political and Governance	● Moderate	● Moderate
Macroeconomic	● High	● High
Sector Strategies and Policies	● Low	● Low
Technical Design of Project or Program	● Low	● Low
Institutional Capacity for Implementation and Sustainability	● Moderate	● Moderate
Fiduciary	● Moderate	● Moderate
Environment and Social	● Moderate	● Moderate
Stakeholders	● Low	● Low
Other		
Overall	● Moderate	● Moderate

**LEGAL COVENANTS – Additional Financing for COVID-19 Emergency Income Support Project (P175542)**

Sections and Description
No information available
<b>Conditions</b>





### VIII. RESULTS FRAMEWORK AND MONITORING

#### Results Framework

COUNTRY: Maldives

Additional Financing for COVID-19 Emergency Income Support Project

#### Project 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.

#### Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
<b>Mitigate the economic impact of the COVID-19 crisis on workers and their families</b>				
Beneficiaries of social safety net programs (CRI, Number)		0.00	15,000.00	15,000.00
<i>Action: This indicator has been Revised</i>				
Beneficiaries of social safety net programs - Female (CRI, Number)		0.00	4,500.00	4,500.00
<i>Action: This indicator has been Revised</i>				
Beneficiaries of social safety net programs - self-employed female (Number)		0.00		1,100.00
<i>Action: This indicator is New</i>	<i>Rationale: Female labor force participation in Maldives is much lower than that of men. Women make up 56% of self-employed workers in Maldives, and such work lacks protections afforded to formal sector workers. Accordingly, there is a high risk that self-employed female workers</i>			



Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
		<i>who suffer interruptions to their income may be driven out of the labor force, worsening the situation with female labor force participation. The absence of formal contracts, lack of documentation, and informal nature of their work make it more difficult for informal female workers to prove income loss and apply for the ISA. This indicator will ensure that the Ministry of Economic Development prioritizes making the Income Support Allowance available to female self-employed workers.</i>		
Cash transfers paid to eligible beneficiaries during pandemic (person months) (Number)		0.00		80,000.00
<i>Action: This indicator is New</i>		<i>Rationale: Building on the number of beneficiaries reached, this indicator will track the scale of support provided in terms of months of support as well as people supported. This indicator is also intended to capture the climate co-benefits of the project, being a measure of the government's capacity to provide emergency cash assistance within a short timeframe (through a now-established system that can be used to respond to future climate-induced disasters).</i>		
Cash transfers paid to eligible female beneficiaries during pandemic (person months) (Number)		0.00		24,000.00
<i>Action: This indicator is New</i>				
<b>Increase the capacity of social protection programs to respond to future emergencies</b>				
Island councils with access to NSPA SPIS to view and update records (Percentage)		0.00		50.00
National Social Protection Framework formally approved by competent authority (Yes/No)		No		Yes



**Intermediate Results Indicators by Components**

Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
<b>Mitigate the economic impact of the COVID-19 crisis on workers and their families</b>				
Time to receive first payment after application (Weeks)		5.80	4.00	4.00
Grievances addressed within 2 weeks (Percentage)		0.00	80.00	80.00
Beneficiary records stored and accessible in SPIS (Percentage)		0.00	90.00	90.00
Beneficiary satisfaction with COVID-19 Support Allowance enrollment and payment processes (Percentage)		0.00	75.00	75.00
<b>Increase the capacity of social protection systems to respond rapidly to future emergencies</b>				
National Social Protection Framework drafted and presented to competent authority (Yes/No)		No		Yes
Unemployment insurance program designed and presented to competent authority (Yes/No)		No	Yes	Yes
Program for reforms to pension programs drafted and presented to competent authority (Yes/No)		No	Yes	Yes
Improvements to SPIS completed and tested (Yes/No)		No		Yes

**Monitoring & Evaluation Plan: PDO Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Beneficiaries of social safety net programs		Annual	MoED	Cumulative number of	MoED



			administrative system	beneficiaries enrolled in the COVID-19 Support Allowance program.	
Beneficiaries of social safety net programs - Female		Annual	MoED administrative data	Cumulative number of female enrolled in the COVID-19 Support Allowance program.	MoED
Beneficiaries of social safety net programs - self-employed female	Number of women in self-employment who benefit from the ISA program	Bi-annual	PMU administrative data	The number of female beneficiaries who register as self-employed for at least one month of income support under the Income Support Allowance Program	PMU
Cash transfers paid to eligible beneficiaries during pandemic (person months)	Number of monthly Income Support Allowance payments made (cumulative, from April 2020 onwards). Each month's payment counts separately, therefore this is a measure of person-months of support provided.	Annual	ISA program administrative data	Cumulative number of payments made by NSPA to approved beneficiaries of the ISA program.	MoED
Cash transfers paid to eligible female beneficiaries during pandemic (person months)		Annual			MoED



Island councils with access to NSPA SPIS to view and update records		Once	NSPA	NSPA will report on which councils can access NSPA's social protection information system and are viewing and updating records of beneficiaries of NSPA's programs.	MoED
National Social Protection Framework formally approved by competent authority		Once	President's Office, NSPA	Formal evidence of approval, such as a media release or policy statement.	MoED

**Monitoring & Evaluation Plan: Intermediate Results Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Time to receive first payment after application		Once	MoED administrative and payment data	The number of days elapsed between the date the first payment was received by each beneficiary, and the date of receipt of the application, averaged over all accepted applications and divided by 7. Applications received before May 13 will be treated as having	MoED



				been received on May 13 for the purposes of this calculation.	
Grievances addressed within 2 weeks		Once	MoED GRM records	The PMU will keep records on the dates grievances were received, and the date of the subsequent interactions with the applicant. This indicator will be calculated as the percentage of grievances lodged for which 10 business days or less elapsed between receipt and first material response to the complaint (i.e. other than receipt or informational messages).	MoED
Beneficiary records stored and accessible in SPIS		Annual	NSPA SPIS report and MoED administrative data	The NSPA will provide a report on the number of records of COVID-19 Support Allowance beneficiaries whose core biographical data (i.e. identity card number, full name, gender, date of birth, contact phone	MoED



				number), income and occupation are recorded in the SPIS (social registry). The query will ensure that only those records for which these data are filled (i.e. not missing or dummy values) are counted. The number of records will be reported as a percentage of the cumulative number of COVID-19 Support Allowance beneficiaries having been enrolled at the time of reporting.	
Beneficiary satisfaction with COVID-19 Support Allowance enrollment and payment processes		Once	MoED	A tracer survey will be conducted by the PMU to measure beneficiary satisfaction. The PMU will contact each COVID-19 Support Allowance beneficiary after completion of the program and ask them to report their satisfaction with the application process, time to receive first payment, payment amount and	MoED



				overall satisfaction with the program. The indicator will be defined as the percentage of beneficiaries who report being "satisfied" overall with the program.	
National Social Protection Framework drafted and presented to competent authority		Once	NSPA	The report will be considered as drafted once it is finalized with inputs from all ministries implementing social protection programs and submitted to the President's Office for consideration.	MoED
Unemployment insurance program designed and presented to competent authority		Once	MoED	The unemployment insurance program will be considered as drafted once a proposal reflecting the program's details has been finalized and shared with the President's Office for consideration.	MoED
Program for reforms to pension programs drafted and presented to competent authority		Once	MPAO	The indicator will be considered as met once a report covering the above areas has been	MoED





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				drafted and presented to the President's Office for consideration.	
Improvements to SPIS completed and tested		Once	NSPA	NSPA will report on the SPIS's capabilities and whether they have been improved as a result of the project.	MoED



## ANNEX 1: WORLD BANK COVID-19 RESPONSE PROGRAM IN MALDIVES

### The Impact of the COVID-19 Pandemic on Maldives

- COVID-19 has taken a toll on the health of the inhabitants of Maldives.** Although the GoM took rigorous measures to limit the spread of the disease since the first confirmed cases on March 7, including closing its borders to international visitors on March 27, the number of cases accelerated after community transmission was confirmed in mid-April. Following the easing of lockdown measures at the end of June, the country subsequently witnessed a second wave of new cases, prompting the reintroduction of several restrictions. The number of daily new cases has started to decline as of mid-September, and community transmission in the Greater Malé Area has been controlled. As of December 28, 2020, the Ministry of Health had reported a total of 13,644 confirmed cases and 48 deaths.
- Due to its high dependence on international tourism, Maldives is expected to be one of the hardest-hit economies from the pandemic.** Although borders reopened on July 15, 2020 with minimal requirements for visitors, only 100,000 tourists visited Maldives between July 15 and December 4, some 90 percent below normal levels. Commercial flights have gradually resumed, but 50 percent of all guesthouses and about a fifth of resorts remain closed. Construction, the other major driver of growth, has also been affected by the repatriation of foreign workers and postponement of some capital projects. Real GDP is therefore expected to contract by 20.5 percent in 2020, with a mild recovery of 10.5 percent in 2021 (mostly reflecting a low base effect). Recovery is expected to be slow, with tourist arrivals and real GDP not reaching 2019 levels until 2023. With most jobs outside the public sector concentrated in tourism and fisheries, the impact on poverty and vulnerability is expected to be significant. A study by the United Nations Development Programme and the Government estimates that at least 22,000 resort employees have lost their jobs as a result of the pandemic.
- The Government has responded to the crisis through social and economic support measures.** In mid-March, the Ministry of Finance announced an economic recovery package of MVR 2.5 billion (about 2.9 percent of GDP). About MVR 1 billion of this comprised cuts to salaries, wages, and allowances; cancellation of non-essential travel; cancellation of renovation and maintenance work not already commenced; and postponement of some Public Sector Investment Program projects that had not already been awarded in Q2 2020. Additional pay cuts were announced in May. These expenditures were reallocated to health, economic, and social support measures to address the fallout of COVID-19. The Government reduced electricity and water bills by 40 percent and 30 percent, respectively, for the months of April and May, lowered the prices of petrol and diesel, and imposed price/quantity controls on food staples. In addition, the Government provided a monthly allowance of MVR 5,000 (US\$320) a month to Maldivian citizens who have lost their jobs or have had their livelihoods affected due to the COVID-19 pandemic. To date, almost 12,000 individuals have received a total of US\$10.3 million in income support. The Government also announced a debt moratorium on student, housing and business loans until December 31, 2020, and extended special financing facilities to affected businesses through the state-owned Bank of Maldives (BML) and the SME Development Finance Corporation.
- The crisis has further exacerbated debt and fiscal vulnerabilities, which were already high before the pandemic.** Due to the collapse in tourist flows, total revenues and grants are projected to halve



from US\$1.5 billion in 2019 to US\$863 million in 2020. Government spending, however, has remained broadly unchanged despite the sharp reduction in revenue collection. As such, the fiscal deficit is expected to more than triple from an estimated 5.8 percent of GDP in 2019 to 24.5 percent of GDP in 2020. Total public and publicly guaranteed debt is projected to reach 125 percent of GDP in 2020.

### **The Government's Response to the COVID-19 Pandemic**

5. **The GoM has leveraged both domestic and external financing sources to close the large financing gap.** The International Monetary Fund's Rapid Credit Facility of US\$28.9 million, the World Bank's Development Project Financing with Catastrophe Drawdown Option (CAT-DDO) of US\$10 million, Asian Development Bank's US\$50 million budget support, OPEC Fund for International Development's US\$20 million budget support, and the recently approved US\$47.5 million budget support from Japan International Cooperation Agency have partially helped cover the sharp shortfall in revenues. The State Bank of India in Malé agreed to provide financial support of US\$250 million through the subscription of domestic Treasury Bonds to alleviate the cash flow burden during the crisis. In addition, with the temporary suspension of the Fiscal Responsibility Act, the Government has also resorted to advances from the Maldives Monetary Authority (Maldives' central bank). The Government is participating in the G20 Debt Service Suspension Initiative, which is expected to suspend US\$23.8 million in official bilateral debt service payments between May and December 2020.

6. **The World Bank Group Country Partnership Framework (CPF) FY16–FY20 (Report No. 103724-MV) continues to be relevant, but to tackle the unprecedented threats posed by the COVID-19 crises,** the World Bank had to shift its focus aiming at striking a balance between helping Maldives address its immediate health needs and bolster economic recovery. The World Bank response comprises four broad pillars: (a) save lives; (b) protect poor and most vulnerable; (c) ensure sustainable business growth and job creation; and (d) strengthen policies, institutions, and investments for rebuilding better.

7. **In direct response to the COVID-19 challenge and the economic crisis, and in addition to efforts to bolster health systems to save lives, the World Bank has been providing support to the GoM under the following pillars:**

- **Protect poor and most vulnerable.** Other than triggering and instant disbursement of the CAT-DDO of US\$10 million and Pandemic Emergency Financing Facility of US\$0.95 million, the World Bank approved the COVID-19 Emergency Response and Health Systems Preparedness Project of US\$7.3 million (with equal amount co-financed by Asian Infrastructure Investment Bank) to strengthen the pandemic response, increase lab testing and treatment capacity, and improve public health interventions. The COVID-19 Emergency Income Support Project also supports this pillar, since the ISA program is open to informal and self-employed workers as well as formal workers, and 21.4 percent of applicants were self-employed as of September 2020. The ISA raises workers' incomes to a minimum of MVR 5,000 (about US\$320) per month and tapers so that those still earning more than MVR 5,000 do not receive support. This makes the allowance highly progressive.
- **Ensure sustainable business growth and job creation.** 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, the World Bank also provided US\$12.8 million to the COVID-19 Emergency Income Support Project with the MoED as the



key partner. In addition, International Finance Corporation (IFC) support to tourism value chains and small and medium enterprises lending is progressing through a first tranche of a planned US\$100 million three-year senior loan signed with BML. IFC's own account will be US\$50 million (of which US\$20 million has been committed; the remaining US\$30 million will follow over the next six months). Another US\$50 million is being mobilized from other investors to bring the total liquidity provision to BML up to US\$100 million.

- **Strengthen policies, institutions, and investments for rebuilding better.** In addition to supporting Pillar 2, 'protecting the poor and vulnerable', Component 2 of the COVID-19 Emergency Income Support Project is financing improvements to social protection policy and delivery systems that will enable the GoM to respond to future shocks more rapidly and with fiscally prudent programs. Specifically, the project will support the establishment of a new contributory unemployment insurance program that will reduce the fiscal impact of countercyclical cash transfers in future crises, improved social registry systems to ensure households needing assistance can be more rapidly identified and enrolled, and a new national social protection strategy to enhance coordination between different welfare programs.

8. **The proposed AF is consistent with the World Bank Group Country Partnership Framework (CPF).** It contributes to all three strategic objectives of the World Bank Group CPF for Maldives (Report No. 103724-MV), updated by the Performance Learning Review of the CPF FY16–FY20 (Report No. 123696-MV). It will further support the World Bank's Twin Goals of ending extreme poverty and promoting shared prosperity. The project recognizes the need to protect the substantial investments Maldives has made in its human capital, preservation of which is critical to ensure future growth and shared prosperity.

9. **The World Bank, IFC, and Multilateral Investment Guarantee Agency will continue to collaborate closely in implementing major shifts to address the needs of the GoM.** The World Bank conducted the second Systematic Country Diagnostic (SCD) for the Maldives in 2019. The SCD update will inform the World Bank in formulating its next CPF for Maldives. The World Bank plans to continue providing greater integrated support to strengthen Maldives' fiscal sustainability, preparedness and resilience to natural disasters, and human capital development as the country continues to reduce poverty and increase prosperity for its people.