

Annex 3 – Livelihoods and Safety Nets

INTRODUCTION

1. Sources of livelihood have been affected by the tsunami of 26 December 2004, if not lost, and children and adults alike suffer from psychological trauma. This Appendix focuses on the impact on employment, livelihoods, and safety nets.

EMPLOYMENT

2. According to the 2000 Population and Housing Census (Census), 56% of working-age Maldivians were in the labor force,¹ with about a third of them employed in Male'.² Men are almost twice as likely to be in the labor force as women, 73% against 38%. The largest employer of Maldivians is the Government and government companies. In Male', Maldivians are mainly in community, social, and personal services; transport and communications, and wholesale and retail trade. In the atolls, people work in community, social, and personal services, manufacturing; hotels and restaurants; and fishing. Atoll women are mostly in community, social, and personal services, and manufacturing. Atoll men are mainly in fishing and hotels and restaurants while few women are employed in these sectors.

3. The Maldivian labor force is significantly augmented by expatriate workers. The share of expatriate workers in the total labor force was 24% in 2000 (30,664 workers). According to the Census, expatriates are mostly employed in unskilled (42%) and semiskilled (36%) occupations. More than 80% are employed in resorts, construction, business activities, education, apparel, and hotels and restaurants. Most expatriate workers are from Bangladesh, India, and Sri Lanka.

4. People in the atolls engaged in economic activities are mainly self-employed or working in groups or working with family members (52%). In the fishing sector, the majority (53%) is being employed by another individual, and a good percentage (32%) work for their families or a group.

Impact of the Tsunami on Employment

5. *Tourism.* Tourism is Maldives' largest industry and accounts for 33% of the GDP and more than 60% of the foreign exchange receipts, and employs a significant number of both locals and expatriate workers. Under the assumption that the impact of the tsunami on employment in the tourism sector is in proportion to the number of closed resorts, the approximate number of affected Maldivians is about 2,200 and the number of affected expatriates is about 2,400; this may, however, be lower as some resorts have kept some workers to undertake repair duties. Retention of all expatriate and local workers during an unexpected slump is a challenge. The contraction in tourism will also impact adversely other ancillary sectors like the food industry and the handicrafts sector which mainly cater to the tourists.

6. *Fisheries.* Despite the rapid development of other sectors in recent decades, fisheries remains important in terms of employment, value-added in production, export earnings and overall level of economic activity outside the tourism region. Tuna constitutes most of the annual fish catch. However, reef fisheries continue to expand at a rapid rate. From preliminary VPA data, fisheries is ranked as the

¹ The 2000 Population and Housing Census took 12 as the eligible age for employment. As of May 2003, the legal age for working and labor regulation was raised to 18. Throughout this report, we use 15 to 64 as reference ages for the labor force. The reference period used for employment in the 2000 Census was "last week," which may lead to the understatement of unemployment and labor force participation.

² The labor force data are collected by the Census, the most recent of which was in 2000.

first economic activity of the island in half of the inhabited islands; about 17% of atoll residents are involved in fishing.

7. *Damage to Fisheries.* All islands that reported complete flooding, including islands whose residents were evacuated to other islands, have ranked fishing as their first economic activity in the preliminary VPA data. From the number of fishing vessels lost and damaged, it is estimated that over 6,000 have lost their fishery-related livelihood. Restoration of their incomes is highly dependent on the time for minimum repair of their houses and availability of funds to replace lost boats. Women play an important role in processing, storage and marketing of fish and would thus experience loss of income associated with lower fish harvests.

8. *Agriculture.* The agriculture sector accounts for a small percentage of the country's GDP. Large-scale agriculture is practiced in a few islands; more Maldivians are involved in home-gardening and communal agriculture that is the source of own consumption and the surplus sold for extra income for the households. One in 20 atoll resident is engaged in agriculture.

9. *Damage to Agriculture.* Damages sustained by the agricultural sector are in terms of loss of income attributable to lost crops for the current season but also throughout the period until the time that the land can be replanted again. This impacts not only on the incomes of the farmers, but also on the food consumption and food security of islands who buy their produce. As of 13 January 2005, the Government reported that there is almost 30% damage to field plots of inhabited islands. In addition, field missions and rapid assessments report complete damage to home gardens in several islands. Three islands that were completely flooded are engaged mainly in agriculture, i.e. Baara, Kashidoo, and Isdhoo. In terms of direct employment, over 700 people (16%) were engaged in farming and who may now have to look for other sources of income until agricultural activities could be resumed. In islands where flooding reached at least a quarter of the island's area, close to 2,200 residents were directly involved in agriculture.

10. *Self-Employed Craftsmen and Construction.* In the islands that were completely flooded, small tools and equipment of craftsmen, semi-skilled, and skilled workers would have been swept away, if not damaged.

11. *Small and Medium Enterprises.* Flooding from the tsunami damaged equipment and inventories; these will need to be repaired or replaced. Lower incomes due to lost livelihood will lead to less business transacted. In addition, small and medium enterprises that have taken on business-related loans would now have a hard time meeting their repayment obligations. However, as reconstruction begins and as funds become available to replace capital equipment, businesses in trading will prosper.

12. *Expatriate Workers.* Given the large presence of expatriate workers in the Maldives, the tsunami has also impacted on their lives. Some closed island resorts, the largest employer of expatriates, have laid-off some personnel. In the education and health sectors, expatriate workers are part of the fabric of communities as teachers, nurses, craftsmen, and skilled workers. Communities that have lost their assets include expatriates who would also need assistance to rebuild their lives.

POVERTY, VULNERABILITY, AND LIVELIHOODS

13. *Vulnerabilities.* In Maldives, recent vulnerability analysis has shown that there are vulnerable groups which even prior to the Tsunami were under-served by public safety nets. The poor and vulnerable groups include large families with no breadwinner, most of whom are headed by single women (divorcees and widows), and the single elderly with no public or private transfer incomes. The large majority of the poor and vulnerable groups are located in the atolls. These groups are in need of support both before and after the Tsunami. The Tsunami created new vulnerable groups, i.e. those who lost their assets (in kind or

cash) or livelihoods; especially hard affected are the elderly (having sometimes lost lifetime savings held in cash), people with disabilities, pregnant women and small children and their mothers. While jobs may recover relatively quickly, those livelihoods that depend on physical assets such as fishing vessels, perennial crops, fish processing equipment, or other tools will require public assistance to restore to the pre-Tsunami situation. In the absence of targeted public support for asset restoration, recovery of lost livelihoods may take very long and could create severe hardship. For livelihood restoration, careful targeting of those most hurt by the Tsunami will be vital in order to contain costs and prevent widespread abuse of public assistance.

14. *Loss of Personal Effects.* In the most affected islands, families have lost small implements, household furniture, household appliances, including television sets and refrigerators, and cash savings kept in their houses. Many electrical appliances have been rendered unusable or need to be repaired. An initial estimate of the value of typical household assets, exclusive of cash savings, among the variously affected 80,328 individuals range from about \$15.7 million to about \$17.4 million.

Public assistance

15. *Tsunami-affected groups.* Creating employment and restoring livelihoods are critical dimensions of the reconstruction process and will kick start the economy of the tsunami affected islands, restore a sense of normalcy, and support the social and economic inclusion of the displaced populations. Such support will need to be rapid if it is to be effective. It will need to be well targeted if it is to be affordable. Livelihood assistance support through cash grants and community based employment programs that provide an income in cash through the rehabilitation of island infrastructure and construction activities that involve local communities in paid work and in decision-making would be important options to consider. While both relief/consumption support and livelihood support programs are important in the immediate aftermath of a natural disaster, they should be replaced as soon as possible with efforts to foster ownership and involvement of the affected people. Relief assistance can create an environment conducive to competition for handouts, dependency, abuse, and mis-targeting. Greater local participation and contributions to the reconstruction effort can lead to more sustainable development outcomes. While construction work carried out by contractors usually employs men, often expatriates, community-led construction is most likely to ensure women's participation and employment. As far as possible, the majority of reconstruction efforts should be undertaken involving the affected communities directly.

16. *Public assistance needed.* In the absence of a formal social safety net system, the social safety net comprises family members and the community to which an individual belongs. However, in a disaster where whole island communities are similarly affected, this informal safety net system would fail to function as everyone faces the same unfortunate situation—the Tsunami has been a highly covariate shock. There is an essential role of third parties in providing a safety net, and the government is fully aware of its role and responsibility in this regard and is implementing targeted safety nets supported by the international community.

Livelihood support

17. *Restoring livelihoods of tsunami affected population.* In the aftermath of the tsunami, many Maldivians now find themselves not only homeless, but also without any form of livelihood. Agricultural crops, both annual and perennial, were destroyed; fishing vessels sustained damages or were completely destroyed; equipment for artisanal fish processing (traditionally, a female occupation) was washed away, as was craftsmen's equipment; equipment used mostly by women in home employment such as sewing machines, cooking utensils, and stoves have been lost; and working capital of micro and small enterprises kept in cash often vanished. Moreover, some workers in closed resorts are without work while repairs are

underway, and the earnings of those still at work are reduced because of lower-than-usual occupancy, even in functioning resorts.

18. *Proposal for livelihood support.* The government is proposing a policy of urgent support for livelihood restoration that comprises of (a) in-kind equipment (e.g. minor fishing equipment, fish processing equipment, start-up packages of seeds and tools for agriculture); (b) small and short term cash grants for working capital of micro-entrepreneurs (fish processors, farmers, and traders); (c) subsidized micro credit for agricultural and other producers; the proposal suggests a 6% rate of interest, approximately half the market rate; (d) government financing of repairs to fishing vessels; and (e) procurement of new, technologically upgraded fishing vessels to replace those that were lost. The procurement of new fishing vessels is proposed to take place under a pre-existing government-run program in which the Ministry of Agriculture and Fisheries procures the vessels (from domestic shipyards) and leases the vessels to the fishermen. The proposal for livelihood restoration is based on extending pre-existing arrangements to the affected producers. Given the need for speed, this may be preferable. However, it is vitally important that the groups benefiting from subsidized credit be carefully targeted to those directly affected by loss, and that such credit subsidies be time-bound (say, 6-18 months). In the longer run, there is a need to reconsider the arrangements under which fishing vessels are owned and financed, looking for options that devolve ownership to the fishing community, involve the private sector in financing, and remove purchase of fishing vessels from the government budget whose deficit is already widening; these goals could be achieved for example by giving government guarantees instead of direct government purchase and ownership as practiced hitherto. However, some affected households—including families without able-bodied members such as the disabled, the elderly, single mothers etc—will not benefit from the livelihood assistance and need to be helped through targeted safety nets in the form of cash transfers.

19. *Need for credit.* In restoring means of livelihoods, a source of funds is necessary. At present, the banking system extends loans to individuals and businesses who can present collateral; this source of funds is not necessarily accessible to many of the tsunami victims who have lost their assets. Micro credit schemes can be instrumental in helping Maldivians rebuild their lives. These have been introduced in the Maldives by UN-system projects and have shown promising results. These, however, are limited in geographical scope. These schemes need refinement with respect to targeting the poor, balancing the “profit-orientation” and “social-orientation” of lending when channeled through the Bank of Maldives, helping women, community mobilization for development, and addressing the needs of the youth. Where support for micro enterprises is provided, this should include development of capacity for business management and support for marketing products. Repayments of loans extended to affected individuals and businesses will need to be rescheduled within a more realistic time frame.

Income support

20. *Targeted cash assistance to Tsunami-affected groups.* In the very short term, the main need is to provide shelter and income support to the displaced. This is already well underway, inasmuch as Rf. 30 million has been disbursed to the affected population under an emergency cash transfer program; the program disburses Rf. 1500 per family member to those who completely lost their houses; Rf. 1000 per person to those whose houses were damaged and needed repairs; and Rf. 500 per family member to those whose houses were flooded and who therefore lost household items and belongings. This program is still undergoing and it is estimated that an additional Rf. 20 million will be disbursed shortly. Once complete, this program will have reached approximately 63,000 beneficiaries. Multisectoral teams from Male’ together with island committees identified the beneficiaries, registered them, and disbursed the assistance as a one-time cash transfer. However, since the economy has been in a state of flux after the Tsunami, with people moving around the country in search of shelter, the government is aware that not all affected

have yet been served, and that targeting may not have been fully effective, something which is not unusual in a widespread disaster situation. The Ministry of Gender, Family Development, and Social Security is currently exploring options for better targeting of those affected, and has also proposed an additional follow-up income support program for those individuals who are unlikely to be covered by the livelihood restoration programs mentioned above, i.e. the elderly and people with disabilities. This new proposed scheme—the details of which are being worked out—would give Rf. 500 per month per person for a period of 10 months. The target group would be around 2000 individuals, and the total cost would be Rf. 10 million (\$780,000). Free health care might also be provided (cost: Rf. 0.7 million).

21. *Public works.* The restoration of damaged housing and other infrastructure in the affected islands represents an opportunity to provide short term employment to the affected population. By launching public works programs employment could help support incomes to the affected and willing individuals. However, the feasibility and desirability of public works depends crucially on the availability of unemployed and willing labor in the affected islands. If public works are found feasible, attention should be paid to critical design features such as low wages to promote self-targeting, a reasonable degree of labor intensity, community involvement in the choice of projects, and technical engineering assistance for technical design of the work. Launching of this program would require rethinking of the current policy of contracting out housing and other construction to private sector professional contractors. Some of the activities currently planned to be given to private contractors could be executed by the affected communities through paid labor. The activities could include housing repair and construction, debris removal, road work and maintenance, water and sanitation, construction of sea walls, and so on. There is a fear that community housing and other construction would not fulfill critical quality standards; this risk can be contained through appropriate measures such as technical assistance and supervision to ensure building codes are met.

Concluding remarks

22. *Need for communication strategy.* Effective communication, transparency and information dissemination particularly as rumors of “relocation” spread are essential to the successful implementation of the tsunami recovery and reconstruction program. Policy initiatives and financial assistance will not be effective without a systematic process to convey their content swiftly and equitably to the affected communities, to assess and hear their suitability and sustainability within communities, and to make appropriate adjustments based on community feedback. In view of this, there is a clear need for GoM to devise a communications strategy to support the recovery program and ensure an effective dialogue between the government, affected communities and other partners. The communication strategy should contribute to ensuring that expectations will not get out-of-control and to ensuring transparency when assistance is being delivered.

23. *Need for a comprehensive social protection strategy.* Consumption support and livelihood restoration of the affected groups requires immediate short-term public action. The imperative of providing immediate support to the affected population should not, however, undermine the design and financing of a medium-term social protection strategy designed to combat chronic poverty and vulnerability among groups located in all atolls, both affected and non-affected. The strategy should protect individuals and households from both idiosyncratic shocks and covariate shocks. The World Bank is currently working with the Ministry of Gender, Family Development, and Social Welfare on the design of such a strategy.