



Ministry of  
Economic Development  
Republic of Maldives



## PRESS RELEASE

***The Final Rapid Livelihood Assessment reveals impact of COVID-19 crisis in the Maldives as deep, widespread and cross-cutting:***

***Vulnerable workers and Micro-, Small and Medium-sized Enterprises worst hit***

**25 August 2020:** The final report of the Rapid Livelihood Assessment, to understand impact of the COVID-19 crisis in the Maldives, has revealed the immediate and widespread impact on employment and livelihoods - hitting the most vulnerable the hardest, with a significant impact on Micro-, Small and Medium-sized Enterprises (MSMEs).

The COVID-19 pandemic and the ensuing economic downturn has been unprecedented at many levels, with repercussions felt across sectors from tourism to trade. The Government of Maldives carried out a preliminary assessment in early June, which provided an understanding of the impact on livelihoods and businesses, to facilitate a quick economic response. This final Rapid Livelihood Assessment Report which followed the preliminary assessment is aimed at assisting the Government in effectively transitioning from immediate response policies to a medium to long-term recovery agenda, to achieve the Strategic Action Plan of the Government and the Sustainable Development Goals (SDGs).

“The COVID-19 pandemic was a fast-evolving situation, requiring immediate policy measures based on available information at that point in time. The UNDP Rapid Assessment was integral information to the initial economic relief response; and would be so in the future as well in our recovery efforts to create a coordinated and focused approach to build back stronger and more resilient employment and livelihoods,” stated Uz. Fayyaz Ismail, Minister of Economic Development.

The assessment is commissioned by the Ministry of Economic Development, and the Government of Maldives, with support from UNDP Maldives. The final rapid assessment delivers a deeper understanding of the extent of the COVID-19 crisis on the Maldives economy, and explores in-depth the impact on employment and MSMEs.

UNDP Maldives provided technical leadership in the process, in close collaboration with relevant government and non-government partners – including private sector partners – drawing from global experience in carrying out similar impact assessments during crises.

“The impact of COVID-19 on Small Island Developing States, like the Maldives, is more severe because of the country’s high dependence on tourism and the import of oil and food. The severe economic and social impacts of the pandemic thus hit the country early and hard before the virus directly did,” said Kanni Wignaraja, Assistant Secretary-General and UNDP Regional Director for Asia-Pacific, in her keynote address, at the event. “COVID-19 forces us to revisit unsustainable development pathways. We have an opportunity to make different choices now, including lowering dependency on fossil fuels and taking a bold leap forward to invest in peoples’ lives and livelihoods as co-joined drivers of progress.”

The following outlines some of the key findings of the final assessment:

- The impact of the crisis on employment was immediate and widespread, with the tourism sector being the first to absorb the economic shock from the crisis.
- Key employment impact was in the form of redundancy, no pay or reduced pay: data for all sectors indicated that 44 percent reported redundancy/complete loss of income, 24 percent reported no pay leave, and 32 percent reported receiving partial pay. A majority of people affected work in service areas, in lower-paying categories, or are self-employed.
- Unemployment risks increase at the end of the initial stage of the crisis from the April to June period: slow tourism sector recovery poses a risk of a rapid increase in unemployment.
- Immediate and substantial income loss was experienced by the employed population: data from the JobCenter showed that, of the total cases reported across all economic sectors, 68 percent faced complete income loss while 38 percent reported reduced pay at the time of reporting. It is estimated that while a majority of employees -- who were working at resorts and were retained and received partial pay during the period April-June 2020 -- have lost more than 70 percent of their monthly income compared to pre-COVID-19 levels. According to employment complaints registered in the JobCenter, 2,400 tourism sector employees faced income insecurity as a result of the crisis, which is estimated to result in an average income loss of more than MVR 30 million rufiyaa (\$1.9 million) per month, for tourism sector employees. More than half of the employment complaints in the JobCenter were from people under the age of 30.
- Groups most vulnerable to facing early employment loss include: young people, employees on probation contracts, third-party contract employees of resort establishments, casual migrant workers, the self-employed, and freelancers and community vendors.
- Women were disproportionately affected: Despite the low number of women reporting employment complaints to the JobCenter, redundancy and complete loss of income was higher for women than men. Increasing unemployment pressures may push these young women out of the labour force permanently or may prevent young women from entering the labour force altogether.
- Impacts on MSME operations revealed disruption to businesses, supply disruptions, impacts on cost of operations, loss of sales and revenue, impact on cashflow, and employment adjustments made by MSMEs. Interviews with MSMEs indicated that a small proportion of businesses said that they can manage cashflow up to six months.
- Challenges to doing business in the new normal included; barriers to access finance, limited access to business support services, unmet skills requirements in areas of business

management, slow technology uptake, limited scale of transition to green/environmentally friendly technology, and weak enforcement of laws that disadvantage MSMEs.

- COVID-19 also showed adaptation by businesses, including opportunities for innovation: the crisis opened doors for new opportunities, especially for women, introduced new ways of doing business, and brought about shifts in behaviour and consumption patterns.

“It is critical that young people and women are not kept out of businesses or opportunities for future jobs, as a result of the COVID-19 impact,” said Akiko Fujii, UNDP Resident Representative in Maldives. “This is the time to invest in them to acquire unmet skills and to focus on the potential of the MSME ecosystems to move towards blue and diversified economic development.”

The assessment highlighted that the duration and extent of the crisis, as well as the uncertainty over recovery, will play a central role in determining the impacts to businesses, and the knock-on effects on households and community.

The assessment outlines recommendations to ‘Build Forward Better, Bluer and Greener.’ It is focused on mitigating the short-term negative impact on employment and MSMEs, due to the COVID-19 economic crisis. It also proposes an economic recovery framework that will be implemented in the medium to long term, taking advantage to convert existing economic vulnerabilities into opportunities for the future.

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**NOTE:** *The Rapid Livelihoods Assessment is being conducted with support from the National Bureau of Statistics, Maldives National University, Ministry of Tourism, Ministry of Fisheries, Marine Resources and Agriculture, Ministry of Youth, Sports and Community Empowerment and the Ministry of Arts, Culture and Heritage.*

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