

RAPID LIVELIHOOD ASSESSMENT

# IMPACT OF THE COVID-19 CRISIS IN THE MALDIVES

PART III - MICRO, SMALL AND MEDIUM ENTERPRISES

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



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

## 03 February 2020

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

## 07 March 2020

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

## 12 March 2020

State of Public Health Emergency declared

## 14 March 2020

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

## 15 March 2020

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

## 17 March 2020

Established travel restrictions for passengers from Malaysia and the UK

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

## 19 March 2020

Government offices and schools and education service providers closed

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

## 20 March 2020

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

## 21 March 2020

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

## 22 March 2020

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

## 23 March 2020

All tourist excursions across the country banned

## 25 March 2020

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

## 27 March 2020

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

.....  
Suspension of on-arrival visa for all passengers arriving to the Maldives by air and sea<sup>1</sup>, except for individuals with special permission granted by the Government

## 2 April 2020

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

## 15 April 2020

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

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

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

**16 April 2020**

Ban on nationwide travel and public gatherings

**17 April 2020**

Lockdown extended for a period of 14 days as cases increase

**22 April 2020**

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

**23 April 2020**

Community transmission surpasses 100 cases

**25 April 2020**

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

701 foreigners granted clearance to travel back home on evacuation flights

**28 April 2020**

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

**29 April 2020**

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

**2 May 2020**

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

**7 May 2020**

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

**14 May 2020**

Lockdown extended in Greater Malé Region until 28 May 2020

**29 May 2020**

Lockdown easing measures introduced in the Greater Malé Region in phases

**31 May 2020**

Government offices reopen for essential work with limited hours and staff

**12 June 2020**

Community transmission surpassed 2,000 cases, with 8 fatalities

**15 June 2020**

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

**20 June 2020**

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

**1 July 2020**

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

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

**5 July 2020**

Government offices and schools for key stages reopen

**15 July 2020**

State of Public Health Emergency extended

Borders reopen, 40 resorts resume operations

# INTRODUCTION

## BACKGROUND TO THE CRISIS

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

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

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

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

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

<sup>2</sup> World Health Organization, COVID-19 Situation Report-67

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

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

## IMMEDIATE ECONOMIC POLICY RESPONSES TO THE CRISIS

The Government of Maldives, on 22 March 2020, introduced an Economic Recovery Plan (ERP) of \$162 million which included economic relief support packages for large businesses, Micro, Small and Medium Enterprises (MSMEs), self-employed, and employees. All individuals and households benefit from subsidized electricity and water from March 2020 onwards.

The ERP included a loan facility to support businesses and the eligibility for assistance involved conditions for ensuring maximum employment retention. The loan assistance covered resort establishments (for a maximum loan of MVR7.7 million), businesses with annual turn-over of MVR10 million (for a maximum loan of MVR1 million) and for businesses with an annual turn-over less than MVR10 million (for a maximum loan of MVR500,000).

The ERP included the Income Support Allowance scheme which was initiated from April 2020 onwards. The scheme provides an allowance of up to MVR 5,000 for 3 months for individuals whose employment is affected by the crisis, as well as self-employed individuals who face loss of income due to the crisis. The target beneficiaries apply for Income Support Allowance through the government's online job portal JobCenter (<https://jobcenter.mv/>), hosted by the Ministry of Economic Development (MED). The job portal is the primary avenue for lodging complaints concerning COVID-19 related employment and income. Subsequently, a Call Center (1475) was established within the JobCenter to ensure support assistance is provided to individuals affected by the crisis. Data published by the Ministry of Finance shows that a total of MVR 27.2 million had been disbursed to 5,226 individuals under the scheme as of 27 July 2020.

To formulate the recovery path and ensure effective implementation, a National Task Force in Resilience and Recovery was established on 07 May 2020 with

three working groups focusing on finance, economic recovery, and the social sector to work under the direct guidance of the President. Some of the key priorities of the economic recovery plan include comprehensive stimulus packages for businesses, MSMEs, and self-employed to ensure a quick bounce back and recovery; diversification to new income generating avenues including acceleration of the digital economy; phased-out opening of tourism industry; operational efficiency improvements in tourism sector; efficient job matching of unemployed with appropriate jobs; upskilling programs for youth; and business support services for MSMEs.

## PURPOSE OF THE ASSESSMENT AND METHODOLOGY

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

The rapid livelihood assessment aimed to understand the extent and nature of the impact of the COVID-19 crisis on the Maldivian economy. More specifically, the assessment covers the impact on employment and Micro, Small and Medium Enterprises (MSMEs). The overall purpose of the assessment was to support timely economic response and recovery planning for the Maldives.

This report, Part III of the Rapid Livelihood Assessment, explores the impact of COVID-19 on MSMEs. It focuses on the direct impact the crisis has had on business operations including cash flow, supply disruptions and employment reconfiguration. The assessment further examines key capacities of the businesses that pre-existed, targeting the challenges, types of adaptations and the future outlook. Based on the findings, the report proposes several recommendations to support MSMEs in the short to medium-term.

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

The assessment methodology applied a mixed-methods approach and utilized quantitative and qualitative data. The assessment attempted to cover the overall impacts of the crisis on businesses across all economic sectors through secondary data. Primary data collection and in-depth analysis focused on the experiences of businesses in the tourism value chain. This sector has been explored in detail because it is the nation's largest industry and it has been exposed to the COVID-19 crisis since the onset in February.

For Part III of the rapid livelihood assessment exploring the impact of the crisis on MSMEs, a key secondary data source has been the MSME baseline survey data collected by the Business Center Corporation (BCC) under the auspices of the Ministry of Economic Development, from March to April 2020. The first phase of the BCC survey on COVID-19 impact was conducted between April and May 2020. The BCC survey interviewed 2,062 businesses (see Appendix 4 for the background information). The study was undertaken across all economic sectors and regions of the Maldives. Additional details of the respondent demographics of the survey are provided in Appendix 4 of this report. Other secondary data reviewed include the various surveys and reports published by business associations.<sup>5</sup>

Building on the secondary data, primary data collection for this assessment was designed as a qualitative assessment to generate insights about the experiences of businesses coping with the crisis. The sampling methodology for identifying respondents for the interviews is detailed in Appendix I of the report. The in-depth interviews covered 67 businesses, the majority of whom depended significantly on tourism (see Appendix 2 of this report). While target respondents were MSMEs, based on revenue reported by informants, a small percentage amounting to 5 of the 67 businesses, fit within the large enterprise category when applying the SME act definition in the Maldives. A large majority were conducted as key informant interviews, while some other respondents were grouped and feedback was obtained through a focus group discussion. The demographics of the respondents are detailed in Appendix 2 of this report. The interviews were semi-structured and were conducted using an interview guide which contained key topics and sub-topics of the assessment. To validate preliminary findings from the feedback received during these interviews, a series of meetings were held with various business associations, where participants also discussed recommendations and the way forward. The list of stakeholders that participated in this process is listed in Appendix 5 of this report.

There are many limitations to the assessment. The baseline survey conducted by BCC had low response rates regarding several questions and topics, while the study was largely based on self-reporting. Most businesses did not respond to questions relating to employment adjustments that were made in response to the crisis. These questions may have been avoided due to the government's appeal for maximum employment retention to qualify businesses for the administration's relief assistance. As for the qualitative assessment, the research was initially designed to explore topics in detail through online focus groups. But the logistics of arranging these forums proved to be challenging due to time constraints. As a result, the qualitative assessment focused on key informant interviews which limited the ability of the researchers to explore topics of

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<sup>5</sup> Includes reports from National Boating Association of Maldives, Maldives Association of Travel Agents and Tour Operators and Guest House Association of Maldives.

interest in-depth, as respondents treated the interviews like a survey. Delays were also faced in completing the interviews and focus group discussions with businesses on time as the meetings were scheduled during the last week of June. The government had announced reopening plans for businesses from 1 July, and many interviewees became unavailable as they were preparing to reopen. Other limitations of the primary data collection exercise are detailed in the Appendix 2 of this report. A further complication was that some of the information designed to complement this assessment did not materialize. Data from the Maldives Monetary Authority's (MMAs) survey with large enterprises, initiated in April 2020, should have been used as a baseline analysis. However, due to the slow response, the report was suspended temporarily.

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

# OVERVIEW OF THE MICRO-SMALL AND MEDIUM ENTERPRISES (MSMEs) SECTOR

The SME Act 6/2013 defines MSMEs in the Maldives based on two criteria – annual turnover and number of full-time/permanent employees – which have to be concurrently met. However, if the two criteria fall under two different bands, the number of employees takes precedence in deciding the classification. Data on MSMEs applying this definition is limited. A comparison is therefore made amongst businesses filing Business Profit Tax (BPT) and Gross Sales Tax (GST) with the Maldives Inland Revenue Authority (MIRA) as it is the most reliable source of business data available. However, MIRA's classification differs from the SME legislation and provides an indication of the distribution of MSMEs and their share in the overall business ecosystem. The MIRA data omits those MSMEs who do not file BPT and GST with MIRA and as a result does not cover the majority of informal businesses that are active in the MSME ecosystem.

The business ecosystem consists of about 7000-8000 tax paying establishments, the large majority being MSMEs (Table 1). The tax data shows that the largest share of establishments in 2016 were micro- enterprises, but in 2019, small enterprises had the highest share of establishments. Although MSME contribution to employment and GDP have not been calculated formally in the Maldives, it is safe to say that MSMEs are likely to contribute significantly to both employment and GDP.

**Table 1 Available MSME definition and data summary**

	ANNUAL TURN-OVER (MVR)	NO. OF EMPLOYEES	NO. OF ESTABLISHMENTS		
	SME ACT DEFINITION		MIRAS BPT FILINGS - 2016	MIRAS BPT FILINGS - 2019	MIRAS GST FILINGS - 2019
<b>MICRO-ENTERPRISES</b>	<b>&lt; 500,000</b>	<b>5 or less</b>	<b>5256</b>	<b>1308</b>	<b>2705</b>
<b>SMALL ENTERPRISES</b>	<b>500,001 – 5,000,000</b>	<b>6-30</b>	<b>897</b>	<b>3709</b>	<b>3687</b>
<b>MEDIUM ENTERPRISES</b>	<b>5,000,001 – 20,000,000</b>	<b>31-100</b>	<b>480</b>	<b>1184</b>	<b>1223</b>
<b>LARGE ENTERPRISES</b>	<b>Above 20,000,000</b>	<b>Above 100</b>	<b>486</b>	<b>755</b>	<b>807</b>
<b>TOTAL</b>			<b>7,119</b>	<b>6956</b>	<b>8422</b>

Source: Maldives Inland Revenue Authority

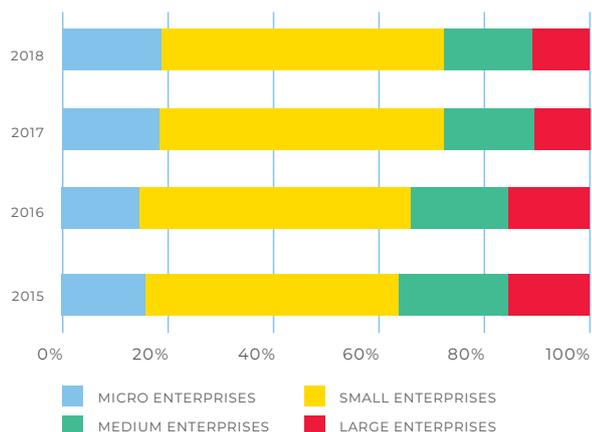
**Figure 1 BPT filing share by business category**

Figure 1 shows an increase in BPT filing by all categories of businesses from 2015 to 2018. The highest increase in BPT filings was found among small enterprises (14 percent) followed by micro-enterprises (6 percent) and medium enterprises (3 percent). The BPT filings among large enterprises increased by only one percent.

The highest number of MSMEs with BPT filings were in wholesale and retail trade followed by real estate activities, other service activities, construction and tourism. The highest number of MSMEs with GST filings were found in wholesale and retail trade followed by tourism, construction, other service and accommodation, and food service activities (see Table 2 below).

**Table 2 Industries with highest number of MSMEs reporting GST returns in 2019**

INDUSTRY	MICRO ENTERPRISE	SMALL ENTERPRISE	MEDIUM ENTERPRISE
WHOLESALE AND RETAIL TRADE	1333	1875	583
TOURISM	332	400	198
CONSTRUCTION	193	265	99
OTHER SERVICE ACTIVITIES	262	253	77
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	112	251	63

Source: Maldives Inland Revenue Authority

## EXISTING CHALLENGES FACING MSMEs

MSMEs face a range of challenges, the most critical being access to finance. Most SMEs do not use bank loans as they are difficult to obtain due to restrictive credit policies and the high cost of credit. A previous study showed that in the atolls, two-thirds of entrepreneurs have never borrowed from a bank.<sup>6</sup> The main obstacles include collateral requirements and low levels of financial literacy. MSMEs face financial exclusion as banks lack regulations to accept inventories or types of assets usually possessed by these firms. Access to finance is particularly challenging for women entrepreneurs. One barrier they face is a lack of assets (ownership of homes, vehicles or boats) that can be collateralized to obtain credit. Other issues include an information gap regarding available credit, lack of mobility and time to engage with banks and process documents as well as an inability to afford private services to develop the documentation needed to apply for loans. For example, the 2017 transport statistics showed that only 16 percent of motorcycles and cars were registered to women.<sup>7</sup> According to a recent study by FAO, women depend on their partners to obtain land and assets, although the savings of both partners are often used to build homes and establish farms. There is no regulatory system to ensure women have access to land and other productive assets after a divorce or separation.<sup>8</sup>

The government has recently established the SME Development Finance Corporation (SDFC), a state-owned financing corporation, that has introduced MSME targeted lending. It has created packages on financing start-ups, acquiring property and assisting with business development and working capital. However, innovative lending products and start-up capital are limited and the current credit guarantee scheme run by the central bank, MMA, provides only partial coverage for beneficiaries.

Other challenges facing MSMEs include entrepreneurship skills and human capital. Feedback received during UNDPs most recent youth dialogue with young entrepreneurs indicated that many small operators are not able to invest time in their businesses due to salaried work commitments. Market access is another major challenge due to the unavailability of an integrated public transport network across the country and the inability to migrate to e-commerce.<sup>9</sup>

Integration of MSMEs in larger regional and global value chains is limited. The Business Center Corporation, the government's state-owned enterprise, makes efforts to address these obstacles by assisting MSMEs with business advisory support and capacity development support.

Access to land or workspace is critical for home-based women entrepreneurs. The 2016 HIES report shows that a sizeable proportion of employed women work from their living quarters or homes. More than one third of the employed women in the atolls and 16 percent of employed women in Malé fall into this category.<sup>10</sup> Access to physical space and rent affordability are key constraints for women entrepreneurs living in the Greater Malé Region and in the atolls' urban areas. Common challenges facing women entrepreneurs in the Maldives documented by Premaratne, S.P. and Kudaliyanage, G. (2016) include difficulties in transportation and marketing, competing demand related to household chores, difficulties in licensing procedures, finding staff with the right skills and willingness/ability to work

<sup>6</sup> FJS Consulting. 2017. Developing Maldives SME Strategy: Situation Assessment. Ministry of Economic Development, Male', Maldives

<sup>7</sup> FAO. 2019. Country Gender Assessment of Agriculture and the Rural Sector in Maldives. Malé.

<sup>8</sup> Ibid.

<sup>9</sup> FJS Consulting. 2017. Developing Maldives SME Strategy: Situation Assessment. Ministry of Economic Development, Male', Maldives

<sup>10</sup> National Bureau of Statistics (2016). Household Income and Expenditure Survey (HIES) Analytical Report III: Employment 2016 - Statistical Release III. National Bureau of Statistics, Ministry of Finance & Treasury, Male', Maldives

## LOAN ASSISTANCE FOR MSMEs POST-COVID

The COVID-19 Viyafaari Ehee loan scheme, implemented by SDFC as part of the government's Economic Recovery Plan, provides financial assistance for SMEs and self-employed/freelancers experiencing cash flow constraints due to the impact of COVID-19. The loan is granted as a short-term financing facility for SMEs to meet their current operational requirements and to provide financial assistance for self-employed individuals and freelancers. MSMEs with an annual turnover not exceeding MVR 10 million are eligible to apply. The loan amount is up to MVR 500,000 for businesses with 6 percent annual interest and up to MVR 30,000 for self-employed workers with 6 percent interest.<sup>11</sup> The payment period is up to 3 years (excluding 06 months grace period) and applicants are not required to provide any security or equity.

Data gathered directly from SDFC for the purpose of this assessment show that as of 20 June 2020, a total of 1,356 applications were approved for funding worth a total of MVR245.7 million. More than 71 percent of the applicants were from the Greater Malé Region and

almost 75 percent of the total loan value was approved for the region (see Table 3). The majority of applicants were from commercial, transport, and tourism industries. The second largest group of relief scheme beneficiaries resided in Kaafu atoll, with 9.9 percent of total approved loans. The majority of applicants work in commerce, transport, tourism, construction and manufacturing. Applicants from Seenu atoll received the third largest share of approved loans worth 4.5 percent. A large number of applicants from the atolls with the highest number of applicants, work in the industries of commerce, tourism, construction, transport and manufacturing. Tourism industry applicants included guest house and resort owners. Manufacturing industry applicants included catering and take-away services, arts and handicrafts and carpentry workers. Fishing and agriculture sector loan approvals contributed to 6.5 percent of the total approved by SDFC for the sectors (see appendix 6 for details).

**Table 3 Top 5 regions- Approved applications for 'COVID-19 Viyafaari Ehee'**

REGION	GREATER MALE'	KAAFU	SEENU	GAAFU DHAALU	ALIF DHAALU
NUMBER OF APPROVED APPLICATIONS	972	149	56	23	22
APPROVED AMOUNT (MVR)	183,452,810	24,461,544	11,434,546	3,678,015	3,011,329

Source: SDFC

Out of a total of MVR245.7 million, less than ten percent of the loans (MVR22.9 million) were approved to women-led businesses. As of 20 June 2020, 135 applications worth MVR 18 million were approved under the commerce sector including women-led wholesale and retail businesses, restaurants and cafés, educational service providers, tailors, lawyers, photographers, designers, bakers, beauticians and online companies.

<sup>11</sup> should have worked in 06 of the last 12 months and earned a verifiable income during this period

## KEY FINDINGS: IMPACT ON MSMEs

This section presents the findings of the rapid livelihood assessment on the impact of COVID-19 on MSMEs. The results and analysis build on several data and information gathering activities: (i) an analysis of survey data provided by the BCC which included coverage of more than 2000 businesses during April-May 2020, hereafter referred to as the 'BCC survey data'; (ii) synthesis of secondary data and information available from various impact assessments and reports shared by business associations; (iii) in-depth qualitative interviews conducted on the phone/online with MSMEs in the tourism value chain; and (iv) meetings with industry/business associations to validate preliminary findings of this assessment.

### KEY FINDING 1. IMPACTS ON BUSINESS OPERATIONS

**INTERNATIONAL BORDER CLOSURE, CANCELLATION OF ON ARRIVAL VISA FOR TOURISTS, ALONG WITH STRICT VIRUS CONTAINMENT MEASURES PARTICULARLY IN THE GREATER MALÉ REGION LED TO THE LARGE MAJORITY OF BUSINESSES STOPPING COMPLETELY OR OPERATING WITH REDUCED HOURS DURING THE PERIOD APRIL-JULY 2020.**

The BCC survey data undertaken during April/May 2020 shows that 17 percent of businesses surveyed across the Maldives had completely halted operations, either due to COVID-19 or prior performance issues which worsened during the pandemic. Variations were observed in atolls, with business closures greater than the average in Kaafu Atoll (38 percent), Gnaviyani Atoll (33 percent), Vaavu Atoll (37 percent) and Shaviyani Atoll (32 percent). In some atolls the closure rate was lower, between five to ten percent, as reported by businesses during the period of the survey.

The BCC survey also found that 31 percent of all businesses in the survey reduced their hours of operation due to the pandemic. The most severe impact was reported by businesses in Gnaviyani Atoll (46 percent), Shaviyani Atoll (42 percent), Thaa Atoll (40 percent) and Noonu Atoll (40 percent). While the most significant reduction in operating hours was recorded in

the tourism and transport sectors, hours were reduced from 14 to 2.5 and 9 to 3 respectively. This was largely due to several businesses in these sectors having to remain closed due to COVID-19 containment measures.

In-depth interviews undertaken with businesses as part of this assessment during June-July 2020 show that more than 80 percent of those questioned had shut down operations at least temporarily in the period from March to July 2020. Of the 67 businesses interviewed, 54 businesses (82 percent) said they had to shut down temporarily while only 13 businesses (19 percent) said that they were able to continue with some changes to operations.

The main reasons highlighted by the interviewees were the border closure and cancellation of on arrival visas which directly affected businesses with a tourist customer base (diving and fishing excursions, guest houses); inter-island mobility restrictions; and reduced customer spending power particularly among the businesses that catered to the local population (photography, cafés and restaurants).

The BCC survey found that operating hours rose for businesses in the trade sector as well as food and beverage companies, with many services moving online. Most businesses that transitioned to web platforms reported operating hours exceeding 10 hours and a large proportion of them even reported working 24 hours a day. The reliability of these claims is questionable however and may have slanted the response towards increased hours of operation. But it does show the number of businesses that have attempted to continue operating despite the challenges posed by COVID-19.

According to the BCC survey, consumers' perception of safety was a significant factor that affected business operations during the period from April to May. The findings show that across all economic sectors, consumers found it less safe to physically visit shops. Comparisons across the atolls show this effect was higher in some than in others. Consumers felt most at risk in Kaafu Atoll and the northern atolls. Seventy-two

to eighty-eight percent of businesses in northern atolls and Malé city had a rating of 'unsafe' while in southern atolls, the percentage of businesses rating 'unsafe' was significantly lower (12-46 percent). Businesses in Kaafu atoll may have rated 'unsafe' because Greater Malé Region was the epicentre of the community outbreak. Similarly, the higher level of perception of health and safety risks among businesses in northern atolls may have been associated with a rise in infected cases and clusters linked with several boats carrying infected passengers to northern atolls.

In-depth interviews with businesses indicated several were closing down even before the government's containment measures, fearing for the health and safety of their staff, families and customers.

#### THE CLOSURE OF THE INTERNATIONAL BORDER AND RESTRICTED INTER-ISLAND TRAVEL, AS WELL AS MOVEMENT TO AND FROM THE GREATER MALÉ REGION, CAUSED MAJOR NATIONWIDE SUPPLY DISRUPTIONS FOR BUSINESSES.

The BCC survey in April/May 2020 explored the challenges to supply transport schedules. About 57 percent of businesses reported some form of difficulty regarding transport logistics from March. The challenges centred on sea freight (53 percent) followed by airfreight (46 percent). Later in the survey, more businesses said they were facing problems with supply due to increased public, local government and central government scrutiny. Advice against inter-atoll travel was another concern as the COVID-19 situation progressed. The trade sector observed a significantly higher impact with 67 percent of companies reporting logistic challenges as opposed to the 57 percent national average for all businesses.

The in-depth interviews conducted from June to July 2020 indicated that out of the 67 businesses questioned, 31 percent said their supplies were affected during the period from February to June. Those based in other atolls said they were impacted by the movement restrictions to and from Malé city. Large scale vendors/importers in the capital attributed the disruption to the border closure and customs clearance issues. About 20 percent of businesses said their supplies were not

affected during the same period, mostly because their operations had ceased temporarily. Eight percent of businesses said that they had enough stock/reserve to withstand the supply disruptions taking place, which were mainly attributed to the accumulation of stock in preparation for the month of Ramadan (May to June). Furthermore, 44 percent of businesses said they anticipate supplies to be affected from July to December 2020, possibly extending to the first quarter of 2021. This was associated with uncertainties regarding the resumption and recovery of international travel.

#### THE TEMPORARY CLOSURE OF BUSINESSES, REDUCED OPERATING HOURS AND SLOWING DEMAND SUBSTANTIALLY REDUCED SALES AND REVENUE OF MOST BUSINESSES

The BCC survey undertaken during April/May 2020 showed that performance of all economic sectors declined drastically, with more than 87 percent of businesses reporting reduced earnings across all major sectors. The study showed that sales had slowed down significantly and the trade sector, the largest in terms of volume of engagement, was impacted significantly.

In-depth interviews conducted in from June to July 2020 with businesses in the tourism value chain show 58 percent of the 67 interviewees experienced a 100 percent revenue reduction. Companies that continued operating in the period from March to July 2020 saw revenue reductions of 30 to 80 percent. Out of 67 businesses interviewed, 38 percent believe their revenue will not recover until the end of the year, while 29.9 percent said it is difficult to predict, while many others anticipate the impacts will last longer.

A key challenge identified by the businesses was the unpredictable nature of the crisis and the uncertainties related to recovery. A revival depends on the easing of restrictions including the reopening of borders, influx of tourist arrivals and free mobility. Some businesses remain optimistic about a recovery following the easing of lockdown measures from July. But those catering to tourists and others including event organizers are more skeptical.

WHILE ABOUT 20 PERCENT OF BUSINESSES INTERVIEWED INDICATED THAT THEY INCURRED ADDITIONAL COSTS OF OPERATING DURING THE CRISIS AND IN 'THE NEW NORMAL CONTEXT', THE MAJORITY STRUGGLED TO COPE WITH EXISTING OPERATING COSTS.

The in-depth interviews with 67 businesses indicated that their top operating costs included salaries, utilities, rent, consumables and equipment maintenance. A small proportion cited insurance, internet access, marketing and the leasing of equipment among their top expenses.

The costs incurred by businesses in general prior to COVID differed based on geographic context, size and type of business. For a majority of those interviewed in the Greater Malé Region, rent was reported to be the main expense, but atoll-based businesses said it was minimal. Insurance was cited as a major cost by many of the larger companies in the Malé area. Maintenance expenditure was key for businesses with heavy duty equipment and assets such as jet skis and diving kits. The costs borne by such businesses in the atolls were higher as they have to send equipment to the capital for maintenance, incurring additional travel overheads. While large scale vendors cited the maintenance, costs associated with their ICT infrastructure, as well as the upkeep of other equipment such as industrial freezers. Internet services were also among the main outlays, especially for smaller businesses that had to rely on the internet and provide Wi-Fi for their customers, such as cafés, restaurants and guest houses. Photographers and artisans cited consumables as their operations' key expense.

Although the majority of businesses did not incur any additional costs associated with operating during the COVID-19 crisis, as most were temporarily closed during the period from April to July 2020, 19 percent of those interviewed stated that they incurred one or more forms of additional outlays. Some expenditures were associated with the use of health and safety equipment, such as the purchase of sanitizers/disinfectants; Personal Protection Equipment (PPE), commonly cited by salons and guest houses operating in the 'new normal' and the installation of hand washing facilities as noted by cafés. Other costs included delivery services such as recruitment of additional staff and vehicle hires;

internet and ICT expenses with the provision of laptops and internet for staff working from home and the purchase of furniture to accommodate social distancing in cafés. Some businesses reported large electricity bills despite their business and offices operationally closing. Diving centres and other companies such as fishing trip services that rely on motorized vessels, reported the additional expense of dry-docking, battery and dive equipment upkeep as additional costs because they require regular use to keep them functional.

ALMOST ALL BUSINESSES REPORTED THAT THEIR CASH FLOW WAS AFFECTED, THE MAJORITY INDICATED THAT THEY ARE ALREADY STRUGGLING, WHILE ONLY A SMALL PROPORTION OF BUSINESSES SAY THEY CAN MANAGE FOR UP TO SIX MONTHS.

The BCC survey undertaken in April/May 2020 found that about half of the businesses in the trade sector had run into an immediate need for liquidity as they were unable to finance the purchase of inventory at the time of the study. Given the anticipated low movement of inventory and limited shelf-life of a high proportion of retail goods, businesses in this sector reported struggling to finance the further purchase of day to day inventory to keep operations going. A larger number of sole proprietors were found to be facing liquidity/working capital challenges as they account for a bigger share of the retail trade sector in the survey responses. Similarly, businesses in the food and beverage sector were experiencing cash flow issues.

The in-depth interviews conducted with businesses as part of this assessment from June to July indicated that all 67 of those interviewed said their cash flow was affected from the period March to June. With the current operations, 57 percent of businesses interviewed said they were already struggling, while 18 percent said they can manage for another one to two months. Only six to thirteen percent said they can manage cash flow up to three and six months respectively. A few businesses indicated that the impact on cash flow was minimal. These included large companies such as food suppliers that were able to manage revenue from other service areas of the business. Similarly, ICT companies reported that they could maintain liquidity with minimal disruptions because they were able to continue with their existing

projects. Given the uncertain environment for business operations, many reported difficulty in forecasting their cash flow for the coming months.

The main reason cited was the decline in demand and sales, which was applicable across all sectors. Several companies reported that overhead costs and additional operating expenses were adding to the pressure. Other reasons for revenue loss include delayed payments from clients and customers as well as the cancellation of projects. Many of the smaller corner shops operate on a credit basis, providing goods upfront and receiving payments when customers receive their salaries. With the widespread impact on employment, retail businesses reported that most customers were unable to settle the credit. Similarly, photographers/videographers, PR and events organizers reported projects being cancelled as the main reason for the loss of revenue while several cited costs incurred to prepare for the events. Interviews with business associations conducted to validate preliminary findings, indicated delayed payments by the government for public infrastructure projects were the main reason for their cash flow difficulties.

The cash flow management strategies cited across the 67 businesses varied. At least 32 smaller operators (48 percent) depended on the personal savings of business partners or family members, while only larger companies could draw on business reserve. Some of the cost-cutting measures mentioned by businesses to cope with cash flow include laying off employees, reducing salaries of retained employees, letting go of rental properties, deferment of pre-existing loan repayment and accessing the government's relief assistance.

### MAJORITY OF THE BUSINESSES WITH EMPLOYEES HAVE UNDERTAKEN SOME FORM OF EMPLOYMENT ADJUSTMENT. MIGRANT WORKERS, PROBATION EMPLOYEES, CASUAL WORKERS AND FREELANCERS BEAR THE BRUNT OF THE RECONFIGURATION.

The BCC survey undertaken in April/May 2020 tried to establish impacts on staff compensation and employee retention. A majority of businesses self-reported that no changes were made to workers' compensation, while data in Kaafu Atoll (which has a large concentration of tourism-related establishments) showed that 42 percent indicated changes had been made. The industry comparisons showed the tourism and transport sectors reported high levels of alterations to staff compensation standing at 29 percent for both industries, as opposed to the sample average of 10 percent across all sectors combined. With respect to employment retention, the data showed 94 percent of all businesses reported that no staff jobs were terminated due to COVID-19. Industry comparisons showed fisheries, agriculture and transport sectors reporting high levels of dismissal at 10 and 11 percent respectively, as opposed to the sample average of 6 percent across all sectors. It was also observed that 'no response' answers were more common towards the beginning of May, compared to replies in early April to questions on staff retention and compensation adjustments. The high no response rate for questions on employment is likely to be related to the Government's appeal to businesses to maximize employment retention during the crisis.

The BCC survey data regarding the mean number of staff employed before March 2020, and segregated by primary activity at the time of the report, showed redundancies had taken place across all economic sectors by at least a small percentage, indicating a trend of staff dismissal. Businesses engaged in tourism and related activities reported the only significant observation, with a reduction of mean employees from 5.62 before March 2020, down to a low of 4.95 employees. This implies that among the businesses in the survey, 12 percent of staff in tourism and related industries were made redundant during this period. Among other sectors, reported redundancy rates ranged between 0.5 and 5 percent with no identifiable outliers.

The in-depth interviews with 67 businesses indicated that 19 of them were self-employed entrepreneurs and did not have employees. These included people in the creative sectors such as artisans, cultural performers, musicians, photographers and videographers. Small-scale diving and fishing trip companies were often operated by owners themselves with minimal staff hire. Out of the 67 businesses, 48 businesses had employees which totaled to 2,173 employees pre-pandemic. About 26 percent were women. 49.8 percent of the employees were Maldivian and 50.2 percent were foreign expatriate workers. The majority of these workers (more than 70 percent) were employed in businesses based in the Greater Malé Region.

Table 4 indicates the adjustments made to employment as reported by the key informants. Of the 67 businesses interviewed, 43 percent of businesses said that they made changes to employment.

**Table 4 Employment adjustments reported by businesses**

	ATOLL-ZONES		MALE'-AREA		TOTAL	
	NO. OF BUSINESSES	NO. OF EMPLOYEES	NO. OF BUSINESSES	NO. OF EMPLOYEES	NO. OF BUSINESSES	NO. OF EMPLOYEES
<b>DID NOT MAKE CHANGES TO EMPLOYMENT</b>	<b>10</b>	<b>74</b>	<b>10</b>	<b>1,113</b>	<b>20</b>	<b>1,187</b>
<b>NO EMPLOYEES (NO CHANGE)</b>	<b>12</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>18</b>	<b>-</b>
<b>MADE CHANGES TO EMPLOYMENT</b>	<b>10</b>	<b>77</b>	<b>13</b>	<b>876</b>	<b>23</b>	<b>953</b>
<b>ONLY CASUAL EMPLOYEES (NO WORK)</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>30</b>	<b>6</b>	<b>33</b>
<b>TOTAL</b>	<b>36</b>	<b>154</b>	<b>31</b>	<b>2,019</b>	<b>67</b>	<b>2,173</b>

**Table 5 Staff dismissal as part of employment adjustments reported by businesses**

	ATOLL-ZONES		MALE'-AREA		TOTAL	
	NO. OF BUSINESSES	NO. OF EMPLOYEES	NO. OF BUSINESSES	NO. OF EMPLOYEES	NO. OF BUSINESSES	NO. OF EMPLOYEES
<b>EMPLOYMENT TERMINATION</b>	<b>10</b>	<b>30</b>	<b>13</b>	<b>342</b>	<b>23</b>	<b>372</b>
<b>NO WORK FOR CASUAL STAFF</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>30</b>	<b>6</b>	<b>33</b>

Out of the 48 businesses that reported having employees, 39 had laid off all or some staff. A total of 372 full time workers were let go by 23 companies (Table 5). The majority of job losses were in the Greater Malé Region. None of the local employees were terminated unless they were on probation or had been employed on a casual basis. It is estimated from the responses that a third of the foreign expatriate employees were laid off. The expatriate staff who were retained were often provided with accommodation and food, and in some cases, a living allowance.

The retained staff were subject to different pay scales. These ranged from 40 percent with no changes to pay, 38 percent subjected to 20 to 50 percent salary cuts and 3 percent provided with only a sustenance allowance. Mainly foreign expatriate workers were put on no-pay but some were provided with accommodation, meals and a sustenance allowance. The interviews indicated a similar pattern to the data reported in Part II of this assessment where self-employed freelancers, casual workers, probation and migrant workers were most at risk of losing incomes and employment as a result of the pandemic.

The meetings held with business associations to validate the preliminary findings of this assessment affirmed the informal nature of self-employment common across the tourism value chain. The meeting with Tour Guides Association showed that tour guides usually depend on tips from tourists as they do not have formal employment contracts with any employers. Resorts often direct tourists looking for a city tour to a guest shop in Malé which connects tourists with city guides. Resorts usually recruit multilingual foreign tour guides in their facilities.

There is no formal or structured mechanism set up to connect tourists directly with trained tour guides in the capital and islands. Tour guides used to make an average of MVR 6,000-7,000 per month prior to the crisis and many were unable to apply for the government Income Support Scheme due to the informal nature of their work. Similarly, most surf guides are freelancers and do not have formal contracts with employers. The meeting with the business association revealed that tour operators usually connect tourists with surf guides through informal channels. The surf guides were also unable to apply for the government Income Support Scheme as they were usually paid in cash and did not have records of income received consistently for six months as supporting evidence. However, some guides who worked with established contracts were able to apply and receive the income support. The Boating Association said they have around 80 members and almost half of them operate liveaboards while the other half are suppliers to support the boat services. There are about 2,000 individuals (more than half are locals) employed by this industry, with an average of 5-10 people on a safari boat and an average of 3 people in a dive dhoni vessel. Some of the liveaboard and safari employees or maintenance staff are on a fixed monthly salary while dive instructors and employees lost almost all their income with the suspension of tourist arrivals. Some employees placed on no pay leave have found temporary work in agriculture and with the island-based branches of state owned utility companies, while others are involved in vehicle repair/garage handling or have started own small businesses.

## KEY FINDING 2. CHALLENGES TO DOING BUSINESSES

### BARRIERS TO ACCESS FINANCE

The BCC survey undertaken in April/May 2020 showed that over 46 percent of businesses said financial assistance is their most critical need. The companies' requests can be categorized into 3 distinct groups, all of which have similar ratios between them. These are requests for grants from the government; requests for low interest loans; and requests for assistance in applying for loans or seeking capital. It is noted that the government, as part of its Economic Recovery Plan, has put mechanisms in place to address these needs including loan and grant facilities. But the reach of these schemes remains limited (see for example Table 3 which presents data on government loan assistance to MSMEs). The majority of the "other" requests for assistance cited in the survey were complaints regarding existing facilities relating to credit or logistics, with the latter being significantly raised by the businesses.

The in-depth interviews held with businesses during June-July 2020 indicated that out of the 67 interviewees, 57 percent said that they have not accessed any external finance, while 15 percent said they have secured a bank loan from the government's loan assistance scheme. Several stated that they were still waiting for the bank's decision on their application and one reported that their application had been rejected. 5 self-employed entrepreneurs (freelancers) applied for the government's income support programme and 3 were successful in securing it.

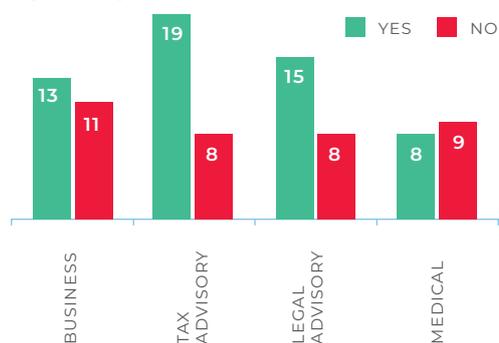
The reasons cited by businesses for not accessing loan support include high interest rates, short grace period (compared with the uncertain and prolonged nature of recovery from the crisis), ineligibility for the loan based on annual revenue, uncertainty over the pandemic and ability to continue operations, lack of awareness regarding the types of assistance available as well as the cumbersome application process. Feedback during these interviews show that they were critical of the employee retention conditions tied to the loan assistance for businesses. Many stated that given the uncertainty and prolonged nature of economic recovery and with many already in distress, employee retention

should not have been tied to loan assistance, rather it should have been designed as a separate initiative. The feedback received from the businesses during the interviews further indicated that the support available for small companies was inadequate and somewhat 'unfair' compared to the rent exemption and financial assistance schemes implemented for large tourism establishments.

The meetings held with business associations to validate the preliminary findings of the assessment pointed to inherent problems of financial intermediaries being a barrier to accessing funds during the pandemic. These comprise of high interest rates (including that for the Government's loan assistance scheme in response to COVID-19), difficulties in completing application documentation/complex procedures and slow processing of applications. Feedback indicated that some of the businesses had to tap external support and expertise to complete their loan application documents. Associations that work closely with women entrepreneurs indicated that high interest rates and unfavourable repayment structures (including short grace periods) were key barriers to accessing the programme. Many were of the view that repayment schedules will incur operational challenges in the coming months as sales forecasts show a slow pace of recovery. The feedback from the associations that work closely with women entrepreneurs however indicated that some of their members have been successful in securing assistance from the Government's income support scheme.

## LIMITED ACCESS TO BUSINESS SUPPORT SERVICES

**Figure 2 Types of business support services accessed**



The BCC survey undertaken in April/May 2020 found that most companies do not have access to business advisory and taxation support services. Similarly, the in-depth interviews held as part of this assessment show that out of 67 interviewed, 22 percent of said they have access to business support services while 18 percent do not. The types of support services accessed by businesses are provided in Figure 2. The majority receive business advisory in the form of tax and legal advisories.

Businesses that do not typically tap support services include micro and small businesses in the atoll-zones, such as fishing trip companies, guest houses, artisans, cafés, corner shops, local food vendors, renovation and maintenance contractors as well as freelancers in the creative sector namely photographers, cultural performers and musicians. Some stated that they can acquire advice informally which was typical of large family businesses with trained professionals such as lawyers and accountants in the family. A significant number of businesses interviewed said they have the internal capacity to manage tax filings and indicated that the help desks of the tax collection authority, Maldives Inland Revenue Authority, were a source of support for most businesses based in the atolls. While a small number indicated that they have access to legal advisory services, many stated that they are able to contact lawyers should the need arise. On medical advisory, most businesses stated that they follow advice from the Health Protection Agency (HPA).

When probed on the types of support services and their accessibility, several companies pointed out the importance of having advisory services and said they would like support to manage their businesses.

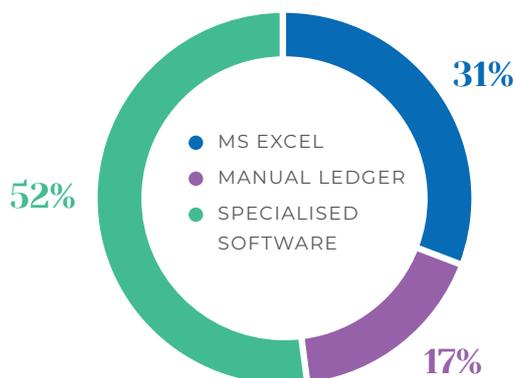
Under the BCC, the government has established several Business Centers (BCs) in the atolls. The feedback received during in-depth interviews shows the majority of companies were not aware of their existence nor their role. Of the 36 businesses in the atoll zones, only seven stated that they were aware of BCs while eight indicated that they were vaguely aware. Some said the BCs only contact businesses ‘for reporting and survey purposes’, it was difficult to access information from BCs and that their services do not adequately match business needs.

## UNMET SKILLS REQUIREMENTS, LIMITED TECHNICAL KNOWLEDGE AND EXPERTISE IN AREAS OF BUSINESS MANAGEMENT

Findings of the BCC survey undertaken in April/May 2020 show that 78 percent of companies do not have a business contingency plan, indicating that should the crisis persist, they are at high risk of closing down permanently. But some did mention having strategies in place including the move to online marketing and working from home. While others planned to reduce operating margins and to implement temporary downsizing. Furthermore, only 47 percent of the businesses said that they would be able to absorb the responsibilities of employees who fall ill/become infected. Others indicated that employees falling sick will lead to a temporary halt in operations and or a delay in services.

The in-depth interviews conducted from June to July 2020 explored the various capacities companies have in business management and operation. These includes inventory and financial management, planning and workforce management. Businesses in the Greater Malé Region demonstrated a stronger ability and better access to business management tools compared to the atolls, where most MSMEs do not use any software for business forecasting or inventory management.

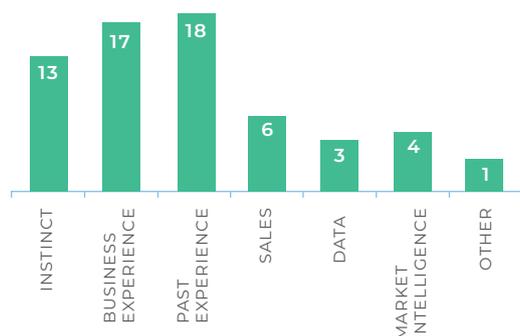
Figure 3 Use of inventory management systems



Source: in-depth interviews held with businesses as part of this assessment

**Inventory management:** Out of the 67 businesses, almost half did not respond to questions on inventory management. This is probably because they were small-scale or home-based or others that do not rely on large amounts of stock. Around 35 percent of informants indicated that they have some form of inventory management system. The most common form includes the use of specialised software such as ‘Shopify’ and ‘Odoo’ while some mentioned Microsoft Office (Excel) and manual maintenance of stock (see Figure 3). Very few respondents stated that they carry out supply forecasting using business software and/or statistics. The majority base their supply predictions on past experience and intuition.

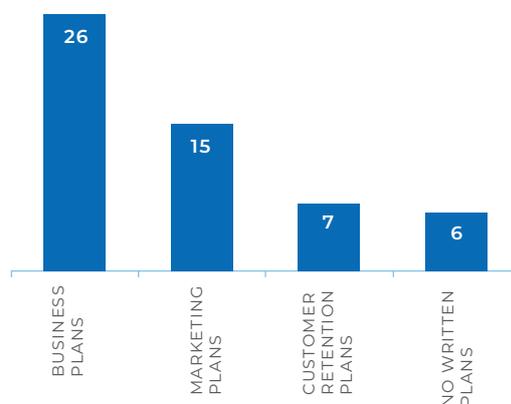
Figure 4 Forecasting approaches used by the businesses



Source: in-depth interviews held with businesses as part of this assessment

**Financial forecasts:** When asked about sales projections, revenue and cash flow forecasting, more than half of the businesses interviewed indicated that they base it on past experience and intuition. This includes mostly small-scale businesses and home-based/self-employed entrepreneurs. Out of the 67 businesses, 17 reported that they based their forecasts based on their experience and knowledge of previous market trends (see Figure 4). The tools used by businesses in financial management include Odoo and QuickBooks while others manage finances manually on Microsoft Excel. Out of the 67, only four had their financial management activities outsourced to external accounting firms. During the in-depth discussions, it was clear that the majority do not have access to or do not use data and information holistically to conduct financial forecasts. For example, government policies to respond to the crisis, global travel trends, local market trends and supply predictions were not factored into these forecasts in a concrete manner.

Figure 5 Types of business planning undertaken by businesses



**Business planning and business continuity planning:** More than one third (26) of the companies interviewed in this study had written business plans or concepts (Figure 5). About a quarter (15 businesses) had their own marketing plans and several also had customer retention strategies. Around a third had no written plans and or did not respond to the question during the interview.

When asked about Business Continuity Plans (BCP), many believed BCPs were important while very few had written them. This validates the finding from the BCC survey which indicates that more than 90 percent of the businesses did not have any contingency plans.

Businesses discussed insurance as an important element of BCP. Most mentioned having insurance or believed it was important to get insured for unforeseen disasters. A few said that the existing insurance does not cover for such a pandemic situation. As part of BCP, some had plans to expand the same business while others planned to diversify and expand their product types. However, many feared that they might not be able to continue with their plans due to cash flow difficulties.

**Human Resource and workforce management in 'the new normal':** The feedback received from the interviews indicated that businesses had little comment on providing workforce management. Many pointed to following precautionary measures as well as health and safety advice from HPA. While others expressed the need to understand more about how social distancing measures can be practiced in certain areas such as diving and fishing excursions. However, companies did not provide any views on how they have reconfigured staffing, what sort of benefits and protection are in place for staff or how expertise that is currently lacking, could be used when operations resume.

**Skill requirements as perceived by businesses:** During the interviews, businesses were asked about the top three skills they would like to be trained in. Feedback showed that very few specific requirements were highlighted by the informants. Based on the overall discussions, the training needs can be summarized in areas such as developing business, marketing and customer retention plans, along with BCP. Some of the small companies from the atoll-zones, specifically women entrepreneurs, were keen to learn how to take their business online. Simple skills such as using Viber and social media were recognized as important. Many of the small businesses, most specifically corner shops and small cafés, do not use internet banking. Creating awareness about the ease of online banking can empower them further and prepare them for emergency online delivery setups. Other entrepreneurs highlighted that they would like to learn videography skills to use in marketing campaigns. Most indicated that any training would be desirable if offered on a flexible schedule and preferably online.

## LIMITED ACCESS TO TECHNOLOGY

**Digital technology:** Although several technological advancements have been made in the country, the in-depth interviews reveal that there is much progress to be made regarding technology integration into business operations. Around half of the MSMEs interviewed have at least one computer literate person engaged in their business operations, but about half did not have any workers with the skills. Computers were mostly used for managing activities such as booking systems, cash flow and inventory management. In addition, some businesses said they provided laptops and internet access to their employees to work from home during the pandemic.

Out of the 67 businesses interviewed, most informants (32) stated that they use the internet for their business and 22 of them had Wi-Fi installed in their business unit. Access to the internet was not a major issue among the respondents. But some said they were unhappy with the service, mainly regarding speed and price. Thirty-seven specifically mentioned use of internet/online banking. This method was used more often than cash transactions. Some others used point of sale (POS) systems and many conducted online transfers. Nineteen said they use only cash transactions; these were predominantly businesses based in the atoll-zones.

The meetings with business associations shed light into some of the barriers regarding internet and technology use. This applies specifically to the outer atolls and remote islands, home-based businesses, some companies run by the older generation and others managed by women on the islands. The most common perception towards digital technology in these groups is that they either feel it is not needed in their business or it would be challenging to build capacity. The Surf Association and Boating Association explained that companies in these areas conduct most of their administrative tasks through digital platforms. However surf tournaments and training require practical aspects in combination with theory work.

The women-led associations particularly noted the challenges with banking technology for home-based businesses and informal companies run by women,

such as those engaged in thatch-weaving, sewing or subsistence farming. Banking services and solutions need to be upgraded or made more convenient and cost efficient on the islands. One informant stated the difficulty of accessing banking for residents in Gdh. Fiyooaree as they typically incur MVR300 in costs to acquire MVR500 in cash from the nearest island where money can be withdrawn. This is indicative of the high costs faced by informal and small businesses.

**Transition to green/environmentally friendly technology:**

The in-depth interviews held with 67 companies indicated that the majority appear to be aware of the environmental sustainability of business operations. Most of those in the Greater Malé Region appear to be familiar with such practices, while others in the atoll zones demonstrated awareness of green business practice and technology. The most common form of environmentally friendly practices mentioned was the use of energy-efficient air conditioners. The musicians and event management businesses cited their policy of not allowing energy drinks on their premises and discouraging the use of plastic bottles, while photography and videography interviewees mentioned their use of environmentally friendly equipment. One corner shop/mart owner on an island had difficulty when asked about green technology. Once the concept of environmental sustainability had been explained to her, she said that the unsold products from her shop are given away for free to less fortunate people, preventing items from ending up in landfills. Some businesses highlighted the need for more incentives from the government and public acceptance of environmentally friendly methods. Another interviewee said their café had been built using natural material and they did not have fans. But these arrangements had to be modified due to people's negative perceptions.

## REGULATORY BARRIERS

**Perceptions on weak enforcement of laws that disadvantage MSMEs.** Although no direct feedback was received from the interviews on regulatory areas, the meetings held with business associations to validate the assessment's preliminary findings highlighted enforcement issues that disadvantage local MSMEs. One example was the weak enforcement of tour guide permits. People without permission are able to operate, creating a direct impact on licensed tour guides' incomes. Similarly, the unregulated ability of foreigners to own and operate dive centres with no requirement to hire locals was stressed as a hindrance for local talent development, retention and revenue generation related to one of the nation's most significant natural assets. The photography/videography companies emphasised the need for an institution to regulate the sector, including professionalism of talent as well as maintaining internationally competitive pricing. Furthermore, irregular/undocumented migrant workers renting out spaces and conducting business was raised as a serious concern. Some businesses on the islands noted that they were able to change their electricity billing from business rates to domestic rates as a COVID-19 support measure following negotiations between the island council and service providers. But such processes should have been standardized, announced in advance and made available for all micro-and small businesses.

### KEY FINDING 3. COVID-19 ADAPTATIONS BY BUSINESSES

The BCC survey showed that companies cited moving services online and continuing to run them with new safety guidelines in place. Despite the optimistic responses received with regard to 'safety protocol' and 'safety gear or PPE', it was found that very few understood what it would actually entail to control the spread of COVID-19. When questioned about the safety guidelines or PPE, the majority of responses included, 'being advised to stay home' (referring to not operating) or having a hand washing station on the premises. Very few actually reported having a written safety protocol or communicating safety advice to their employees.

In the interviews, 67 businesses cited implementing several changes to boost sales and manage cash flow. Most commonly stated adaptations include:

- Starting/expanding delivery services** (included cafés/restaurants, corner shops, large-scale food vendors/importers). One business indicated making a contract with Red Box, who specialise in running a courier service in the Greater Malé Region.
- Moving to online payments (including internet transfers and Viber community groups for marketing)**. This was not possible for many small businesses in the atoll-zones as they did not use the internet.
- Ramped-up online presence and marketing through Facebook, Instagram and Twitter**. Out of the 67 businesses interviewed, a substantial number of businesses (21) reported carrying out online marketing. They ranged from dive centres, guest houses, artisans and salons to corner shops and event organizers.
- Moved to work-from-home**. Eight companies indicated facilitating work from home arrangements and operations. These include photographers/videographers, ICT businesses, salons, dive centres, cafés/restaurants and artisans.
- Product modifications**. Examples stated include reducing perishable goods by a corner shop and a café introducing home brewing, to supply coffee products to brewers.
- Diversified to other products or services using their existing resources**. A marketing company informant said they diverted their business product to disinfectants using market intelligence supported by their overseas branch. A dive company diverted to setting up a café in their premises to maintain some level of revenue. A music group that had earlier invested in a speedboat for their resort trips, started reef-fishing and purchased a deep freezer. A café/restaurant introduced a new range of dishes for home-deliveries. A guest house diversified into selling watermelons by forming a cooperative with farmers and directly linking with buyers, which eliminated the middlemen and provided farmers with a good payment.
- Reduced the prices to increase sales**. Some retail shops stated offering reduced prices and discounts, while the large majority of businesses indicated that it was challenging to offer reductions in the difficult operating environment.

**Success stories of innovations as reported by businesses interviewed:**

During the in-depth interviews, people discussed the successful innovations implemented by companies. These include increasing the number of young people engaged in reef fishing and modifications to fish processing as initiated by women from one island who made paste from bigeye scad mushimas instead of skipjack tuna. Farming initiatives include securing land from the local council, growing more species of fruit and vegetables, reviving traditional agricultural practices such as a banana plantation that was started with UNDP assistance, growing hydroponics at home, selling plants, food delivery and utilising online platforms. One informant noted how mangos from Fuahmulah (Southern atoll) have been reaching the capital, Malé's market through online marketing during the lockdown in the Greater Malé Region. Another mentioned the internet service provider Raajje Online (ROL) creating a platform that enabled digital classrooms. While an example of delivery business in the capital Malé made reference to a group of young people who set up an effective delivery company across Malé-Hulhumale. They started repackaging bulk items (frozen food such as beef) into smaller quantities at a lower price to meet the needs of customers who lived in cramped spaces with small fridges.

**Opportunities for innovation:** The surveys shows how the crisis has opened doors for new opportunities, especially for women, introduced new ways of doing business, and brought about shifts in behaviour and consumption patterns. The acceptance of working from home within society will create economic opportunities for women beyond the crisis. Online businesses have boomed within the last few months fostering new women entrepreneurs. The wide use of delivery services and online ordering of groceries have also increased the number of women actively contributing to the production, sale, and supply of products. Some women's companies operating from home were able to divert their operations and products to meet the needs of the crisis, such as sewing face masks. While others without prior operations have started earning income through selling the face-wear. However, these people also faced difficulties in acquiring materials, fabric and the transportation of supplies. The associations that work with women entrepreneurs said there was an immediate boost in the demand for masks with several women taking part in supplying them to the general

public. But some large-scale mask orders, especially those purchased by government institutions, were given to big businesses when they could have been shared among several home-based companies. This could have been achieved through a partnership with existing bodies, such as the cooperative 'SABAH' formed by the Ministry of Economic Development for home-based workers.

The Construction Industry Association also reported that the utilization of drone technology for site inspections and monitoring progress can be adopted by businesses. The images captured can be used by engineers working remotely or by investors in the project to improve on site supervision.

Additionally, the business associations also noted that annual meetings with members could be held online without the need to physically gather in one place. This used to be a big challenge for businesses on remote islands due to the high costs associated with travel and accommodation in Malé city. The MACCS working with many self-employed people across the country believe that entities representing the government at the island level, such as the business centres under the BCC, Island Councils and Atoll Councils, could provide one-on-one assistance to train associations and MSMEs to use technology to its full potential. As MSMEs will be adopting alternative work modes and digital operations, internet issues regarding cost, speed and access should be addressed and resolved to facilitate the shift towards this adaptation.

## KEY FINDING 4. FUTURE OUTLOOK

The MIRA data presented in Table 1 shows that most MSMEs are concentrated in trade, tourism, construction and other support services. Hence, the recovery of the tourism industry is essential for most MSMEs to continue with their operations and recover from the crisis.

According to business registration data obtained from Ministry of Economic Development for the purpose of this assessment, there was 10 percent year on year growth for the period from January to July between 2018 and 2019. Registration data shows a decline of 38 percent in the same period in 2020 compared to 2019. This is most apparent in the decrease in ‘company’ registrations. They dropped by 41 percent and ‘sole proprietorships’ registrations fell by 35 percent between January and July 2020 compared to 2019. The reasons for this decline could be partly due to fewer businesses seeking registration or a slowdown on registration services due to the Government closure and lockdown measures in the Greater Malé Region from April to July 2020.

The in-depth interviews with companies show that out of the 67 interviewed, 42 percent said they might have to suspend business within this year. But 40 percent said they have plans for expansion and diversification. Many, however, temporarily halted expansion plans because of the economic impact of the pandemic. About 55 percent of businesses said they knew others that had completely shut down or are at risk of doing so. New business ventures, especially the ones run by young people, were identified among those most at risk of permanent closure. Companies most affected by the pandemic are tourism-related, in the transport sector, home-based or other micro- and small enterprises.

The duration and extent of the crisis will play a central role in determining the economic impact. Likewise, many MSMEs said that the evolution of the crisis would determine their future. The uncertainty and the rampant affect, especially during the second quarter and a minor recovery in the third quarter, will further put many MSMEs at risk of stopping operations entirely. This will affect consumers and suppliers as well as the future growth of businesses and entrepreneurship in the

Maldives. The key informants said food and beverage businesses, especially cafés and restaurants, were seen as high-risk even for the ‘new normal’. Live music and dance performers, event planning, public relations and other entertainment-related businesses were believed to take longer to recover, if able to do so. The types of businesses likely to succeed in diversifying and adapting after the pandemic are thought to include: grocery shops and merchandise for regular consumption, businesses that were able to move to online platforms, internet service providers, ICT services, pharmaceutical and medical equipment and restaurants with delivery services.

Meetings held with business associations highlighted that the recovery of the tourism sector as a whole and areas such as the dive and surf market, is only likely when international borders reopen, and traveller confidence is regained. Feedback from the surf association indicated that while most training schools had to completely halt their operations, some surf shops took their business online and intend to maintain their presence there in the future.

# RECOMMENDATIONS

The following recommendations focus on addressing the negative impacts of the protracted economic crisis associated with COVID-19 on MSMEs in the short-term. The second part of this section proposes an economic recovery framework to be implemented in the medium to longer-term.

## RECOMMENDATIONS FOR THE SHORT TERM (6 MONTHS)

**Recommendation 1: Increase financing for MSMEs with more tailored assistance for micro- and small and informal businesses.** The report highlights the challenges to access finance prior to the crisis and the constraints facing businesses in response to the pandemic. Given that the current forecasts for recovery look unpromising, it is recommended that building on the COVID-19 Viyafaari Ehee loan scheme, implemented by SDFC, the Government explores the next phase of financing, taking into account the protracted nature of the economic crisis and the challenges facing businesses to survive in this context. The next phase of funding should focus on the following areas:

- Conduct market research and analysis to identify the sectors and economic activities that has the potential for future development. Under this, identify the highly saturated markets and divert financing to newly establishing markets with greater prospects of MSMEs survival. Make the market research information publicly available which will help reflect market situation in business decisions. Identify missing markets which is overtaken by foreign businesses that can be locally integrated.
- The SDFC should systematically review the quality of loan applications, the gaps in applications and document the reasons for rejection which can then be linked to BCC services. This will enable it to conduct the necessary outreach and build capacity of businesses in areas where their ability to access finance can be improved in the future.

- Establish a financing window which provides grants and or zero interest loans targeting micro-, small and informal businesses. This should be complemented with mandatory capacity building offered through the BCC (discussed below).

- Support medium to large businesses by customizing loans based on needs and targeting those with potential for growth with lower interest loans. Favourable terms can be established for businesses which promote digitization, sustainability measures, innovation and integration into tourism and international value chains including those with high export potential.

- Zero and low interest loans to support startup businesses that have heavily invested pre-pandemic to support cash flow management and kick-start trade.

- Review the moratorium period for working capital loans in the light of the current economic projections, as several businesses do not foresee recovery within 2020 to enable them to start repaying loans.

- Conduct market research, identify and enable alternative mechanisms such as capital market financing, crowd financing and social impact financing for businesses with new instruments and products targeting MSMEs.

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

**Recommendation 2. Strengthen institutional support of the Ministry of Economic Development and the chain of services of key bodies such as the BCC, SDFC and MFMC, to be delivered in a coherent and coordinated manner.** The government has established BCC (for business advisory and support services), SDFC (for MSME financing) and MFMC (for investment promotion and to unlock financing for innovation).

- Conduct a large scale MSME outreach programme targeting the hard to reach and vulnerable businesses/groups to inform them and the general public about the support offered by the government including the services of BCC and SDFC. The report's findings show that a limited number of businesses were aware of the role of BCs operated by the BCC. The outreach programme should be led by BCs in collaboration with atoll-based service providers such as 'MIRA desks', island councils, local NGOs, business associations and in collaboration with businesses. The information dissemination should be carried out on a systematic and regular basis through phone and social media messaging as well as public service announcements and online group engagements.
  - Introduce support services through the BCC for those interested in accessing finance through SDFC. This should include assisting businesses in obtaining the necessary documentation and in putting together the loan applications. The BCCs can further assist SDFC to validate the business activities of applicants through localized verification processes and assist in loan management for businesses when financing is secured.
  - Increase transparency measures including regular information sharing with the public on the current financial assistance offered through SDFC, the COVID-19 Viyafaari Ehee loan scheme. SDFC should schedule financing periods for businesses to prepare in advance and publish regular and timely updates on support programmes and loans dispersed. Include information on the number of businesses supported, volume by industries and information on rejected loans with reasons.
  - Develop a registry of informal businesses including those online, through BCs. Over the past four months, the pandemic has seen an increase in many home-based businesses. A registry will serve as a useful tool to tailor the necessary support services for this target group. It is critical that the registry be systematically managed and updated on a quarterly basis.
  - Increase efficiency of services offered by the Ministry of Economic Development on business registration, obtaining of operating permits and foreign expatriate engagement services for MSMEs.
  - Strengthen enforcement of laws particularly in areas that are viewed to put MSMEs at a disadvantage (refer to the issues discussed under regulatory barriers in the previous section).
- Recommendation 3. Build capacity of businesses through a range of technical support and advisory services.** The findings of the report highlight the various capacity gaps that exist within MSMEs and the limited scope of access to technical and advisory services amongst MSMEs including business advisory, legal and medical support services. It is recommended that BCC introduces the following technical advisory support services for MSMEs in partnership with service providers and business associations in an affordable and quality manner.
- Introduce support services to provide forward looking market intelligence in key economic sectors including global and local trends. Ensure that this information is readily available and easily accessible through mobile applications, mainstream media and webinars.
  - Strengthen outreach and coverage of business advisory support services with a strong focus on risk-based business planning, contingency planning, work force management and financial literacy.
  - Introduce a legal advisory helpline and provide support for MSMEs in contract negotiation, document review and improving the overall documentation of businesses.
  - Collaborate with HPA to provide clear, consistent and regular messaging and medical advisory for various MSME operating sectors including tailored advisory for food and beverage outlets, wholesale and retail sector, guest houses/local tourism services, salon /spa services and event organizers/service providers.
  - Introduce networking for businesses on supply management, logistics handling and other support services.

- Introduce e-tools and build business capacity to use these methods to improve quality and efficiency in management particularly in areas such as inventory, finance, accounting and workforce management.
- Facilitate knowledge exchange and expertise exchange from global, regional and local success stories, new business models and champions on how businesses are adapting and responding to the crisis.
- Introduce Business to Business mentorship programmes.
- Introduce a networking platform for freelancers and the self-employed. One suggestion is to create a holistic portal within the JobCenter portal where all freelancers and artists could upload their profiles to showcase the pool of local talent in one central database. It could be configured to match employers with potential employees and monitor standards of contracts. This could also be achieved in collaboration with start-ups such as Jobsicles which currently provide job matching services for employed population.
- Introduce capacity building opportunities for business associations in areas of managerial, administrative and technology adaptation which were identified as barriers for operation by associations.
- Explore co-sharing of workspace for business associations in collaboration with Business Centers and other office outlets of the Ministry of Economic Development.
- Facilitate knowledge exchange, exposure and partnership with regional and global business associations and interest groups for local associations.
- Strengthen capacity of business associations to conduct regular data collection within the sector including impacts of the crisis on the respective business sector, to produce market intelligence reports and in areas of corporate responsibility, leadership and advocacy.
- Explore options to introduce tailored technical advisory services in collaboration with BCC for MSME sectors complementing the BCC's business advisory services.

**Recommendation 4. Establish a collaborative working relationship with active business associations and provide technical capacity for the associations to function effectively and support/represent MSMEs in their relevant sectors.** The findings of the report show that many business associations have been active in documenting the impact of COVID-19 on companies in their sector. The meetings held with business associations to validate the preliminary findings of this report further alluded to the potential advocacy role of businesses and their willingness to contribute to the recovery process. It is therefore recommended that the Ministry of Economic Development establishes a strong working relationship and provides the necessary support for associations in collaboration with the Ministry of Youth, Sports and Community Empowerment<sup>12</sup> to expand and strengthen their role in economic recovery. Specific actions proposed are:

- Establish a regular consultative and or dialogue platform with business associations to discuss economic policy responses and potential collaborative interventions to support MSMEs.
- Ensuring affordable and good quality internet for MSMEs through subsidized rates in collaboration with telecommunication operators.

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<sup>12</sup> The Ministry manages the registry of associations

- Conduct outreach programmes and training via public television and various other channels to broadcasts to demonstrate the simple use of applications such as Zoom, mobile apps, digital marketing using social media and internet banking.
- Conduct targeted training programmes for businesses on digital solutions, e-commerce, and digital marketing in collaboration with the Maldives Polytechnic.
- Explore technology adaptation, financing and technical support services to enable businesses to uptake clean technology including renewable energy and green agrotechnology.
- Scale up the technical and advisory services of BCC to businesses in the atoll through digital means.

**Recommendation 6: Design and implement a collective strategy to revive tourism sector for the upcoming high season (October 2020-March 2021).**

Given the heavy reliance of the economy on tourism, the restoration of employment and rehabilitation of MSMEs depend to a large extent on the recovery of the tourism sector. Despite the reopening of Maldives border in mid-July 2020, tourist arrivals remain extremely low. The Government in collaboration with all actors need to develop a coordinated strategy for tourism recovery in the upcoming high season. October to March is typically the peak travel period for the Maldives, generating more than 50 percent of the annual tourism revenues. Therefore, it is critical that the country is equipped to attract visitors and manage travel during this time. To achieve this, the following actions are recommended.

- **Establish a business task force for revitalizing tourism.** The Ministry of Tourism should facilitate a collaborative working platform with the business community through setting up a business taskforce for travel and tourism recovery for the Maldives. The taskforce should include representatives from the private sector as well as business and employee associations.

**Conduct collective destination marketing.**

While recognizing the advantages of the unique ‘one island one resort’ concept in the Maldives, and acknowledging travel is a challenge to many visitors given the disruptions in the airline industry, and understanding visitor demand for safe destinations, it is vital for the government to partner with the travel industry stakeholders to formulate a strategic destination marketing and promotion plan for the tourism recovery process. A unified strategic approach is important for faster recovery across the properties instead of individual efforts by tourism establishments, tour operators and airlines. A unified approach will benefit the industry as a whole and can facilitate efficient resource allocation and better return on marketing investments. An intensified effort is needed to prepare businesses and services to match the expectations of visitors and agree bilateral arrangements that are essential to boost tourism in the immediate term.

**Ensure testing, isolation and treatment capacity is developed across the atolls**

which can be co-invested by the Government and private sector and utilized by the visitor population and local population in a specific atoll. It is important that benchmarks are established and capacity is built across the atolls to ensure that both visitor and employee well-being and safety are guaranteed.

**Develop arrangements for rehabilitating guest house tourism.**

This can be achieved through arrangements facilitated for domestic travel. Similarly, special arrangements can be made to attract digital nomads and those working from home to carry out long stays in guest houses.

## RECOMMENDATION FOR THE MEDIUM TO LONG TERM – ‘BUILD FORWARD BETTER, BLUER AND GREENER’

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

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

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

resort population work in administration. By taking departments such as human resource management, procurement/purchasing, finance, administration, reservations and telephone operators online, resorts can minimize on-site employees, increase productivity and employ more diverse groups including women and persons with disabilities (PWDs). The workforce management of the industry should prioritize decent wage, work-life balance and upskilling Maldivians to create the next generation of business leaders. The third strategy is facilitating the transition of the Maldives tourism industry into a low-carbon path. Echoing the World Bank Maldives Development Update of June 2020, it is important to facilitate private investments in renewable energy, especially solar photovoltaic technology within tourism, promote circular models of waste reduction and management of food waste. A fourth strategy is to encourage international tourism to the Maldives to engage more closely with local MSMEs. This can be achieved by agreeing on common interests in order to build joint public and private programmes that support opportunities to increase local value creation in the tourism industry value chain.

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

through increased capital, training, technology and research and development partnership is key.

**A future of work and future of skills framework aligned with the diversification priorities.** The alternative growth sectors identified above will not take off unless a readily available workforce exists to carry forward the new industry ambitions. Skilling and re-skilling Maldivian women and men to integrate themselves to either work or conduct business within the value chain of the green, blue and digital economy is critical. This should include professional skill development in environmental and marine science, data science, AI, machine learning and ICT.

**A more integrated, efficient and holistic social protection system based on the principles of universal basic income (UBI).** The crisis has exposed the vulnerabilities of the population including the risks of households falling into poverty as a result of the impact on employment. Existing income and wealth disparities are likely to increase. A strong social protection system is therefore key to ensuring that the most vulnerable are protected against future crises including any related to climate change. The current social protection system includes a range of benefit schemes for various target groups operated through different modalities and financing. Their effectiveness is yet to be determined. Old age benefit schemes such as the state monthly allowance overlap with a contributory pension scheme. New benefit schemes such as the unemployment benefit have been planned.<sup>13</sup> It is recommended that current schemes be revisited to create a more holistic system where all vulnerable groups are covered with a basic income.

**An integrated financing strategy for enabling recovery and transformation to sustainable development.** To unlock additional revenue and to ensure that current financing generates a move towards sustainable development as envisioned in the proposed dimensions of the economic recovery framework, it is recommended that an integrated financing strategy be developed exploring the role of all types of financial flows. These should include the national budget, international development assistance, private sector participation and innovative financing. Some of the emerging innovative instruments in the financing landscape for sustainable development include measures that could be highly relevant to the Maldives. Debt-restructuring and debt swaps such as the 'debt for nature' scheme, blue financing, climate finance, blended finance and risk insurance, digital finance and impact investing that paves the way for social entrepreneurship are among the options. Similarly, while fiscal space is limited in the current context, an opportunity exists to make the right fiscal adjustments prioritizing inclusive and sustainable investments and incentivizing the same for the private sector.

<sup>13</sup> Government of Maldives Strategic Action Plan 2019-2023

# APPENDICES

## APPENDIX 1: DETAILED METHODOLOGY OF FGDS AND KIIS

The objective was to undertake a rapid assessment to identify the impacts of COVID-19 to MSMEs in the tourism value chain. The methodology proposed was a qualitative assessment of MSMEs through Focus Group Discussions (FGDs) and Key Informant Interviews (KIIs) categorised by MSMEs in the tourism value chain in islands selected for the assessment. Table A2.1 is a summary of the tourism value chain with the categories and types of service providers identified.

**Table 1: Tourism Value Chain**

TRANSPORT & STORAGE	Air transport	<ul style="list-style-type: none"> <li>International airlines &amp; agents</li> <li>Domestic airlines (Flyme, Maldivian, Manta) &amp; agents</li> <li>Seaplane (TMA, Maldivian)</li> </ul>
	Marine transport	<ul style="list-style-type: none"> <li>Marine transport companies - speedboat ferries and rentals</li> </ul>
	Land transport	<ul style="list-style-type: none"> <li>Taxi Centers, AVAS taxis</li> <li>Busses, MTCC rentals</li> </ul>
ACCOMMODATION AND FOOD SERVICES	Hotel planning	<ul style="list-style-type: none"> <li>Tour operators, travel agency, – (physical and OTAs), Yacht and cruse handlers</li> </ul>
	Accommodation	<ul style="list-style-type: none"> <li>Resorts, Guesthouses, Hotels, Safari vessels, Room rentals</li> </ul>
	Food & Beverage	<ul style="list-style-type: none"> <li>Restaurants, cafes, fast food (airport / terminal)</li> </ul>
TRADE	Shopping / Handicrafts	<ul style="list-style-type: none"> <li>Supermarkets, souvenir shops, guest shops, (jewelry shop), island/corner shops</li> </ul>
PROFESSIONAL AND OTHER SERVICE ACTIVITIES	Visit Experience	<ul style="list-style-type: none"> <li>Tour guides, excursions services, fish excursions (big game fishing)</li> </ul>
	Leisure, Excursions, Entertainment	<ul style="list-style-type: none"> <li>Music bands, DJs, Organizers, Boduberu, Cultural groups, dance groups, Photographers, videographers, Spa services, Yoga and wellness, Sports, Dive center, Free divers, Water sports, Sailing, Jet ski, Surfing</li> </ul>
	PR, Marketing	<ul style="list-style-type: none"> <li>PR firms, Marketing and sales firms</li> <li>Photographers, Videographers</li> </ul>
SUPPORT SERVICES & SUPPLIERS	Support Services Resort Suppliers / Vendors	<ul style="list-style-type: none"> <li>Laundry, Security, Telecom, Renovation/maintenance (construction), Money exchange, Waste disposal transport</li> <li>National level large companies: Food suppliers (Lily, Happy Market UFS, BBM, VB, BHM etc),</li> <li>MIFCO, ENSIS, Villa</li> </ul>

- Storage and distributors
- Chemical suppliers
- Goods and materials suppliers
- Community level: Suppliers of hedhikaa, cakes, local goodies
- Vegetables and fruit suppliers, fish suppliers,
- Suppliers of cultural material (thatch, sataa, lacquer work, wood art, coconut art, souvenirs)

### SAMPLE STRATIFICATION

For a representative distribution of MSMEs in the tourism value chain across the country, six tourism zones were identified based on geographic distribution of guest houses. The islands for the tourism value chain assessment were selected based on the number of guest houses established in the islands in the identified tourism zones. One to two islands from each atoll in the identified zones were selected for the assessment based on the tourism bed capacity. Table 2 gives the detail of sample:

**Table 2: Sample stratification**

ATOLLS	ATOLL	ISLAND	RATIO(GH)	TARGET
KAAFU (K)	K	Male' Hulhumale' Maafushi Thulusdhoo	43.3	16
AA, ADH, V	AA ADh Vaavu	Thoddoo Ukulhas Dhigurah Fulidhoo Keyodhoo	34.5	10
N, B, R, LH	Baa Baa Noonu Lhaviyani	Dharavandhoo Kamadhoo Velidhoo Kurendhoo	8.8	8
V, M, F, DH, TH, L	Faafu Laamu	Nilandhoo Gan	3.2	4
HA, HDH, SH	Ha	Kelaa	4.1	2
GA, GDH, GN, S	Gaaf Alif Gnaviyani Seenu	Maamendhoo Fuvahmulah Hithadhoo	6.1	6

## SAMPLE UNIT

The sampling unit for this assessment was the micro-, small and medium-sized businesses in the tourism value chain. The MSMEs in the islands selected for the survey were identified by the Ministry of Economic Development (MED), the Business Centres and industry associations.

## SAMPLE SIZE

Across the 19 survey islands, a total of 795 businesses were identified for the assessment. However, given the time constraints and resources, the assessment set a minimum target of 46 interviews through FGDs and KIIs. However, a total of 76 interviews were undertaken across 51 meetings. The sample size is distributed based on ratio of guest houses in the zones given in table 2.

## SURVEY / INTERVIEW METHODOLOGY

The qualitative assessment was undertaken through FGDs and KIIs. A structured interview guide with questionnaire was used to collect the data. The questionnaire comprised of 3 sections: (i) demographics, (ii) COVID-19 business impacts and adaptations and (iii) future outlook. A total of 23 questions with 87 guiding sub-questions were designed as an interview guide questionnaire.

Across the 19 islands, FGDs were pooled in the following groups and KIIs conducted where FGDs could not be organized.

1. Guesthouses /spa/ laundry
2. Ferries, TO and TAs
3. Excursion and dive schools
4. Shops, workshops, garages
5. Arts, crafts, photographers
6. Cooked and fresh food suppliers
7. Cafés

The assessment also focused on women in these zones by undertaking KIIs and FGDs with the following groups.

1. Guesthouses /spa/ laundry
2. Arts, crafts, photographers
3. Cooked and fresh food suppliers

## FGD AND KII IMPLEMENTATION

Interviews (KIIs) with businesses from the atoll zones:

- Calls were made to 89 businesses randomly selected from the business list obtained from Business Centres, with caution taken to select no more than 1 from each zone.
- The list contained businesses from Zone 1 to 6 (i.e. Malé area not included).
- From the 89 businesses contacted, interviews were scheduled with 53 consenting individuals. Many of the phone numbers had been disconnected or there was no answer. Only 3 people called back.
- From the 53 who consented, 17 people did not respond to the scheduled call. After a couple of attempts, a different person from that zone was called and a meeting was arranged.
- There were only 2 businesses listed for Boduberu/ Dance groups. Both agreed to an interview and meetings were scheduled (with one person rescheduling twice). But no one was able to join the meeting. No reason was provided.
- “Renovation & Maintenance (Construction and Carpentry)” was the most difficult to reach as calls were often unanswered. Of those contacted, many appeared to be busy and had difficulty arranging a time.

Interviews (FGDs) with businesses from the Male’ area

- Every attempt was made to arrange FGDs. However, after multiple attempts to get people from the same business sector to agree to a common time failed, 6 out of the 15 planned FGDs from the Malé area were conducted as KIIs.
- There was a hesitation to sit together with competitors to talk about the challenges they faced and how they are managing the transition period.
- In at least two FGDs out of the nine, participants voiced the same sentiment. They questioned why they were being asked these business details such as number of employees, whether they were retained during the pandemic and

what adjustments were made to their salaries, annual revenue of the businesses, their suppliers and details such as innovative approaches that they are taking to adjust to the crisis, etc. There were suggestions that they would feel more comfortable talking individually.

- A few other groups went very smoothly. They appeared to have a collegial relationship across the businesses and did not seem to be competitive.
- Meetings were scheduled with 39 businesses from the Malé area but 8 businesses did not join the meeting citing a busy schedule.
- There was only one construction entry on the Malé area list and he agreed to a meeting but did not respond to the scheduled call or the follow-up text message.
- There were four cruise handlers on the list. The first person refused to participate without a lawyer. The second agreed to an interview and it was scheduled twice. On both occasions after about 20 minutes into the scheduled time and upon follow up, he asked to reschedule as he was caught up with business matters. Did not manage to talk to him. The third person on the list was called and he requested to call back the next day to check his availability. When the call was returned, he said he was busy that day and he indicated possible availability on 10 July. We did not hear from him. No further attempt was made to contact a cruise handler.

With the people who were willing to talk and had valuable information to share, the interview guide was too long to address all questions adequately. Interviews had to be rushed without giving them due time to contemplate their responses.

- The quantitative findings have been presented where possible. But because the questions were not asked with predetermined answers, the categorisations have been derived based on the descriptive answers. Therefore, the quantification and generalisation even across the 67 informants needs to be considered with caution.
- The findings also need to be taken cautiously because of the variety of businesses sectors and the size of the 67 businesses.
- Grouping of similar businesses to form a focus group discussion was not effective in terms of exploring some of the questions about specific business operations. Many were hesitant to disclose their revenue, the impact on their employees, the arrangements for salary adjustments, etc. Similarly, discussions about strategies they have used to manage the cash flow as well as new expansion ideas were rarely disclosed. The level of openness was different when similar questions were asked in the KI setting.

## EXECUTION AND LIMITATIONS

- The Meetings were anticipated to take 45-minutes with the possibility of extending a further 10-15 minutes with the permission of the informant.
- The duration of the 51 meetings ranged from 31 to 110 minutes with an average time of 60 minutes.
- With the shorter interviews, the informants were not forthcoming or were not involved in micro- businesses and many questions were left unanswered.

## APPENDIX 2: KEY INFORMANT DEMOGRAPHICS

### INFORMANT DEMOGRAPHICS

The scheduling of the meetings for the Malé area coincided with the easing of the lockdown in region (late June into early July 2020) and therefore businesses were busy restarting their operations after a closure of 3 to 4 months.

- Meetings were scheduled with consenting individuals from 53 business from the 6 atoll-zones and 39 businesses from the Malé area
  - 17 from the atoll-zones and 8 from Malé area did not join the scheduled meeting.
  - 5 of the 17 people responded to say that they were caught up with work and did not know when they could spare time. The others did not respond to the scheduled call.
- 51 interviews (discussions) were held between 22 June to 9 July 2020, with 67 different businesses across 19 business sectors (See table 1 & 2). This includes:
  - 36 businesses from 6 of the Atoll-zones and
  - 31 business from the Malé area.
- The mode of discussions includes:
  - 42 (82%) key informant interviews (KIIs) and
  - 9 (18%) focus group discussions (FGDs) in a group of 2 to 4 entrepreneurs from different businesses from the same business sector.
- The discussions took 31 to 105 minutes with each meeting, with an average of 60 minutes. The discussions were held over the phone or online:
  - 21 conference calls,
  - 14 calls through Viber, 1 through WhatsApp
  - 15 interviews conducted as a Zoom meeting
- At the time of interviews, the lockdown in the Malé area was undergoing the easing process. Three other islands reported having been placed in monitoring status while some reported mobility restrictions.

### BUSINESS OWNERSHIP / INTERVIEW STATUS IN THE BUSINESS

- The status of business ownership of the 67 informants predominantly were as sole proprietors and partnerships.
  - At least 54 (83.1%) of the informants identified themselves as owners of the business (either as sole proprietors, or partnerships).
  - Six (9.2%) of the informants identified themselves in senior management positions (such as CEO, Director, General Manager). These predominantly include the large companies from the Malé area.
  - The status of ownership or business position of the remaining 5 informants were not clarified.
- The 67 informants include
  - 14 (21%) female entrepreneurs and
  - 53 (79%) male entrepreneurs.
- Most female informants had ownership of corner shops and cafés in the Atoll-zones. In Malé area female entrepreneurs were more noticeable in artistic businesses such as music and arts & crafts.
- The majority of the informants were between the age group of 35 to 45 years and they identified themselves as sole-proprietors or in partnership.
  - 15 informants aged between 25-35 years
  - 30 informants aged between 35-45 years
  - 17 informants aged between 45 to 55 years
  - 2 informants aged 55 years
  - 6 informants age not specified
- Most of the entrepreneurs (except for the few large-scale ventures) invested in their business from their savings and/or support from family, friends, and business partners. None stated having foreign investment in their companies.

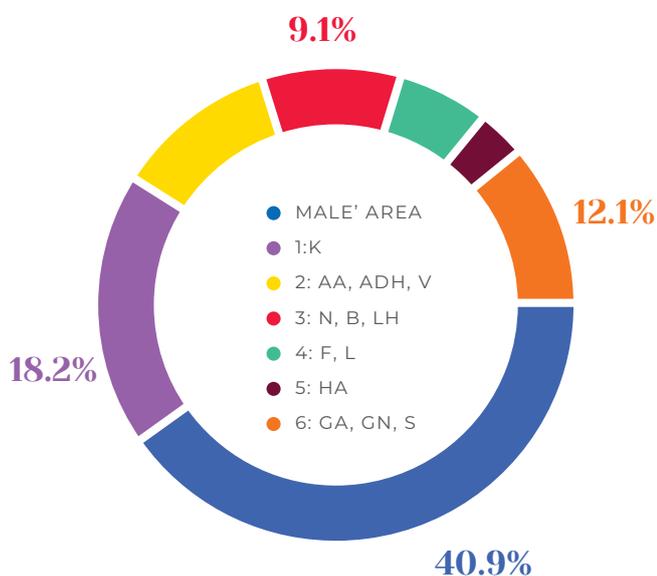
**Table 3: Gender of informants**

SECTORS	MALE	FEMALE
Guest House	7	1
Spa/Salon Services		1
Cafes & Restaurants	5	2
Corner Shops/Marts	2	2
Renovation & Maintenance (Construction and Carpentry)	3	
Local Food vendors (Short eats, Cakes & Pastries)	2	1
Vendors (Vegetables, Fruit, Fish Suppliers)	3	1
Speedboat/Ferry Service	3	
Fish Excursions	2	
Dive Centers; Water Sports	7	1
Photographers & Videographers	6	
Artisans, Souvenir shops, guest shops	2	2
Boduberu Groups; Cultural & Dance Groups	1	1
Event Management, PR, Marketing	3	
ICT	1	
Music/DJ	2	2
Airlines	1	
Food importer and suppliers	1	
Travel Agents and Travel Operators	2	
	<b>53</b>	<b>14</b>

- Most of the businesses are registered and most businesses have a separate office address.
  - Some photographers, musicians, & cultural performers work as freelancers and work from home.
  - The cultural performers reported not having the ability to register their business because such groups are not formally recognized as a business. One cultural group reported having registered as “entertainment supply”. Another group could not get registered.
  - A local food vendor stated that they did not register. The reason was not explored.
- Many of the corner shops and cafes in the Atoll-zones are located on the residential property of the owner.

TYPE OF BUSINESS (BUSINESS SECTORS)

Figure 1: Type of businesses by sector



Across the 51 meetings, the 67 business comprises 31 from Male' area and 36 from 6 pre-determined atoll-zones. These zones include:

- Male' Area
- Zone 1: Kaafu atoll
- Zone 2: Alif Alif (AA) atoll, Alif Dhaalu (ADh) atoll, & Vaavu (V) atoll
- Zone 3: Noonu (N) atoll, Baa (B) atoll, & Lhaviyani (Lh) atoll
- Zone 4: Faafu (F) atoll and Laamu (L) atoll
- Zone 5: Haa Alif (HA) atoll
- Zone 6: Gaaf Alif (GA), Gnaviyani (Gn), and Seenu (S) atoll

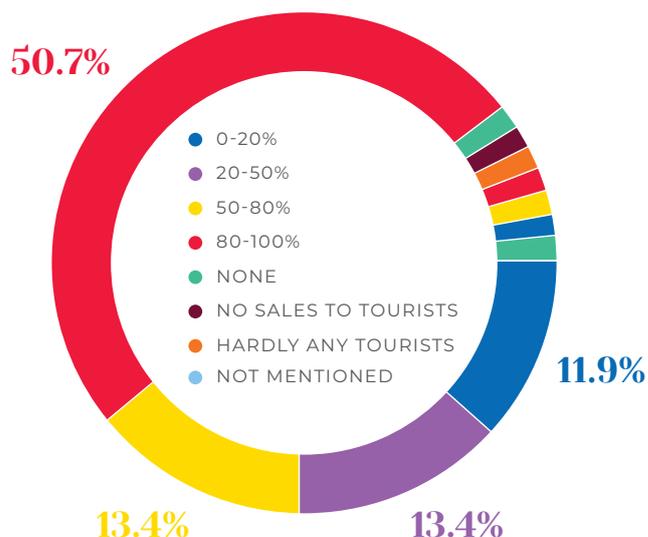
**Table 4: Different sectors and the number of businesses interviewed for this assessment**

SECTORS	MALE' AREA	1: K	2: AA, ADH, V	3: N, B, LH	4: F, L	5: HA	6: GA, GN, S	TOTAL
Guest House	3	1	1	1	1		1	8
Spa/Salon Services	1							1
Cafes & Restaurants	2	1	1	1	1		1	7
Corner Shops/Marts		1	1			1	1	4
Renovation & Maintenance (Construction and Carpentry)		1	1	1				3
Local Food vendors (Short eats, Cakes & Pastries)		1	1		1			3
Vendors (Vegetables, Fruit, Fish Suppliers)	1		2	1		1		4
Speedboat/Ferry Service		1		1			1	3
Fish Excursions			1	1			1	3
Dive Centers; Water Sports	3		1			1	1	5
Dive Centers (resort focused/resort-based)	2							2
Photographers & Videographers	4	1			1		1	6
Artisans, Souvenir shops, guest shops	1		1					4
Boduberu Groups; Cultural & Dance Groups	2							2
Event Management, PR, Marketing	3							3
ICT	1							1
Music/DJ	4							4
Airlines	1							1
Food importer and suppliers	1							1
Travel Agents and Travel Operators	2							2
	31	7	9	6	4	3	7	67

TYPE OF CUSTOMERS & REVENUE

- Out of the 67 businesses interviewed, many stated that their customer-base and revenue was largely tourism-related.
- **At least 34 (50.7%) business: 80-100% tourism-related customers.** These business sectors include guesthouses, most diving & excursions, entertainers, and artisans.
- **At least 9 (13.4%) businesses: 50-80% tourism-related customers.** These businesses include guesthouses, renovation/maintenance/construction, diver centre, event management/PR, ICT, and corner-shop
- **At least 9 (13.4%) businesses: 20-50% tourism-related customers.** These businesses include construction (some resort jobs), corner-shops, event management & marketing, cultural performers, photography/videography services, artisans and food importers.
- **At least 11 (16.4%) businesses: 0-20% tourism-related customers.** These include grocery stores, interisland speedboat/ferry service, cafes & restaurants, grocery vendors, photographer/videographer, cafe/restaurant, dive centres.
- One company stated their customers were 98% export.

Figure 2: Percentage of revenue directly related to tourism



Of the 67 businesses, normal annual revenue of the business was reported by 66 as:

- 36 (53.7%) of the businesses, less than MVR 500,000
- 17 (25.4%) of the businesses, MVR 500,000 to 5 million
- 8 (11.9%) of the businesses, MVR 5-20 million
- 5 (7.5%) of the businesses, over 20 million

Among the highest revenue groups are an airline, 2 resort-based dive centres, and a Spa/ Salon service. The second highest revenue was reported by travel agents, event management firms, guest houses and large-scale vendors.

- The informants highlighted that these were cost intensive business sectors and although the revenue is high, the impact on the business due to the closure is more pronounced.

## APPENDIX 3: LIST OF KEY INFORMANT INTERVIEWS AND FOCUS GROUP PARTICIPANTS

		TYPE OF BUSINESS	GENDER	FACILITATOR TEAM (1,2)	METHOD - ONLINE (ZOOM) OR PHONE OR OTHERS, ] FGD OR KII	DATE
01	#01_Z4	Cafes & Restaurants	F	Team 1	Viber group call [KII]	22/6, 13:00
02	#04_Z1	Photographers & Videographers	M	Team 2	Conference call [KII]	23/6, 12:00
03	#06_Z5	Dive Centers; Water Sports...	M	Team 2	Viber group call [KII]	22/6, 11:00
04	#10_Z4	Guest Houses	M	Team 2	Zoom video [KII]	22/6, 15:00
05	#11_Z6	Corner Shops / Marts	F	Team 1	Conference call [KII]	22/6, 09:00
06	#12_Z2	Local Food vendors (Hedhika, Cakes and Pastries)	M	Team 2	Conference call [KII]	23/6, 14:30
07	#13_Z6	Photographers & Videographers	M	Team 2	Conference call [KII]	22/6, 20:00
08	#17_Z1	Local Food vendors (Hedhika, Cakes and Pastries)	F	Team 2	Conference call [KII]	23/6, 20:00
09	#23_Z1	Corner Shops / Marts	M	Team 1	Conference call [KII]	23/6, 11:30
10	#24_Z6	Dive Centers; Water Sports...	M	Team 2	Conference call [KII]	23/6, 10:30
11	#25_Z2	Cafes & Restaurants	M	Team 1	Viber group call [KII]	24/6, 09:30
12	#26_Z5	Corner Shops / Marts	M	Team 1	Conference call [KII]	23/6, 14:05
13	#32_Z3	Fish Excursions Services	M	Team 2	Viber group call [KII]	24/6, 16:00
14	#34_Z2	Local Food vendors (Hedhika, Cakes and Pastries)	M	Team 2	Zoom video [KII]	24/6, 20:30
15	#35_Z3	Cafes & Restaurants	M	Team 1	Conference call [KII]	25/6, 14:00
16	#43_Z2	Vendors (Vegetables, Fruit Suppliers and Fish Suppliers)	M	Team 1	Conference call [KII]	24/6, 15:00
17	#45_Z4	Artisans, Souvenir shops, guest shops	F	Team 1	Conference call [KII]	25/6, 10:00
18	#47_Z2	Artisans & Craftsmen	M	Team 1	Viber group call [KII]	27/6, 09:00
19	#48_Z2	Vendors (Vegetables, Fruit Suppliers and Fish Suppliers)	M	Team 1	Conference call [KII]	25/6, 20:30
20	#53_Z1	Guest House	M	Team 2	Viber group call [KII]	25/6, 10:00
21	#54_Z3	Guest House	F	Team 2	Viber group call [KII]	25/6, 11:30
22	#56_Z2	Corner Shops / Marts	F	Team 1	Viber group call [KII]	27/6, 13:00
23	#57_Z6	Fish Excursions Services	M	Team 2	Viber group call [KII]	28/6, 16:00
24	#59_Z6	Speed Boat / Ferry Service Provider	M	Team 1	Conference call [KII]	26/6, 14:30
25	#60_Z3	Speed Boat / Ferry Service Provider	M	Team 1	Conference call [KII]	26/6, 16:30
26	#61_Z1	Speed Boat / Ferry Service Provider	M	Team 1	Conference call [KII]	26/6, 20:00
27	#62_Z5	Artisans & Craftsmen	M	Team 1	Conference call [KII]	26/6, 18:00
28	#68_Z3	Renovation & Maintenance (Construction and Carpentry)	M	Team 2	Viber group call [KII]	27/6, 13:26
29	#69_Z4	Travel Agents / Guesthouses	M	Team 2	Viber group call [KII]	27/6, 10:00
30	#71_Z6	Guest House	M	Team 2	WhatsApp group call [KII]	27/6, 21:00

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		TYPE OF BUSINESS	GENDER	FACILITATOR TEAM (1,2)	METHOD - ONLINE (ZOOM) OR PHONE OR OTHERS, ] FGD OR KII	DATE
31	#72_Z1	Cafes & Restaurants	M	Team 1	Viber group call [KII]	27/6, 15:30
32	#74_Z3	Vendors (Vegetables, Fruit Suppliers and Fish Suppliers)	F	Team 1	Viber group call [KII]	27/6, 17:30
33	#77_Z6	Cafes & Restaurants	F	Team 1	Viber group call [KII]	28/9, 9:00
34	#82_Z2	Renovation & Maintenance (Construction and Carpentry)	M	Team 2	Viber group call [KII]	29/6, 10:00
35	#84_Z1	Renovation & Maintenance (Construction and Carpentry)	M	Team 2	Viber group call [KII]	29/6, 13:00
36	#85_Z1	Dive Centers; Water Sports...	M	Team 2	Viber group call [KII]	29/6, 16:00
37	#86_M_FGD02	Spa & Saloon	F	Team 2	Viber group call [KII]	July 1, 10:30
38	#88_M_FGD01	Event Management, PR & Marketing	M	Team 1 & AR	Zoom call [FGD 1]	July 1, 10:00
39	#89_M_FGD01	Event Management, PR & Marketing	M	Team 1 & AR	Zoom call [FGD 1]	July 1, 10:00
40	#88_M_FGD01	Event Management, PR & Marketing	M	Team 1 & AR	Zoom call [FGD 1]	July 1, 10:00
41	#91_M_FGD03	Music / DJ	F	Team 1	Zoom call [FGD 2]	July 1, 14:00
42	#92_M_FGD03	Music / DJ	F	Team 1	Zoom call [FGD 2]	July 1, 14:00
43	#93_M_FGD03	Music / DJ	M?	Team 1	Zoom call [FGD 2]	July 1, 14:00
44	#94_M_FGD03	Music / DJ	M	Team 1	Zoom call [FGD 2]	July 1, 14:00
45	#95_M_FGD04	Dive Centers; Water Sports...	F	Team 2 & AR	Zoom call [FGD 3]	July 1, 14:30
46	#96_M_FGD04	Dive Centers; Water Sports...	M	Team 2 & AR	Zoom call [FGD 3]	July 1, 14:30
47	#97_M_FGD04	Dive Centers; Water Sports...	M	Team 2 & AR	Zoom call [FGD 3]	July 1, 14:30
48	#98_M_FGD05	Bodu beru, cultural dance groups	F	Team 1	Zoom call [FGD 4]	July 2, 10:00
49	#100_M_FGD05	Bodu beru, cultural dance groups	M	Team 1	Zoom call [FGD 4]	July 2, 10:00
50	#101_M_FGD06	Photographers & Videographers	M	Team 2 & AR	Zoom call [FGD 5]	July 2, 10:00
51	#102_M_FGD06	Photographers & Videographers	M	Team 2 & AR	Zoom call [FGD 5]	July 2, 10:00
52	#103_M_FGD06	Photographers & Videographers	M	Team 2 & AR	Zoom call [FGD 5]	July 2, 10:00
53	#104_M_FGD06	Photographers & Videographers	M	Team 2 & AR	Zoom call [FGD 5]	July 2, 10:00
54	#105_M_FGD07	ICT	M	Team 1	Zoom call [KII]	July 3, 16:00
55	#106_M_FGD08	Guesthouse (Male'-area)	M	Team 1	Zoom call [FGD 6]	July 4, 20:00
56	#107_M_FGD08	Guesthouse (Male'-area)	M	Team 1	Zoom call [FGD 6]	July 4, 20:00
57	#108_M_FGD08	Guesthouse (Male'-area)	M	Team 1	Zoom call [FGD 6]	July 4, 20:00
58	109_M_FGD09	Vendor (large scale)	M	Team 1 & AR	Zoom call [KII]	July 4, 20:00
59	110_M_FGD10	Cafes & Restaurants	M	Team 2	Zoom call [FGD 7]	July 5, 15:00
60	111_M_FGD10	Cafes & Restaurants	M	Team 1	Zoom call [FGD 7]	July 5, 15:00
61	112_M_FGD11	Food importer and suppliers, storage and distributors	M	Team 3	Zoom call [KII]	July 5, 20:00
62	113_M_FGD12	Dive Centers	M	Team 1	Zoom call [FGD 8]	July 6, 20:00
63	114_M_FGD12	Dive Centers	M	Team 2	Zoom call [FGD 8]	July 6, 20:00
64	115_M_FGD13	Travel Agents and Travel Operators	M	Team 2	Zoom call [FGD 9]	July 4, 16:00
65	116_M_FGD13	Travel Agents and Travel Operators	M	Team 2	Zoom call [FGD 9]	July 4, 16:00
66	119_M_FGD14	Artisans, Souvenir shops, guest shops,	F	Team 2	Zoom call [KII]	July 7, 15:00
67	121_M_FGD17	Airlines	M	Team 2 & AR	Zoom call [KII]	July 8, 15:00

## APPENDIX 4 - BCC SURVEY BACKGROUND

### DEMOGRAPHICS OF THE SURVEY RESPONDENTS

The first phase of the BCC survey on COVID-19 impact was conducted between April and May 2020. The BCC COVID-19 impact assessment survey interviewed 2,062 businesses. Of them, 50 percent of all respondents reported they were engaged in either the “Wholesale or Retail Trade” sector. This was followed by “Food and Beverage (F&B)” sector (12.52 percent). The survey sectoral representation is given in Table 1 below.

**Table 1: BCC survey sectoral representation**

SECTOR	NO. OF BUSINESSES	%
WHOLESALE AND RETAIL TRADE	1038	50%
F & B	258	12.5%
TOURISM AND TOURISM RELATED	158	7.6%
CONSTRUCTION	128	6.2%
MANUFACTURING	127	6.1%
FISHERIES AND AGRICULTURE	73	3.5%
TRANSPORT AND LOGISTICS	45	2.2%
OTHER GENERAL SERVICES	242	11.7%

### REGISTRATION TYPE OF THE SURVEY RESPONDENTS

The survey showed that 82.9 percent of the businesses surveyed were registered as “Sole Proprietorship” businesses. Although it is the predominant form of registration throughout all identified major economic sectors in the survey, they are notably more prevalent in “Wholesale and Retail” and “F & B” sectors with 88.7 percent and 91.9 percent representation respectively (Table 2).

The survey also identified that the sectors “Tourism and Tourism related”, “Construction”, “Manufacturing and Repair”, “Fisheries and Agriculture” had markedly more LLCs in comparison with industries having “Sole Proprietorship” registrations.

**Table 2: Registration type of businesses surveyed**

	NO. OF BUSINESSES	%
SOLE PROPRIETORSHIP	1710	82.9%
LIMITED LIABILITY	190	9.2%
HOME BASED WORKERS	71	3.4%
PARTNERSHIPS	66	3.2%
OTHER	25	1.2%

## APPENDIX 5: LIST OF STAKEHOLDERS CONSULTED FOR THE VALIDATION OF PRELIMINARY FINDINGS

NO	NAME	DESIGNATION	ORGANIZATION	DATE
1	<b>Hassan Manik</b>	Managing Director	Maldives Fund Management Corporation	27 July 2020
2	<b>Haroon Rasheed</b>	Managing Director	Agro National Corporation Ltd	27 July 2020
3	<b>Aminath Abdulla</b>	Chairperson	Maldives Authentic Crafts Cooperative Society	27 July 2020
4	<b>Mohamed Riyaz</b>	Committee Member	Maldives Photographers Association	27 July 2020
5	<b>Ahmed Suveyb</b>	President	United Artists of Maldives	27 July 2020
6	<b>Adnan Haleem</b>	Secretary General	Maldives National Association of Construction Industry	27 July 2020
7	<b>Ismal Asif</b>	Vice President	Maldives National Chamber of Commerce	27 July 2020
8	<b>Abdul Latheef</b>	President	SME & Entrepreneurs Federation of Maldives	27 July 2020
9	<b>Ahmed Afrah</b>	President	National Boating Association of Maldives	28 July 2020
10	<b>Mohamed Shiyam</b>	President	Tour Guide Association of Maldives	28 July 2020
11	<b>Ayesha Manike</b>	Co-Founder and President	Maldives Women's Association	28 July 2020
12	<b>Seeza Imad</b>	CEO	Maldives Women Chamber of Commerce	28 July 2020
13	<b>Minha Faiz</b>	President	Women on Management	28 July 2020
14	<b>Shaira Saleem</b>	Chairperson	Women Entrepreneurs Associations	28 July 2020
15	<b>Moosa Zurar</b>	Business Manager	Extreme Maldives Pvt Ltd	29 July 2020
16	<b>Ali Ahsan</b>	General Secretary	Maldives Surfing Association	29 July 2020

## APPENDIX 6: COVID-19 LOANS APPROVED BY SDFC

### APPROVED LOANS BY SECTOR BETWEEN MARCH AND MAY 2020

SECTOR	TOTAL RECEIVED		TOTAL APPROVED	
	COUNT	AMOUNT	COUNT	AMOUNT
Agriculture	9	1,854,171	5	721,171
Commerce	710	189,805,215	477	114,264,303
Construction	164	51,979,320	105	29,529,325
Fishing	28	7,135,261	13	2,335,180
Manufacturing	99	26,830,898	66	13,984,527
Tourism	248	70,501,837	166	38,096,993
Transport	80	24,481,334	49	13,613,726
Self Employed	905	19,614,500	321	9,440,000
<b>TOTAL</b>	<b>2243</b>	<b>392,202,535</b>	<b>1202</b>	<b>221,985,226</b>

APPROVED LOANS BY TYPE OF BUSINESSES

SECTOR	TYPE OF BUSINESS	TOTAL APPROVED	
		COUNT	AMOUNT
Agriculture	Agriculture Farming	9	754,029
	Wholesale and Retail	2	161,171
<b>AGRICULTURE TOTAL</b>		<b>11</b>	<b>915,200</b>
Commerce	Aquarium	1	78,304
	Architectural Design and Construction	1	30,000
	Artist	2	60,000
	Athlete trainer	2	60,000
	Auditing & Related Service	10	2,252,804
	Automobile repair	5	681,673
	Barber Shop	1	101,506
	Bookshop	1	477,391
	Brokers and clearance works	3	434,497
	Business and IT Consultancy	28	3,747,902
	Cable and Internet Service	2	60,000
	Cabling & Networking	1	424,000
	Carpentry and wood works	1	30,000
	Catering & Takeaway	1	30,000
	Cleaning service	4	371,935
	Cold Storage Rental	1	353,828
	Consultancy Service	1	30,000
	Diving and swimming instructor	7	210,000
	Driving School	3	617,249
	Educational service	29	4,386,377
	EIA consultant	1	30,000
	Electrical Works	4	576,186
	Elevator sales & services	1	39,331
	Employment and recruiting agency	4	985,681
	Entertainer / Artist /Musician	18	578,833
	Event Management	14	2,150,480
	Fashion Designing	2	60,000
	Florist / Sale of Garden plants	2	60,000
	Freelance - Baking and Pastry making	7	210,000
	Freelance - Beautician	1	30,000
	Freight Forwarders and cargo clearing	5	1,685,426

SECTOR	TYPE OF BUSINESS	TOTAL APPROVED	
		COUNT	AMOUNT
	Fuel Supply	6	1,898,575
	Garage	1	30,000
	Gardener	1	30,000
	Gift Shop	1	91,996
	Graphics Designing	6	168,000
	Gym and Fitness Centers	13	2,997,844
	Insurance and Consultancy Service	1	131,851
	Interior Designing	2	60,000
	IT repair and technician	3	90,000
	Lacquer work	2	60,000
	Lawyer	14	420,000
	Legal service	9	1,054,192
	Makeup artist	1	20,000
	Marketing and Designing	12	762,143
	Mechanical engineering service	13	1,838,977
	Media support service	7	702,596
	Medical Clinic	12	4,410,966
	Mental health clinic and psychological services	3	496,413
	Naval Architect	1	18,000
	Online Business	7	427,556
	Other	13	2,797,029
	Personal Trainer	4	120,000
	Pest Control Service	1	257,502
	Pharmacy	6	2,746,787
	Photography & Videography	23	1,091,121
	Porter	2	60,000
	Printing and related Service	11	2,351,534
	Real Estate	4	1,135,327
	Referee	1	30,000
	Renovation & Repair Works	13	1,109,768
	Resort supply	11	1,570,067
	Restaurant / Café	97	23,669,225
	Sale of fish and fish products	2	60,000
	Sale of local food products	2	283,350
	Sale of PPE	1	500,000

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SECTOR	TYPE OF BUSINESS	TOTAL APPROVED	
		COUNT	AMOUNT
	Sale of water purification systems	1	147,552
	Sales / Cargo Agent	1	500,000
	Salon and Spa	3	184,313
	Security Equipment and Service	2	60,000
	Security Service	2	623,808
	Spa and Salon	7	1,165,849
	Sports Academy	1	128,546
	Tailoring	13	750,833
	Telecommunication service	1	136,879
	Tennis coaching	1	30,000
	Traditional Medicine Practitioner	1	30,000
	Travel Agency	1	500,000
	Vehicle and Vessel Rentals	9	1,550,438
	Wholesale and Retail	275	67,797,614
	Writer and Publisher	2	60,000
	Fitness Trainer	6	300,000
<b>COMMERCE TOTAL</b>		<b>797</b>	<b>148,909,135</b>
<b>Construction</b>	Architectural Design and Construction	7	2,345,865
	Brick Making	1	76,491
	Carpentry and wood works	1	30,000
	Construction	100	26,679,489
	Construction support service	9	2,711,475
	Rental - Heavy Vehicles	1	149,189
<b>CONSTRUCTION TOTAL</b>		<b>119</b>	<b>31,992,509</b>
<b>Fishing</b>	Export - Fish Products	9	2,524,931
	Fish Processing	4	233,716
	Fishing	2	70,000
	Sale of fish and fish products	1	137,170
	Wholesale and Retail	2	97,089
<b>FISHING TOTAL</b>		<b>18</b>	<b>3,062,906</b>

SECTOR	TYPE OF BUSINESS	TOTAL APPROVED	
		COUNT	AMOUNT
<b>Manufacturing</b>	Arts & Handicrafts	6	202,962
	Bakery	4	1,061,286
	Boat building	7	1,558,551
	Boat Yard	1	51,432
	Bottled water supplier	1	500,000
	Canvas and Upholstery Work	1	369,192
	Carpentry and wood works	12	1,120,484
	Catering & Takeaway	16	2,302,234
	Manufacturing	1	447,000
	Manufacturing metal products	1	138,664
	Music and Art Center	1	201,895
	Printing and related service	12	1,781,454
	Sale of local food products	3	238,528
	Tailoring	10	831,929
	Welding & steel works	3	503,042
	<b>MANUFACTURING TOTAL</b>		<b>79</b>
<b>Tourism</b>	Daily Rentals	3	562,020
	Diving & Excursion Service	11	1,348,096
	Employment and recruiting agency	1	112,071
	Event Management	1	94,764
	Guesthouse	78	14,770,492
	Other	3	560,000
	Resort supply	12	2,823,248
	Room Rental Service	1	150,000
	Safari Boat	19	6,163,207
	Souvenir shop	14	2,841,181
	Tourism support service	13	3,846,088
	Transfer service	2	928,772
	<b>TOURISM TOTAL</b>		<b>158</b>

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SECTOR	TYPE OF BUSINESS	TOTAL APPROVED	
		COUNT	AMOUNT
Transport	Air Ticketing and Reservation	4	1,227,055
	Marine Service	1	310,147
	Other	1	500,000
	Taxi Center	1	30,110
	Taxi driver	126	3,717,000
	Transfer service	12	2,517,118
	Transport and Logistics Service	16	3,144,985
	Travel Agency	13	3,916,209
<b>TRANSPORT TOTAL</b>		<b>174</b>	<b>15,362,624</b>
<b>GRAND TOTAL</b>		<b>1356</b>	<b>245,750,966</b>

## APPROVED LOANS BY ATOLL

ATOLL	TOTAL APPROVED	
	COUNT	AMOUNT
AA	19	2,230,373
Adh	20	2,932,631
B	8	739,993
Dh	3	90,000
Ga	7	1,450,449
Gdh	22	3,593,980
Gn	11	1,203,893
Ha	6	948,070
HDh	5	2,030,000
K	19	2,972,069
L	11	1,543,580
Lh	10	770,980
N	8	767,652
R	10	1,670,615
S	49	10,536,689
Sh	5	1,642,894
Th	3	92,790
V	10	2,200,993
Greater Male' Region	976	184,567,575
<b>TOTAL</b>	<b>1202</b>	<b>221,985,226</b>

APPROVED LOANS TO WOMEN

SECTOR	TYPE OF BUSINESS	TOTAL APPROVED	
		COUNT	AMOUNT
<b>Agriculture</b>	Agriculture Farming	2	60,000
<b>AGRICULTURE TOTAL</b>		2	60,000
<b>Commerce</b>	Architectural Design and Construction	1	30,000
	Auditing & Related Service	3	793,213
	Business and IT Consultancy	3	329,361
	Diving and swimming instructor	1	30,000
	Educational service	12	508,114
	Entertainer / Artist /Musician	1	30,000
	Event Management	3	149,968
	Fashion Designing	2	60,000
	Fitness Trainer	3	210,000
	Florist / Sale of Garden plants	1	30,000
	Freelance - Baking and Pastry making	7	210,000
	Freelance - Beautician	1	30,000
	Graphics Designing	2	60,000
	Gym and Fitness Centers	3	538,541
	Lawyer	4	120,000
	Legal service	1	218,192
	Marketing and Designing	2	60,000
	Media support service	1	252,694
	Online Business	3	118,000
	Other	1	30,000
	Personal Trainer	1	30,000
	Photography & Videography	3	233,195
	Printing and related Service	2	275,294
	Resort supply	1	30,000
	Restaurant / Café	17	4,228,575
	Salon and Spa	1	124,313
	Spa and Salon	3	504,770
	Tailoring	10	590,407
	Vehicle and Vessel Rentals	1	97,700
	Wholesale and Retail	40	8,812,888
	Writer and Publisher	1	30,000
<b>COMMERCE TOTAL</b>		135	18,765,225

SECTOR	TYPE OF BUSINESS	TOTAL APPROVED	
		COUNT	AMOUNT
<b>Construction</b>	Construction	<b>3</b>	<b>333,193</b>
<b>CONSTRUCTION TOTAL</b>		<b>3</b>	<b>333,193</b>
<b>Fishing</b>	Export - Fish Products	<b>2</b>	<b>200,515</b>
<b>FISHING TOTAL</b>		<b>2</b>	<b>200,515</b>
<b>Manufacturing</b>	Arts & Handicrafts	<b>3</b>	<b>90,000</b>
	Carpentry and wood works	<b>1</b>	<b>335,638</b>
	Catering & Takeaway	<b>8</b>	<b>714,252</b>
	Sale of local food products	<b>1</b>	<b>30,000</b>
	Tailoring	<b>6</b>	<b>201,659</b>
<b>MANUFACTURING TOTAL</b>		<b>19</b>	<b>1,371,549</b>
<b>Tourism</b>	Guesthouse	<b>6</b>	<b>1,429,391</b>
	Other	<b>2</b>	<b>60,000</b>
	Resort supply	<b>1</b>	<b>110,976</b>
	Souvenir shop	<b>1</b>	<b>410,973</b>
<b>TOURISM TOTAL</b>		<b>10</b>	<b>2,011,340</b>
<b>Transport</b>	Taxi driver	<b>4</b>	<b>120,000</b>
	Transfer service	<b>1</b>	<b>138,054</b>
<b>TRANSPORT TOTAL</b>		<b>5</b>	<b>258,054</b>
<b>GRAND TOTAL</b>		<b>176</b>	<b>22,999,877</b>

RAPID LIVELIHOOD ASSESSMENT

# IMPACT OF THE COVID-19 CRISIS IN THE MALDIVES

PART III - MICRO, SMALL AND MEDIUM ENTERPRISES

With support from the National Bureau of Statistics,  
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Ministry of Economic Development  
Republic of Maldives

