



IMPACT OF COVID-19 IN THE MALDIVES

CONSTRUCTION INDUSTRY
REPORT AS AT 26 APRIL 2020

REPORT BY:
MALDIVES NATIONAL ASSOCIATION OF
CONSTRUCTION INDUSTRY-MNACI

Member of: **National Federation of Maldivian Employers**

**International Federation of Asian and Western
Pacific Contractors' Associations**





Table of Contents

EXECUTIVE SUMMARY	3
PREFACE	6
INTRODUCTION	7
MNACI	8
CURRENT EXECUTIVE BOARD MEMBERS (2019-2021)	9
1.COVID-19 IN MALDIVES	11
2.CURRENT UPDATE	13
3.IMPACT ON WORLD ECONOMY	14
4.IMPACT ON MALDIVIAN ECONOMY	16
5.COVID-19 AND GLOBAL CONSTRUCTION INDUSTRY	18
6.COVID-19 AND MALDIVIAN CONSTRUCTION INDUSTRY	21
6.1 EMPLOYERS IN CONSTRUCTION	23
6.2 EMPLOYEES IN CONSTRUCTION	23
6.3 EXPATRIATES IN CONSTRUCTION	24
7.LOSS MITIGATION MEASURES TAKEN BY GOVERNMENT	26
8.WHAT HAS MNACI DONE SO FAR?	28
9.HOW CAN WE RECOVER?	34
10.WHAT CAN AUTHORITIES DO NOW?	38
CONCLUSION	40
SOURCES	41
AUTHORS	42
REVIEWERS	43

EXECUTIVE SUMMARY

The first Covid-19 patient was discovered in Maldives on 7 March 2020 and since then the Government of Maldives has declared a State of Health Emergency from 12 March 2020 and closed borders from 27 March 2020 onwards. The country is in lockdown since 15 April 2020, until 1 May 2020, which is likely to extend. As of 26 April 2020, there are 191 active cases and the current risk level in Male' is in red.

With tourism at a standstill, Maldivian tourism has dropped by half with a reduction of bed nights by 39%. Therefore, the anticipated budget is expected to reduce by 49%. In a best-case scenario, ADB expects Maldives to lose a revenue of USD98 million (MVR1.51 billion), rising to a loss of USD294 million (MVR4.53 billion) in the worst-case scenario. Maldives is expected to be affected the worst in the region due to the Covid-19 pandemic with the economy expected to decline by 11.5% in 2020.

With the several steps taken by government to cut costs, the budget is expected to reduce by MVR7.7 billion. However, increased costs are foreseen in the health and disaster management sector, anticipated to be over MVR1.493 billion. Ministry of Finance estimates the budget deficit to increase by MVR13.2 billion with an immediate cash requirement of MVR4.2 billion.

Construction is also on hold due to the global lockdown and interruption in supply chains. Most of the countries allow construction in compliance with safety guidelines. Canada even extended hours to 24/7 for essential construction such as health care facilities. Construction is expected to resume in Italy from 4 May 2020 and 90% of 11,000 key projects in China has already resumed. USA has different restrictions across states. Boston has stopped all construction. South Korea allows construction unless there is a positive case and Hong Kong has picked up from March. The government of Hong Kong extended all public projects by 6 months to compensate for the delays due to the shutdown. Even with the construction being allowed as much as possible, forecasted growth for the construction industry in 2020 has been downgraded to 0.5%.

Even in Maldives, the government declared all PSIP projects, valuing MVR2.795 billion, will continue, which is expected to resume after lockdown is over. However, new PSIP projects are on hold which results in a direct loss of MVR7.2 billion to the construction industry. In Maldives, construction has gone down by 50%. Local contractors are struggling to get paid for the pending invoices from the government authorities.

Based on a survey conducted by MNACI, the construction industry is estimated to lose at least MVR617 million in just 3 months. Contractors are unable to pay rents and staff salaries and the employees are suffering without being able to pay their rents and manage livelihood. Some of the employees have already lost their jobs while others' wages have been reduced.

In addition to the local employees, the construction industry employs the largest expatriate work force which is about 40% of the Maldivian population. The construction industry is estimated to employ 5,000-7000 locals and 40,000-50,000 expatriates currently. The expat

workers live in bulk and cramped accommodations and currently this is the highest risk for the industry and community as well. There are over 50,000 illegal workers also, who will have no way to manage their food and accommodation as they have no responsible employers. The numbers of expatriates in Male' has spiked due to the high numbers being sent off from resorts due to the pandemic.

The government has taken action to counter the effects of the loss of income on the community. Rents have been deferred on government housing schemes, deferred student loans by 6 months and launched an emergency facility of MVR2.5 billion in financial measures to shore up the economy. Bank of Maldives declared a 6 months moratorium. Utilities have been subsidized and the government approved an unemployment allowance for those who have lost their jobs due to the pandemic. Maldives National Defense Force and Maldives Police Services' service at this time are commendable.

To attend to the expatriates stuck in Maldives, arrangements are being worked out with relevant embassies and meanwhile a temporary accommodation for expatriates is being built in Hulhumale' and a permanent one if being built in K. Gulhifalhu that can house about 40,000.

Maldives has received food donations from Bangladesh and India, and several donations in PPE, medicines, health care equipment and crisis management items from various other countries. In addition to this, the government is working on monetary foreign aid from international institutes. World Bank has already arranged USD10 million (MVR154.1 million).

MNACI, representing the second largest industry in Maldives, has shared several letters with the government and financial institutes, especially requesting for the following:

- Request to continue current PSIP projects and temporarily hold new projects;
- Postpone income tax, minimum wage and ease tax payments;
- Assist to pay the invoices for the pending invoices of contractors;
- Assist to repatriate foreign worker, especially illegal workers on high priority;
- Assist to defer loan payments for housing loans to allow rent reduction for citizens and on commercial loans for businesses to sustain;
- Arrange loans at low interest rates, extensions on existing loans, ease on fines, charges, and etc.

Several meetings were held, mainly with the Honorable Minister of Economic Development, Uz. Fayyaz Ismail, Honorable Minister of Tourism, Mr. Ali Waheed and Honorable Minister of Planning and Infrastructure, Mr. Mohamed Aslam. Meetings were also held with Bank of Maldives, with their CEO, Mr. Timothy Sawyer and Director of Business, Mr. Kuldip Paliwal. Furthermore, Honorable Minister of Health, Mr. Abdulla Ameen, where it was discussed to conduct an awareness programme for business owners, under guidance from HPA. The awareness programme held at Indira Gandhi Memorial Hospital, IGMH on 7 March 2020, was a huge success. Dr. Nazla Rafeeq, Medical Officer at National Emergency Operation Centre and one of the leading doctors active during the pandemic, addressed the programme and highlighted on the importance of social distancing at work sites and advised on how to carry on in the current situation. The very next day, on 8 March 2020, MNACI shared a circular

with this information to all the members to raise awareness amongst others in the industry, followed by a press release on 19 March 2020.

With the developments of the pandemic, MNACI also postponed their BuildExpo 2020 and Maldives IFAWPCA Convention 2020. MNACI also hosted an emergency board meeting with IFAWPCA's key members, with over 50 participants from 17 countries. Ideas were exchanged on how to understand the situation better and navigate way forward during and after the pandemic. With expertise from fellow member countries and considering the current situation, we must urgently work on keeping the industry alive.

MNACI proposes to implement a recovery action plan at the earliest, focusing on 3 areas; Maintaining the Industry, Restarting the Industry and, Reclaiming and Transforming the Industry.

Some of the ideas to apply can be as follows:

Maintain the Industry:

- * Work on other departments of the projects to be ready to accelerate the project when the site can open, such as planning, design and management,
- * Remove possible barriers in construction related permits to expedite the project,
- * Identify and inform projects to be resumed, started or/and stopped ,
- * Allow only the projects that have immediate funding, even new projects, and release contractor payments promptly and swiftly release stimulus packages.

Restart the Industry:

- * Update health and safety guidelines for construction projects and sites,
- * Ensure awareness is shared on the types of work that can be continued during each phase of the restriction even after the lockdown is lifted,
- * Assist in procurement of construction material from paused projects,
- * Establish system to identify site deterioration and environment issues on long term paused projects,
- * Strategise to distribute projects among different sectors.

Reclaim and Transform:

- * Create and enhance pipeline of projects,
- * Work on rapid mobilization of projects,
- * Produce better quality works,
- * Pay promptly and ensure security of retention,
- * Adhere to best practices,
- * Apply better consenting construction models,
- * Focus on mental wellbeing of the industry.

From the local survey report, it is estimated that the industry will face a loss of MVR205 million monthly over the upcoming months, in terms of project interruptions, food and accommodation of work force and related expenses. MNACI currently has 384 registered contractors. We hope the report and the proposed recovery plan assist the relevant authorities to carve out the best action plan for the industry and Maldives.

PREFACE

Firstly, I convey my deepest condolences to all who have lost beloved ones in this global battle against the coronavirus and send my heartfelt gratitude to our brothers and sisters bravely combating this pandemic on the frontlines, behind the scenes and at home.

Humanity is currently facing an extraordinary disaster which is very well beyond the reach of our influence. This viral disease which has been viciously spreading across international borders since January this year has thrown the world into utter chaos, infecting over 2.9 million and claiming over 200,000 people's lives, and these numbers are still rising at an alarmingly fast pace.



The impact of Covid-19 is surely severe and unparalleled. With lockdowns enforced in almost all countries around the world, containment measures are causing businesses to lose major revenue and as a direct result millions of lives and livelihoods are at risk, susceptible and vulnerable to the desolation of the sudden economic ruin by this pandemic.

According to the World Bank, the global economy is at its worst recession since the Great Depression, and it could decline further if the current imposed restrictions on economic activities extend to the third quarter of this year. The GDP of the Asia Pacific region is at its worst growth performance since the 1960s, as forecast for 2021 are uncertain. With the situation still evolving, we are facing very severe socio-economic challenges within the decades to come.

This report aims to understand the impact of the pandemic, especially in the Maldives and its Construction Industry. The report shares expertise and knowledge from various experts in the Construction Industry so that we may understand the situation better and plan how to navigate forward and safely. While we focus entirely on the health and safety of everyone and taking care of our workers and population at large, our biggest post pandemic survival tool will be our economic industries. Thus, it is of utmost importance to brainstorm ways to manage the industries right now and find ways to boost the industries and thus the economy of the country when this pandemic is over.

Construction is a tough sector and I strongly believe this report will prove beneficial to the readers and enable the relevant stakeholders to take informed decisions. I convey my heartfelt gratitude to Ms. Aminath Suzan who co-wrote the report with me, and Mr. Bandhu Saleem, Dr. Fazeel Najeeb, Mr. Athif Shakoor and Mr. Hassan Shameem for being so gracious to review the report and share their expertise.

Mohamed Ali Janah

President – Maldives National Association of Construction Industry (MNACI)

INTRODUCTION

With the devastating effect of Covid-19 all over the world, there is no industry left untouched by this pandemic catching the world by surprise. The global economy is at a major downwards spiral with effects that will take a lot more time to recover than what we can anticipate. When we look at the impact of Covid-19 in the Maldives, we are no exception and the whole Maldives will struggle to overcome this, even long after the pandemic is over.

Our main economic industries will have the most critical roles to play to restart the economy of the Maldives when the pandemic is over and the restrictions start lifting. Next to tourism industry, which has been the economic backbone of the country, construction and fishing industries also play vital roles. Even before tourism can kick-off, the other industries can start work to prepare for when the borders can be re-opened for tourism to recommence. Therefore, right now, construction industry has the biggest responsibility to mitigate the economic risks the country is facing.

Maldives National Association of Construction Industry, MNACI, has been working closely with the government since the beginning of the pandemic, in any way they can cooperate and have conducted several surveys on the stakeholders, the affect of the pandemic on contractors, well being of employers and workers, losses faced by the contractors and construction industry, and also worked with the relevant authorities in providing the industry's view and recommendations in overcoming the challenges being faced by the country. There have been regular meetings by the board and stakeholders which continued via zoom after the lockdown as well.

As part of MNACI's initiative to understand how to deal with the effects of the pandemic from an economic perspective and how to navigate forward after the pandemic, MNACI requested member companies to share their data to compile this report on the impact of Covid-19 in the Maldives. Furthermore, with the input from 19 member countries of International Federation of Asian and Western Pacific Contractors' Associations, IFAWPCA, and based on their best practices and country reports, this report will summarise a plan to move forward and measures that can be taken to mitigate the risks and impact right now and progress in the future. This is not an extensive report, but a brief compiled with the critical updates acquired.

The report is in Maldivian Rufiyaa (MVR) mainly with some figures in US Dollars (USD), which is converted to MVR at the current USD:MVR rate of 1:15.41. The exchange rate is as Maldives Monetary Authority's published rates as of 26 April 2020.

The response plan is not limited to the government authorities only, as we can tackle this as a team together, with the government and private sector working hand in hand.

This report has been reviewed by Mr. Bandhu Ibrahim Saleem, Mr. Ibrahim Athif Shakoor, Mr. Hassan Shameem and Dr. Fazeel Najeeb. A separate review report is available on <http://mnaci.org.mv/report-review-2742020>.

MNACI

Maldives National Association of Construction Industry, MNACI is the standard bearer of the second largest industry in the Maldives. Established in 2001 by founder members, Mr. Mohamed Abdul Azeez, Mr. Jaufar Easa Adam, Mr. Hassan Waheed, Mr. Ibrahim Waheed, Mr. Abdulla Mohamed, Mr. Ibrahim Rasheed and Mr. Alau Ali, MNACI currently has an executive board of 19 active members led by the current President of the association, Mr. Mohamed Ali Janah.

MNACI is entrusted with the responsibilities of not only ensuring that the industrial, contractual and technical needs of the members are promoted but also with the equally vital task of promoting the development of the industry and enhance the rank and reputation of the members of the Maldivian construction industry to internationally acceptable standards.

To achieve this, MNACI has a voice in important policy making bodies of the country. It is represented in several government boards including the Construction Industry Development Board. In the year 2008 MNACI secured membership of the International Federation of Asian and Western Pacific Contractor's Associations (IFAWPCA), the principal and most powerful construction association of the Asia-Pacific region. It is also a member of National Federation of Maldivian Employers which is recognized by the International Organisation of Employers, IOE.

Health and Safety has been a priority of the association and over the last 12 months, extensive work has been conducted by MNACI to contribute to the industry's health and safety. Now is the time, more than ever, for MNACI to focus on the safety of the stakeholders and MNACI is committed to doing everything possible to ensure that.

MNACI's official website is www.mnaci.org.mv.

CURRENT EXECUTIVE BOARD MEMBERS (2019-2021)



Mr. Mohamed Ali Janah
President



Mr. Alau Ali
Vice President



Mr. Abdulla Salih
Vice President



Mr. Adnan Haleem
Secretary General



Mr. Hassan Habeeb
Treasurer



Mr. Ameen Mohamed
Assistant Treasurer



Mr. Abdulla Mohamed
Executive Board Member



Mr. Ibrahim Mutthalib
Executive Board Member



Mr. Hassan Shameem
Executive Board Member



Mr. Ibrahim Shiury
Executive Board Member



Ms. Aminath Suzan
Executive Board Member



Mr. Ibrahim Nihad
Executive Board Member



Mr. Mohamed Miuzam
Executive Board Member



Mr. Mohamed Saeed
Executive Board Member



Mr. Mohamed Shakir
Executive Board Member



Mr. Saudhulla Hilmy
Executive Board Member



Mr. Jausa Jaufar
Executive Board Member



Mr. Husham Ali
Executive Board Member



Mr. Mohamed Saalim Hussain
Executive Board Member

1. COVID-19 IN MALDIVES

Subsequent to the first case of Covid-19 discovered in Maldives on 7 March 2020, Health Protection Agency (HPA) sprung into action immediately and commenced their action plan by creating the hotline 1676, by creating awareness amongst the public non-stop and sharing the updates regularly. Since then there has been a series of actions taken all over the Maldives, with the first major step being to close the schools on 8 March 2020. The Government of Maldives declared a State of Health Emergency on 12 March 2020 and closed offices from 19 March 2020. With gradual travel bans imposed, a full travel ban was established from 27 March 2020 and the borders are closed until further notice.

Our capital city, Male' went into a 24 hours lockdown on 15 April 2020 immediately after a positive patient was identified within the city. The lock down has been extended further by 2 weeks, till 1 May 2020, which is likely extendable.

INTERNATIONAL UPDATE

Global		
Confirmed	Deaths	Recovered
2,947,616	205,607	860,023
US		
Confirmed	Deaths	Recovered
954,182	54,573	106,178
Italy		
Confirmed	Deaths	Recovered
197,675	26,644	64,928
Spain		
Confirmed	Deaths	Recovered
226,629	23,190	117,727
France		
Confirmed	Deaths	Recovered
161,665	22,890	45,681
United Kingdom		
Confirmed	Deaths	Recovered
154,032	20,794	778

MALDIVES UPDATE



Latest Updates

26 / 04 / 2020 — 21: 30

50

New Case — Last 24 Hours

191

Confirmed

78

Locals

113

Foreigners

17

Recovered

172

Total active

02

Left country

1281

Total in quarantine

156

Total in isolation

0

Deaths

Lab Testing Results

191

Positive

5699

Negative

58

Pending

5948

Total

#StayHome

#StaySafe

#SaveLives



Sourced from Johns Hopkins CSSE on 26 April 2020 23:15 | Sourced from HPA on 26 April 2020 14:30

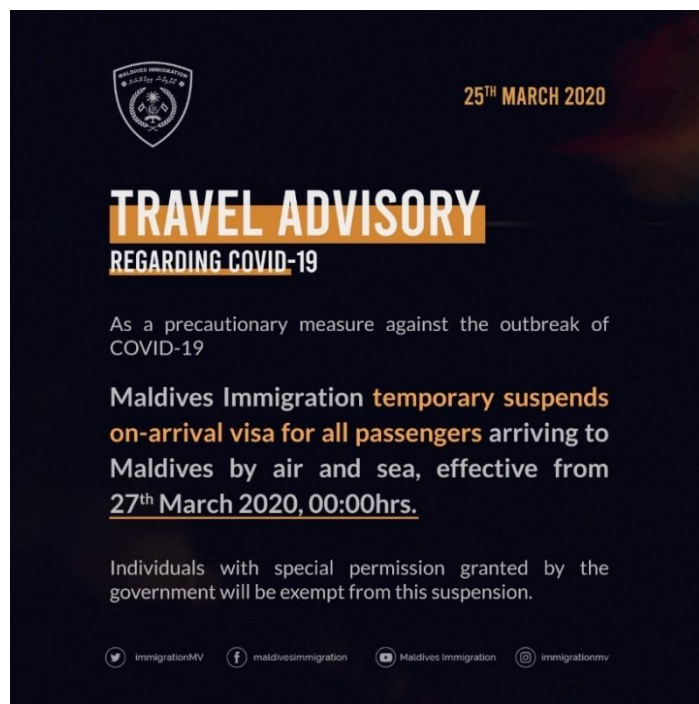
SUMMARY

- First positive Covid-19 patient discovered on 7 March 2020.
- State of Health Emergency declared in Maldives since 12 March 2020.
- Borders are closed from 27 March 2020.
- A nationwide lockdown is active until 1 May 2020, likely extendable.
- Maldives has 191 active cases as at 26 April 2020, 14:30hrs.
- 50 new cases were discovered within last 24 hours.
- Majority of new cases are amongst the expatriate community (113 cases).

2. CURRENT UPDATE

Since the beginning, authorities focused on the tourism sector as it was the most vulnerable with exposure to visitors from all over the world.

Resorts were quarantined according to the cases identified and by end of March more than 50 resorts were closed.



Since 27 March 2020, the borders have been fully closed thus tourism in Maldives is at a standstill and there are no tourist arrivals to the country.

All resort staff are required to complete 14 days of quarantine from the date of last guest's departure and released after approval from HPA.

Any Maldivians that arrived to Maldives after 18 March 2020 were subject to a 14 days or extendable quarantine before entry was allowed.

The risk level is level II (yellow) nationally and Male' city is declared to be level IV (red) with the current community spread.

Sourced from Maldives Immigration

During the lockdown, it is a legal offense to go out in public without a permit from the Maldives Police Service and everyone is instructed to stay at home. However, with the difficulty of delivering food and necessities to households, the authorities have allowed one person from each household to a permit to go out for a specified hour, once every three days for a pre-set zone. The main challenge the authorities faced was with the public, who failed to stay home despite the constant warning to practice social distancing and to refrain from going out.

SUMMARY

- By end of March more than 50 resorts were closed
- Tourism is at a standstill with borders closed from 27 March 2020 and all resorts also closed
- All resort staffs must complete a 14 days quarantine from date of the last guest's departure before being allowed to exit the resort
- Anyone entering Maldives must complete a 14 days quarantine
- Risk level in Male' city is red, a threat level of 4, with a national level of 2

3. IMPACT ON WORLD ECONOMY

Following the outbreak of Covid-19 outbreak, the whole world seemed to come to a stop with countries closing down. Factories all over Asia Pacific were affected severely and closed for long periods. With the outbreak originating from China and the sudden closures without any prior warning, it would seem most likely that China would be affected the most. However, China's decline is overshadowed by the decline in Japan and South Korea. South Korea's activity collapsed the fastest in 11 years and Japan's shrank the most in 10 years.

The pandemic has affected not only Asia Pacific region, but the whole world including the biggest economies in the world including USA and Europe are declining rapidly and are on the verge of collapse. In addition to the crashing stock markets, the oil price has gone down so much that the world witnessed negative oil prices for the first time in history.

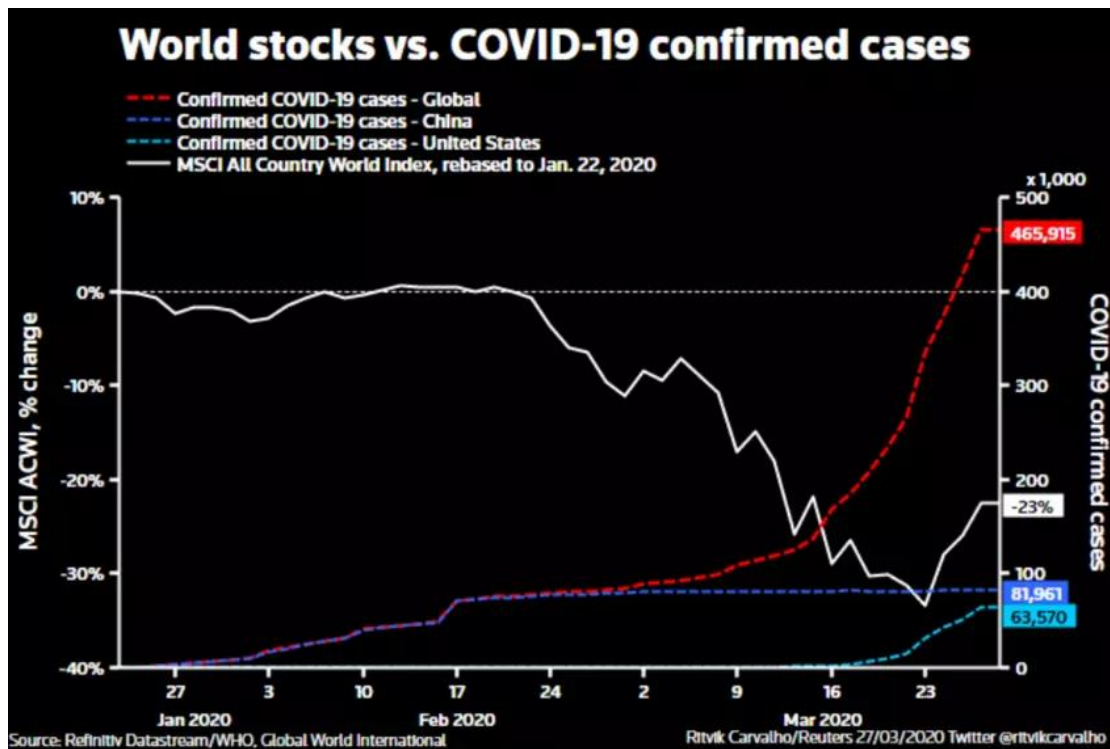
However, gold value is increasing now, as investors fear a global recession and further plunges in oil prices.

As per JP Morgan, there was a contraction on the world economy by 12% from January to March 2020 and claims this is the worst global equity collapse since the Great Depression. And with the pandemic still continuing, there does not seem to be any relief in the upcoming months, forcing banks to slash the upcoming quarters' forecasts and that will in turn result in financial instability. Leading economists forecast GDP in 2020 at 2.4%. India estimates -9.3% second quarter growth compared to 2019 and China will see a decline in percentage point in GDP by 2.4 percentage points.

Different countries are at different stages of the pandemic. Currently about 40% of Covid-19 cases are reported by Europe where USA alone adds to about 33% of the total infected. Asia seems to be reporting less now as they had been able to contain it early. Regardless, the effects are rippling through out the world and with the downfall of economy, inflation is inevitable.

Whilst the rest of us are still struggling to contain the spread, China has reportedly controlled the pandemic and after a long closure, they have started reopening factories gradually and started working on rebuilding their economy. Congestion of traffic and residential-property sales are returning back to how it was back in January 2020. Air pollution and coal consumption have returned to 74 and 85 percent, respectively, compared to the levels at the beginning of this year. Though this may be disheartening for environment enthusiasts, this gives hope for the economists as this signals China is slowly going back to normalcy, with some levels of caution, resulting in increased spending significantly.

China's economy is still expected to grow the most, though less compared to last year. The world's economy growth is also expected to reduce, as the other countries too, and this economy growth rate could be the slowest rate of growth it has witnessed since 2009.

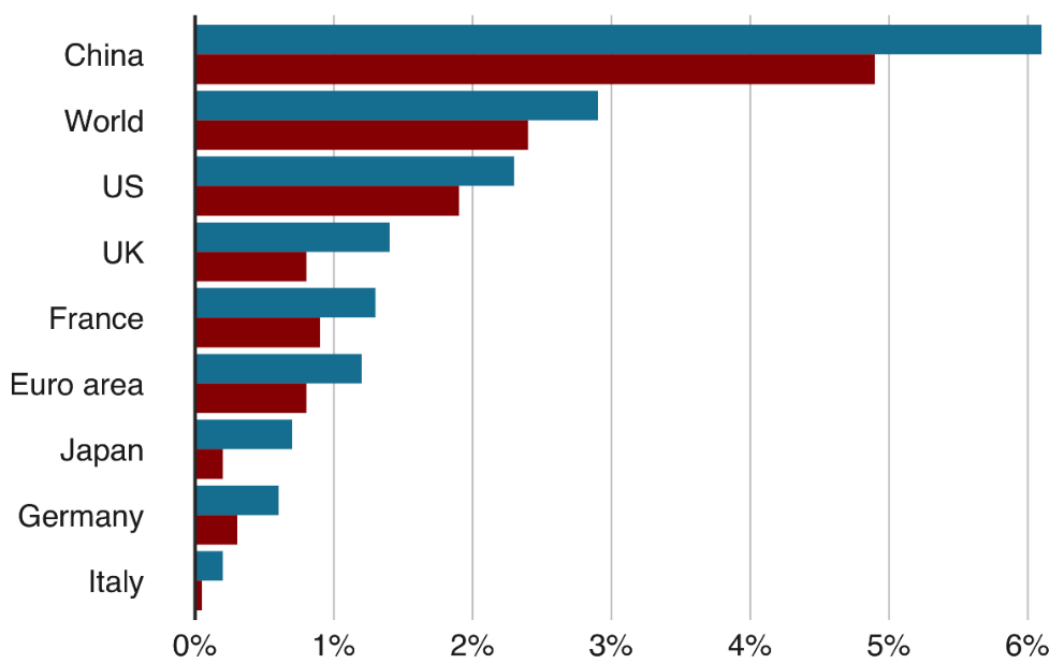


Sourced from Reuters on 31 March 2020

OECD downgrades growth forecasts

Economic growth (GDP) expected to slow down in 2020

■ Growth in 2019 ■ Growth forecast for 2020



Source: OECD

BBC

Sourced from BBC on 22 April 2020

SUMMARY

- Factories all over Asia Pacific has shut down, with gradual opening seen in China now.
- South Korea's activity collapsed the fastest in 11 years and Japan's shrank the most in 10 years.
- Oil price drops to negative for the first time in history.
- Gold value increases.
- From Jan – Mar 2020, the world economy declined by 12% as per JP Morgan.
- As of now USA has about 33% of the total infected and Europe is about 40%.

4. IMPACT ON MALDIVIAN ECONOMY

Due to the Maldivian tourism declining by half, bed nights reducing by 39%, and with the contraction of other sectors, Maldives expects the economy to fall by 11.5% in the year 2020. As a result, income from tax will be affected the most, with reduction in TGST, green tax and airport service charge from tourism sector and GST from others. In addition to this, it is expected that there will be some difficulty in collecting land rents and bed tax from resorts with all the resorts out of business currently. Due to this decline in income to the country, the anticipated budget for 2020 is expected to reduce by 49%.

Asian Development Bank has estimated revenues from tourism in Maldives to decline and assumed for best-case, moderate-case and worst-case scenarios in Maldives. Even if we take the best-case scenario a loss of USD98 million (MVR1.51 billion) is assumed. In the worst-case scenario, it can be as much as USD 294 million (MVR4.53 billion) in losses.

Speaking at a SAARC Video Conference, President of Maldives, H.E. President Ibrahim Mohamed Solih said that the decline in the country's economy is expected to cause an extensive drop resulting in a shortfall of an estimated USD450 million (MVR6.934 billion) in foreign currency earning.

In light of these developments, the Government of Maldives is currently working on availing debt relief and moratorium on existing debts. Meanwhile, the government has taken cost cutting measures to reduce the government expenses, such as reduction of wages by 20% for government staff above deputy minister levels, reduction of travel and transport expenses, halting new asset procurements and renovation works, cutting costs on recurrent expenses, stopping recruitment of new staff and bringing a hiatus to new projects. Free aid committed to the councils are stopped temporarily. With these extensive steps, Ministry of Finance announced they can reduce the budget from the approved MVR37.8 billion to MVR30.1 billion.

Even though new projects have been brought to a halt, and costs are being cut wherever possible without stopping the operation of the whole country and maintaining existing staff, there are additional expenses that are on the rise due to the pandemic as more budget has to be assigned for the health and safety sector. Investments are vital for personal protective equipment (PPE) items and the construction of health care facilities to cater to the affected population in the event the pandemic spreads further. More funding is required for crisis management and social wellbeing. Furthermore, considering the effect on all businesses, the general population and the businesses are in need for the government's assistance now more than ever. Therefore, the government has to spend on economic and social relief projects also, in addition to the rest. Currently, these expenses are being managed by the 2020 budget's contingency funds and by reallocating within the approved budget.

To respond to the pandemic, government is spending vast amounts of money on the health sector and disaster management, varying from construction of health care facilities for the purpose of treating Covid-19 patients, arranging quarantine and isolation facilities, providing test kits and PPE, crisis management activities and more. Assuming based on the current health status, the Ministry of Finance anticipates MVR1.493 billion to be incurred for health and disaster management. This amount is expected to increase with the progress of the pandemic.

Ministry of Finance have proposed five scenarios for the country depending on the decline in GDP.

Scenarios	GDP Decline	Budget-Mvr in Million
APPROVED BUDGET	-6.10%	-5,556.60
SCENARIO 1	-10.80%	-11,223.10
SCENARIO 2	-12.30%	-12,256.80
SCENARIO 3	-13.70%	-13,230.90
SCENARIO 4	-17.30%	-15,190.10
SCENARIO 5	-22.90%	-16,926.00

Information Source- Ministry of Finance, Maldives (24 April 2020)

According to Ministry of Finance, the current situation is corresponding to scenario 3, meaning the budget deficit has increased to MVR13 billion, which means financing has to be sought for MVR13.2 billion now. As per Ministry of Finance, to cater to the immediate requirements of the government's cashflow, a minimum of MVR4.2 billion is required.

As expected, spending power within the community has reduced comparatively and banks are unable to collect deposits and the services are restricted preventing T-bill investments by banks and the private bankers, in a situation where T-bills sales are crucial.

Maldives is expected to suffer the worst economic setbacks in the South Asian region according to World Bank analysis.

SUMMARY

- Maldives expects the economy to fall by 11.5% in the year 2020.
- Anticipated budget for 2020 is expected to reduce by 49%.
- ADB assumes Maldives will lose a revenue of USD98 million-USD294 million (MVR1.51 billion-MVR4.53 billion), from best to worst case scenario.
- Government has taken several cost cutting measures that can reduce budget by about MVR7.7 billion.
- Ministry of Finance anticipates MVR1.493 billion to be incurred for health and disaster management.
- Ministry of Finance estimates the budget deficit to increase to MVR13.2 billion.
- Government requires a minimum of MVR4.2 billion immediately.
- World Bank study shows Maldives to be the worst hit by the pandemic in the region.

5. COVID-19 AND GLOBAL CONSTRUCTION INDUSTRY

Universally, construction has been hit hard by the pandemic. The global lockdowns, shutdown of factories that produce construction material, restrictions in transportation and overall impossibility to continue works safely amidst the community spread of the virus have interrupted most of the construction projects worldwide. With different threat levels, some countries have imposed different restrictions, however, mainly construction of vital projects and health care facilities were allowed to continue.

Canada has meanwhile extended construction working hours to 24 hours in order to accelerate health and safety projects that are necessary during the pandemic, which will also allow the workers to practice the additional health and safety guidelines by workers working in shifts to practice distance at work also. Whilst this is applicable to necessary health and safety projects only, other construction works are also allowed at sites that are in compliance with the government's guidelines.

The second most affected in this pandemic as of now is Italy and it is worrying that the workers were informed to go to work unless it can be done from home, which no doubt places construction workers in a dilemma. However, the government declared from 23 March 2020, everything except essential services will be stopped. It is now expected to resume from 4 May 2020. The construction industry is expected to decline by 0.7% in 2020. Prior to the pandemic, it was forecasted to grow by 1.5%.

The situation is the same in UK. Even though the workers are worried about their safety and believe the PPE should be saved for the health care providers, they are obliged to work to be able to afford basic necessities. There is a confusion amongst the construction traders in UK where National Federation of Builders that represent SME contractors say builders could work on sites if they follow safety guidelines whereas Federation of Master Builders insist workers should only go in the case of emergency works only.

Other European countries like Germany and Holland sought to continue with construction projects too provided it is done responsibly and in adherence to safety and health protocols established by their governments.

China was being the first to experience the pandemic, it is the first to also control it and their construction has resumed now. National Development and Reform Commission (NDRC) has reported that construction has now restarted on 90% of 11,000 key projects including railway, airport development and waterway projects. China will be focusing on expediting infrastructure projects.

Currently, the most affected is USA with over 950,000 confirmed cases. Yet, construction is allowed in some cities considering construction's economic importance. New York, Louisiana and Illinois allow construction to continue. Texas, Massachusetts and California are allowing restricted construction whereas in Boston, construction is not allowed at all.

In South Korea, construction sites are open unless an active case is discovered at a site, in which case all works at the site must be stopped for 2 weeks. And Hong Kong has also started picking up since March. In Hong Kong, the government extended all public projects by 6 months and now pays advance payments on public projects.

Despite the seriousness of the pandemic, it is not surprising that all countries are unable to afford stopping construction completely or at all. Provided tourism is at a standstill worldwide with almost all countries' borders closed, and import export is also on hold with the shutting down of factories and producers and restrictions in shipping, only construction has the chance to still continue amidst the pandemic. Construction may be the only industry that can survive right now and help to kick start the economy once the pandemic is over.

The forecast growth for the construction industry in 2020 has been downgraded to 0.5%, according to a GlobalData report.

SUMMARY

- Construction is at a halt due to lockdowns and interruption to supply chain.
- Canada allows construction under compliance to government guidelines.
- Canada allows 24/7 working for construction of essential projects such as healthcare.
- Construction is not allowed in Italy but expected to gradually resume from 4 May 2020.
- UK and other European countries allow construction in adherence to safety guidelines.
- 90% of 11,000 key projects in China has resumed.
- In USA, New York, Louisiana and Illinois allow construction to continue. Texas, Massachusetts and California are allowing restricted construction whereas in Boston, construction is not allowed at all.
- South Korea allows construction sites to be open unless there is a positive case.
- Hong Kong has resumed from March. Hong Kong government extended all public projects by 6 months.
- The forecast growth for the construction industry in 2020 has been downgraded to 0.5%, according to a GlobalData report.

6. COVID-19 AND MALDIVIAN CONSTRUCTION INDUSTRY

Construction projects were gradually slowing down with the beginning of the pandemic and the social distancing advisory and work curfews established. The Government of Maldives has been closed from 19 March 2020 and this also contributed to the slowing down of works pending related permits from various authorities. Right now, it is at a total halt in Male' city with the lockdown and coming to a standstill at the islands due to the logistical constraints related to the lockdown and restrictions in importing construction material. Most of the works that continued were depending on the material imported for the project already or available material from local suppliers which are limited.

The lockdown is currently expected to be over by 1 May 2020. There is a chance it can extend if the spread cannot be contained. Once the restrictions are lifted, MNACI will work with the Government of Maldives to continue the construction projects under guidance from HPA.

The biggest risk for the country with regard to the pandemic lies in the construction industry. With the industry depending on the expatriate labour force, and a population of over 150,000 foreign workers in the Maldives, which is about 40% of the Maldivian population. Workers are mainly accommodated project wise or employer wise and in bulk and congested accommodation. Community spread is most vulnerable amongst these foreigners. We can relate to the current situation in Singapore. Singapore has been experiencing over 1000 new cases daily for the last 4 days owing to the expatriate community living in foreign dormitories. In Maldives, the population density is higher and the workers are also staying in smaller places.

The government has announced currently active Public Sector Investment Programmes (PSIP) projects will continue, which is about MVR2.795 billion out of the total budgeted MVR10 billion. Additionally, a MVR2.5 billion economic relief and stimulus package has been announced as well. This package specifically states that any construction project carried out by the government under this scheme would be awarded to local companies only, which is promising for the local contractors. However, it is anticipated that the currently active PSIP projects may also be interfered due to the interruption in supply chain. The import system is working for perishable goods only and lot of construction material is stuck at the Maldives Port without clearance.

The remainder of PSIP projects are reported to be temporarily on hold, which is MVR7.2 billion and this is a direct loss to the Maldivian construction industry,

MNACI has been informed by several member contractors on the difficulty in receiving payments for invoices from the government. Delays and red tape in processing local contractors' payments have always been a pressing matter raised by everyone in the industry, but if it continues like this, small and medium enterprises (SME) cannot sustain their businesses even if projects continue. In fact, to enable the projects to continue, payment

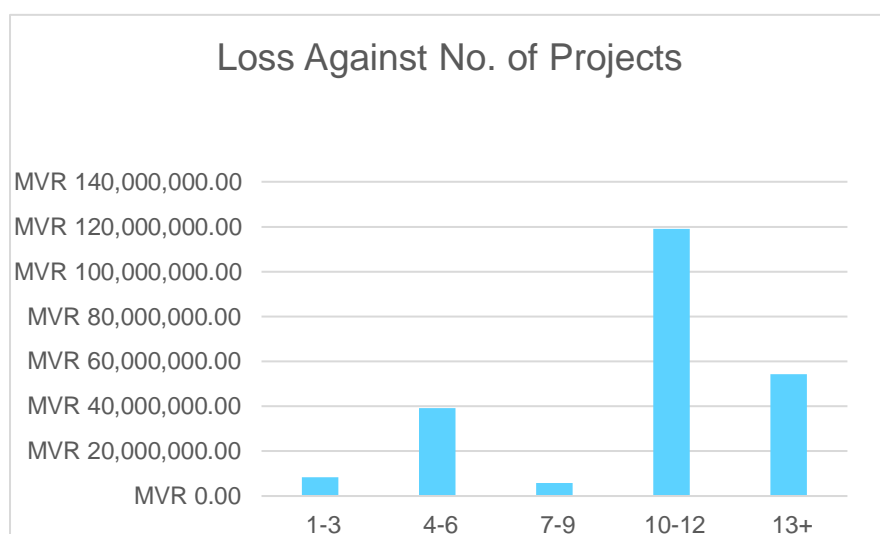
processing also must be continued so that companies will have the cash flow to work on the projects.

Even with the various measures taken and the relief package, the construction industry has gone down by 50% already. If the situation remains as now or deteriorates, the industry will fall further.

MNACI collated data from various contractors, of different levels, 5 grade 1 companies, 1 grade 3 company, 3 grade 5 companies and 1 grade 7 company, with one undisclosed, to assess the loss incurred by the construction companies due to Covid-19. These companies employ over 2500 workers of which 240 are locals. Currently they are working on 82 projects (18 PSIP and 64 private) totaling to over MVR3.6 billion. The companies expect to lose over MVR226 million as a consequence of the pandemic in 3 months and it will only get worse. This is just from initial data collected from 11 companies.

Based on this survey, and by applying the lowest loss value amongst the balance 373 contractors, the construction industry is estimated to lose MVR617 million in 3 months. As this value is based on information received from a small number of companies, this value is expected to be less than actual as only the lowest loss value has been assumed to arrive at this figure.

The biggest difficulty faced by all contractors is the disruption of projects, resulting in low income causing dilemmas in paying rent, workers salaries and allowances. Some companies are forced to reduce staff salaries and reduce staff. This is also a predicament when it comes to reducing foreign staff as there is no way to send them back to their countries currently and the overheads keep increasing for the employers. Even for the companies that have running projects, the lack of cash flow prevents them from progressing the projects ideally.



Sourced from data collected by MNACI as at 31 March 2020

Based on this survey, 11 companies will lose MVR226 million in 3 months. Applying the lowest loss value amongst the balance 373 contractors, the construction industry is estimated to lose MVR617 million in 3 months.

In addition to the monetary losses, the stopped sites face a danger of structural deterioration. As the lockdown was very sudden, there was no preparation by any company. There are

some sites that have excavated the ground, started dewatering process or completed half foundations. It is very important to attend to these, especially those with the danger of extensive ground settlement can damage neighboring buildings.

Furthermore, there are construction sites that can be operated as a stand-alone construction sites, without movement of people and with already available material. These sites should be given priority as these are low risk sites, and easier permit system is required. Though there is an existing portal for permit to allow movement during lockdown, it is not effective for the contractors as the system is generic and permits are not being vetted technically and just being rejected without proper assessment. If these can be allowed, there will be a movement within the industry enabling some contractors to generate some income to pay wages at least.

6.1 EMPLOYERS IN CONSTRUCTION

As per MNACI surveys and records, it is estimated that the construction industry employers employ 5,000-7,000 locals in different fields such as management, skilled and outsourced works. Foreigners, mainly including the unskilled work force are estimated to be about 40,000-50,000.

Without the income, without easily accessible loans, and recurring expenses especially on account of rent and staff salaries, the employers are struggling to pay the rents, salaries and allowances on time, or at all. Even though there are stimulus packages announced by the government, the companies have not been able to avail these yet due to the pre-requisites, the extensive banking procedures and the hold on banking services due to the lockdown. Working from home is least effective and companies are unable to work effectively. Moreover, there is just no work to do. The companies that have government projects are also struggling to receive the payments for their invoices.

Meanwhile, government has been instructing employers to pay salaries and Ramazan allowances to staff. Companies are legally bound by the Employment Act of Maldives to do so. The unmanageable and irrecoverable losses for businesses, especially the SME businesses are already taking its toll and many businesses have started taking drastic actions to counter them. Some companies have reportedly already laid off workers, significantly reduced staff wages and taken other measures.

6.2 EMPLOYEES IN CONSTRUCTION

Just like the ripple effect, the effects are rippling through the society and the struggle of the employers are reflecting on the employees. Employees are forced to leave, subjected to pay cuts and go on no pay leaves with no certainty as to when they can return to work. The workers who have their jobs are uncertain if they will get paid even. This in turn disables them to meet their living needs causing the employees to be unable to meet rent commitments, and meet their family expenses. Landlords all over Male' have reduced their rents on a mission to help the tenants who are suffering from the loss in pay. The government has

subsidized utilities by 30% and 40% for water and electricity. Regardless, they still need to pay rent and bills, and spend on food, especially with the holy month of Ramazan starting now. Every year all local employees get MVR3,000 as Ramazan allowance as per the labour law of Maldives. This year, some employees are deprived of this also as employers struggle to pay the basic wage. Government announced on 24 April 2020, MVR5,000 will be paid to all employees working in Maldives who have lost their jobs due to the pandemic, for 3 months.

As for the workers working on PSIP projects, since the government will be continuing these projects, some of the construction workers will likely have their jobs, possibly at a reduced wage. However, most of the workers do not have access to PPE, as there is a shortage of PPE items nationwide. So, when they do get back to work, it will be a challenge to ensure health and safety at work sites.

6.3 EXPATRIATES IN CONSTRUCTION

The largest number of expatriates in Maldives belong to the construction industry. The unskilled labour force and majority of construction projects supervisors and managers are foreigners. The majority of the expatriate population is from Bangladesh, followed by India, Sri Lanka and Nepal. Apart from senior workers, the rest of the workers are normally accommodated in bulk and crowded accommodations. Male' city is one of the most densely populated cities in the world. Already the locals are struggling to live in Male' due to shortage of space and many families live together in cramped households. When this is the case for the locals, the employers are unable to provide separate foreign dormitories or spacious accommodation in Male' and they end up in small, congested and cramped accommodations.

In addition to this, now, with the resorts laying off foreign staff or sending them off on no-pay leave, with no way to go back to their countries, there is a spike in the expatriates flooding the Male' city. This means community spread is high amongst them. Even now the positive cases are within the same cluster, who have contracted the disease and infecting the people whom they live with.

Some employers have arranged separate accommodations for certain staff to reduce the risk of spread, yet have not been able to obtain the permits for their mobilization and the workers.

Due to the shutting of borders, a lot of expatriates are stuck in Maldives, without being able to go back to their countries, even if they want or even if the employers want to send them back. Repatriation is impossible and the workers are suffering while employers also end up incurring costs on food and accommodation of the workers who are stuck.

Furthermore, there are over 50,000 illegal workers in Maldives, mainly Bangladeshis. Most of them are unregistered and their details are not recorded, which makes it a huge challenge for the authorities to take any action. Most of these workers are those who have fled from the employers who brought them to Maldives, whilst some of them have been stranded by the employers. They do not have an employer responsible for them and would have been managing their own living arrangements. With no work available in the market now, the illegal workers community will also end up homeless and with no means to arrange their meals.

SUMMARY

- All construction projects are on hold.
- After lockdown PSIP active projects only will continue.
- Current PSIP projects value is about MVR2.795 billion.
- All new projects are halted, which is MVR7.2 billion in PSIP projects, this is a direct loss to the Maldivian construction industry.
- The biggest risk for the industry is the expatriate labour force which is about 40% of the Maldivian population.
- The number of expatriates in Male' city have spiked due to the workers sent off from the resorts.
- The workers live in bulk and cramped accommodation and community spread is high.
- For employers who have arranged alternative accommodation for workers are unable to shift them due to inability to get permit to mobilise them to new location.
- Government announced a MVR2.5 billion economic relief and stimulus package.
- Local contractors face difficulty in receiving payments for the completed works from government authorities.
- Existing projects are facing disruption to supply chain, construction material shipments stuck at the port.
- Construction industry has gone down 50%.
- Contractors are unable to pay rents and staff salaries with the disruption to income.
- Based on a survey conducted by MNACI, 11 companies will lose MVR226 million in 3 months. Applying the *lowest loss* value amongst the balance 373 contractors, the construction industry is estimated to lose MVR617 million in 3 months.
- Some construction sites need high priority action and permits such as already excavated sites and projects with dewatering interruptions.
- Easier permit and approval system is required separately for construction to ensure the requests are properly assessed before being approved or rejected.
- Employees are facing difficulty to manage their livelihoods with the pay cuts and losing their employment in light of the pandemic.
- Construction workers do not have enough PPE for when they can open sites.
- A lot of expatriates are stuck without repatriation due to closure of borders.
- The expatriate labour force are struggling to arrange meals and accommodation, especially the illegal work force of over 50,000.
- About 5,000-7,000 locals and 40,000-50,000 foreigners are currently working in construction industry.

7. LOSS MITIGATION MEASURES TAKEN BY GOVERNMENT

Government has taken the interest of the public very seriously and the initial steps were taken to ensure the health of the society. Several steps have been taken at different stages as mentioned in chapter 1 of the report and right now there is a nationwide lockdown, to ensure the health and safety of the community.

Thereafter, relief efforts were made to counter the sudden effect of income loss across country. Rents have been deferred on government housing scheme flats, utilities have been subsidized and with the support of the government, Bank of Maldives declared a moratorium of 6 months. Bank of Maldives also announced a USD2 million (MVR30.82 million short-term loan facility for tourism industry.

Government has launched an emergency MVR2.5 billion (USD162.23 million) facility and a package of financial measures to shore up the local economy against the coronavirus pandemic. Loan schemes are being established for other sectors too including fisheries and farming. And for the students, their loan repayment has been deferred by 6 months too.

Immediate arrangements were made for quarantine facilities, in collaboration with various businessmen of Maldives. Right now, there are over 10 facilities, most of them converted from operational resorts to temporary quarantine and isolation facilities.

Subsequent to the lockdown, government ensures there is no food scarcity. Delivery permits have been given to the compliant shops and even the Maldives National Defense Force and Maldives Police Service came out to assist with the deliveries to the households as the demand for deliveries soared.

As the number of employees losing their employment due to the current situation relating to the pandemic are increasing, with no way for the employers to manage otherwise, the government has approved an unemployment allowance of MVR5,000, for 3 months, to be paid to all employees working in Maldives who have lost their jobs due to the pandemic. A registration portal has been introduced for the affected citizens to register in order to avail for the unemployment allowance.

To help the expatriates, arrangements are being made with relevant embassies to repatriate foreign workers as much as possible. A temporary accommodation for foreign workers is being built in Hulhumale'. Whilst it is in progress, a new permanent accommodation is being arranged in K. Gulhifalhu that can cater to 40,000 expatriate workers. This will ease the cramped accommodation in Male', which is essential to control the spread of the pandemic and to ensure that the foreign workers also have access to proper accommodation.

On top of ensuring the safety of the country, plenty of action are being taken to attend to the falling economy of Maldives.

The government is currently working on issuing a USD300 million (MVR4.623 billion) bond. They are also seeking foreign aid and have received aid in kind from India, Bangladesh, Japan, USA, China, WHO, UNICEF, UNDP, EU, Singapore and also the Chinese business Ali Baba Foundation. Maldives has received critical donations such as PPE items, ventilators, medical supplies and necessities to handle the pandemic. Bangladesh and India also sent shipments with food supplies to ensure there is no food shortage especially in Ramazan.

Furthermore, monetary donations and loans are being sought from World Bank, Asian Development Bank, Asian Infrastructure Investment Bank, International Monetary Fund (IMF), Islamic Development Bank, OPEC Fund for International Development. International Finance Corporation, SDF, European Investment Bank and HSBC. A total of USD233.39 million (MVR3.596 billion) are being worked on. IMF and OPEC have now committed, and World Development Bank has already arranged USD10 million (MVR154.1 million).

SUMMARY

- Government imposed nationwide lockdown from 15 April 2020.
- Rents have been deferred on government housing schemes.
- Utilities have been subsidized.
- Bank of Maldives declared a moratorium of 6 months on bank loans.
- Government has launched an emergency facility of MVR2.5 billion of financial measures.
- Student loans are deferred by 6 months.
- Over 10 quarantine and isolation facilities arranged.
- Delivery permits given to compliant businesses to cater to the community during lockdown.
- MNDF and Maldives Police Service are aiding deliveries.
- Government approved an unemployment allowance of MVR5,000 to those who lost their employment due to the pandemic, for the next 3 months.
- Repatriation arrangements are being done with relevant embassies.
- A new accommodation is being arranged in K. Gulhifalhu for 40,000 expatriate workers.
- Government is working on acquiring foreign aid.
- Have received critical aid, in kind, from various countries.
- Monetary aid is also being worked on. World Bank already arranged USD10 million (MVR154.1 million).

8. WHAT HAS MNACI DONE SO FAR?

MNACI, with the information, concerns, and expertise gained from fellow members, has taken the initiative to write to the President of Maldives, all relevant ministries, central bank of Maldives-MMA and all the banks operating in Maldives. On 15 March 2020, MNACI requested the following from government authorities;

- Ease on paying taxes or deferment on payment of tax;
- Postpone implementation of income tax;
- Postpone implementation of minimum wage;
- Lower interest rates;
- Request to continue current PSIP projects;
- Temporarily hold all new projects, at least until pending payments are paid;
- Assist to pay the invoices for the pending invoices of PSIP of contractors;
- Reduce bank reserves to increase bank funding;
- Introduce a stimulus package for construction industry;
- Practice fair and even distribution of PSIP projects amongst contractors;
- Assist to repatriate foreign workers and focus on sending off illegal workers as a special priority;
- Assist to defer loan payments for housing loans to allow rent reduction for citizens and on commercial loans for businesses to sustain; and
- Arrange loans at low interest rates.

The following were requested from MMA and all the banking institutions in Maldives on 16 March 2020;

- Easier arrangements for over draft facilities for special purposes such as for payment of living costs to their employees;
- Waivers or discounts on monthly service fees;
- Arrangement of working capital for companies;
- Possibility of low interest, government guaranteed loans for businesses;
- Extension of terms of loans and monthly repayment amounts, especially housing loans on condition to reciprocate the flexibility with their tenants;
- Cash grants to small businesses;
- Waiver or discount on late payment fees / fines on loans; and
- Introduction of a hotline or specific contact number for businesses to contact and discuss how the bank can assist their business.

In response to the letters, Honorable Minister of Economic Development, Uz. Fayyaz Ismail, and Honorable Minister of Planning and Infrastructure, Mr. Mohamed Aslam met with board members of MNACI to discuss the matter in detail. Meetings were also held with Bank of Maldives, with their CEO, Mr. Timothy Sawyer and Director of Business, Mr. Kuldip Paliwal.

Honorable Minister of Tourism, Mr. Ali Waheed also met with members of executive board of MNACI. Furthermore, MNACI's board members were able to meet with the Honorable Minister of Health, Mr. Abdulla Ameen, where it was discussed to conduct an awareness programme for business owners, under guidance from HPA. The awareness programme held at Indira Gandhi Memorial Hospital, IGMH on 7 March 2020, was a huge success. Dr. Nazla Rafeeq, Medical Officer at National Emergency Operation Centre and one of the leading doctors active during the pandemic, addressed the programme and highlighted on the importance of social distancing at work sites and advised on how to carry on in the current situation. The very next day, MNACI shared a circular with this information to all the members to raise awareness amongst others in the industry, followed by a press release on 19 March 2020.

In addition to these, MNACI shared with member companies, an action checklist on how to prevent and mitigate loss due to Covid-19 at the work place. The checklist was provided by International Labour Organisation and was translated to Dhivehi.

Despite the restrictions in work conditions, MNACI has actively collected information from member companies and shared with the relevant authorities. An important action was compiling a list of construction sites that required urgent action during the lockdown, such as sites with excavated ground and interrupted dewatering. The Ministry of Planning and Infrastructure is working on the information shared and the city council is expected to meet the registered companies at the National Emergency Operation Center in the next few days to work on a solution.

Even before the lockdown, MNACI shifted to digital board meetings and kept the safety of its members as top priority. With this in mind, MNACI postponed the BuildExpo 2020 and the long-awaited Maldives IFAWPCA Convention 2020 despite the huge financial impacts it will have.

Continuous meetings are being held with different stakeholders and MNACI hosted an emergency board meeting for IFAWPCA. IFAWPCA, International Federation of Asian and Western Pacific Contractors' Associations, is a fraternity of 19 member countries and various associate members such as ADB, FIDIC, etc. The meeting was attended by over 50 participants from over 17 countries and exchanged the best practices and ideas on how to navigate during this pandemic. These ideas are in turn shared with MNACI's other members and also used in compiling this report.

It must be noted that reason MNACI requested from government to hold the new PSIP projects temporarily was due to numerous invoices being unpaid still and proceeding with new projects without paying old invoices, and adding to the pending invoices will only burden the contractors and the government further. MNACI supports continuation of PSIP projects and even new projects provided they have funding and contractors can be paid on time.

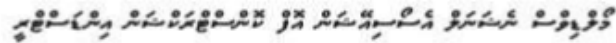
Subsequently, the measures taken by Bank of Maldives and the government were very much in line with the requests sent by the association and MNACI acknowledges and thanks the government and Bank of Maldives.

SUMMARY

- MNACI wrote letters to H.E. President of Maldives, to the honorable ministers of Ministry of Economic Development, Ministry of Finance and Ministry of National Planning and Infrastructure.
- Requested from government authorities to temporarily hold all new projects, continue existing PSIP only, to pay contractors' invoices promptly, ease tax payments, postpone implementation of income tax and minimum wage until the situation is better, introduce a stimulus package for construction industry, practice fair distribution of PSIP, to arrange low interest bank loans and most importantly to assist to repatriate the expatriates and illegal workers under special priority.
- Requested from the financial institutions to allow leniency in banking facilities, arrange overdrafts to pay salaries, waivers and discounts on monthly service charges and late payment fees on loans, extension of bank loans and cash grants to small businesses.
- Met with honorable ministers of Ministry of Economic Development, Ministry of Tourism, Ministry of Planning and Infrastructure and Ministry of Health.
- Met with Bank of Maldives.
- Conducted an awareness programme on the Covid-19 situation, 7 March 2020.
- Circulated the information from the awareness programme with member companies.
- Issued a press release on 19 March 2020.
- Circulated an action checklist to prevent and mitigate loss of Covid-19 at the work place.
- Collected information on sensitive construction sites and shared with the Ministry of Planning and Infrastructure.
- Postponed BuildExpo 2020 and Maldives IFAWPCA Convention 2020.
- Held emergency board meeting of IFAWPCA to exchange ideas to navigate the construction industry now and after the pandemic.
- MNACI supports continuation of PSIP projects and even new projects provided they have funding and contractors can be paid on time.
- Copies of letters sent by MNACI to authorities, MNACI's circular and press release are available from <http://mnaci.org.mv/mnaci-25042020>

31

سید احمد علی



19 دسمبر: 2020

P/MNACI/ 020/ 01 : ستر ستر ستر

و انچه كه ميگويند در اين كتاب است و آنچه كه در ديگر كتب است و آنچه كه در ديگر كتب است و آنچه كه در ديگر كتب است



ifawpca
INTERNATIONAL FEDERATION OF ASIAN
AND WESTERN PACIFIC CONTRACTORS

9. HOW CAN WE RECOVER?

The road to recovery will be long and slow as the pandemic's effects are going to last way beyond its end. We can take lessons from other countries as the whole world is finding ways to come out of this in the best possible way. We can opt the best practices and device the best possible action plan for our industry and Maldives.

Before tourism can take off, the economy has to be moving still. Therefore, it is important for construction to continue. Now is the time to release the stimulus package/s as this is crucial right now to **"Maintain the industry"**. Allow current and new projects that already have funding and contractors are getting paid on time for these works. Government can look at allowing certain low risk sites to open under special health and safety guidelines. Stand-alone sites with workers and material on site can be checked for this. This can help some companies generate some income to manage the basic wages at least. However, this does not blanketly mean to open all construction sites immediately. MNACI does not promote any steps that may be against HPA guidance and sites must be opened after much scrutiny.

Furthermore, while we are waiting for the lockdown restrictions to be lifted, we can continue other departments of the projects that can be done even with the sites being closed. Planning, designing, scheduling and procurement planning can be done to save time on the active projects that are just waiting for the permission to open sites. It is also very important to study what are the projects that are ready to resume and start. This information has to be clearly informed to the contractors so that they can also be prepared ahead.

The authorities can work on removing approval barriers to enable faster permits and contribute to speeding up projects, which can compensate for the delays due to the pandemic. We must keep in mind that there can be certain projects that will definitely be delayed due to various reasons such as supply chain disruption and funding matters. These projects must be given a time extension and advised ways to avoid further losses to the contractors on delays and fines.

Then, once the restrictions are lifted, we must **"Restart the Industry"**.

To resume construction works, the first step should be to update the health and safety guidelines. We can use this time to work on that to be ready for when sites can open.

MNACI has published a health and safety guideline in 2010 and more recently, the



Image Source: Irish Construction News Portal

government also published guidelines and procedures for the construction sites. This was before the pandemic and these guidelines must be updated to reflect the new circumstances.

New Zealand has a new protocol to manage construction sites. We must also establish a safety protocol to complement the new safety and health guideline.

Proper standard operating procedures must be established for construction sites. Workers must be given awareness with proper planning before they are allowed to go to the sites. Health declarations must be recorded for the workers, with the minimum requirement of workers to physically work on sites. These declarations can do additional checks on the workers recent travel history and medical conditions. Management must be able to record the entries to sites and whereabouts and have clear information available at all times to be provided to HPA if required. There must be clear instructions on how to conduct themselves on the sites, such as guidelines on usage of tools, hygiene, sharing of work tools, usage of PPE, proper distancing and how to act in case of an emergency. Most importantly, there must be a standard operating procedure to follow in the event a worker is tested positive for the virus, such as immediate closure of site for a minimum number of days, isolation of other workers and so on. These guidelines must be prepared with MNACI, in guidance with HPA and other relevant authorities of Maldives.



Similarly, there are safety instructions released by various other construction associations worldwide. Master Builders Association of Australia has published safety advice on their websites urging workers to practice social distancing.

Image source: Master Builders Association Australia



Some construction sites are finding it difficult to practice social distancing during lunch breaks and Miami-Dade County had no option but to use police force to shut down any construction site that was not in compliance with social distancing on the construction sites, especially during breaks.

Image source: The Real Deal

It is a strong recommendation by MNACI that prior to allowing any construction site to be opened, all the workers of that particular site be tested. It must be a pre-requisite to avoid any further risk on sites and avoid closing down sites after opening.

Once the country and industry are ready with the guidelines, government must ensure construction can be continued in compliance with them. As we understand the recommencing would be gradual and step by step. The industry workers must be advised on the types of works that are allowed at different steps.

Considering the early stages can focus on essential construction only, we must be ready with the ready to start projects, so that they can be immediately started once it is opened. And be ready with ways to accelerate the projects once it starts.

Study the projects on hold and can be paused for long term with construction material on site, and if possible, arrange for reshuffling of material to active projects. In such long term held projects, there must be a system to identify site deterioration and environmental issues that may arise.

We must strategise to distribute the upcoming projects among urban, infrastructure, residential and commercial so that no sector is left behind in the climb up and the supply chain is also developed.

Once we are ready to fully start the industry again, we have to work on reclaiming the industry. **“Reclaim and Transform”**.

Everything would have changed by the time the industry can restart. Environment, health and safety, funding and priorities would have changed to reflect the new world the pandemic leaves behind. We have to reclaim our industry by having a sound pipeline of projects, work on rapid mobilisation of projects and reassure the stakeholders with better quality work and on time payments and effective methods of releasing retentions. We must transform our industry by adhering to best practices, apply better consenting models in construction and focus on mental wellbeing of the industry.

SUMMARY

- Construction must continue to prevent the economy from collapsing completely.
 - The following are what we can do:
- 1) Maintain the Industry:
 - * Release the stimulus package/s swiftly,
 - * Work on other departments of the projects to be ready to accelerate the project when the site can open, such as planning, design and management,
 - * Look at the possibility of allowing low risk sites to continue work as per HPA guidelines, so that an income can be generated by some companies and allow some cash movement within the economy.
 - * Identify and inform the projects that are going to resume, start or/and stop,
 - * Remove possible barriers in construction related permits to expedite the project,
 - * Allow current and new projects that have immediate funding only and release contractor payments promptly.
 - 2) Restart the Industry:
 - * Update health and safety guidelines for construction projects and sites,
 - * Ensure awareness is shared on the types of work that can be continued during each phase of the restriction even after the lockdown is lifted,
 - * Assist in procurement of construction material from paused projects,
 - * Establish system to identify site deterioration and environment issues on long term paused projects,
 - * Strategise to distribute projects among different sectors.
 - 3) Reclaim and Transform:
 - * Create and enhance pipeline of projects,
 - * Work on rapid mobilization of projects,
 - * Produce better quality works,
 - * Pay promptly and ensure security of retention,
 - * Adhere to best practices,
 - * Apply better consenting construction models,
 - * Focus on mental wellbeing of the industry.

10. WHAT CAN AUTHORITIES DO NOW?

The Government of Maldives and the authorities are working tirelessly to combat this global war. As stated in the report, various steps are already taken by the authorities. We must work on helping the companies as well while we support the workforce as for the economy to get back on its feet, the companies must not break, be able to continue projects, generate income which in turn will be paid back to government. While we work on implementing a recovery action plan, there are some immediate requirements that are crucial for the construction industry.

1. Urgently provide financial assistance to the contractors.

It has been over a month since the economic stimulus package was announced. Understandably the banks are closed and services are restricted but now is the time to release as the contractors will not be able to stand much longer and are on the verge of collapsing, while some have already collapsed. We have to work out a plan to manage with the banks and start releasing the funds immediately. MNACI requests flexibility in bank conditions and basic minimum pre-requisition of documents for its member companies.

Based on the estimated monthly loss, MNACI kindly requests from the government to allocate at least MVR205 million a month as financial assistance, on soft financing terms, for the construction industry and expedite the arrangement subject to the assessments as per government guidelines. This support is required for the companies to continue paying the staff salaries and allowances, take care of their expat work force, pay rents and sustain the company till the projects can resume. This shall be paid back by the companies, with a grace period of at least 1 year. 80% of this allocation will go to Small and Medium Enterprises.

2. Repatriation of foreign workers.

MNACI has been requesting for assistance to send off foreign workers. Repatriation of even 20,000 workers will have a vast impact on the current situation. The employers do not have the means to keep spending on the workers who are mostly idle and with the projects on hold. Each worker has a refundable deposit held with the government, which is refunded only if the workers have departed and have update visa fee payments. Thus, all the workers either under a responsible employer or illegally working in Maldives, will have a refundable deposit that can now be utilized to repatriate them.

3. Releasing pending payments to contractors.

At a time where all contractors are suffering loss of income, and struggling to pay the rents and salaries, it is essential the invoices of the completed works of government projects be released promptly. These are mainly PSIP projects with already approved budget and funding. Hence, it will be a relief to the contractors if the old invoices can be approved and released.

4. Establish an efficient permit and approval system for construction related permits.

Currently there is only one permit approval system through the Maldives Police Service and the contractors are struggling to get a permit despite any urgency. There can also be an approval system for the construction related permits such as design and drawings approvals, and pre-requisitions to enable the contractors to be ready to start work without delay when the lock down is over.

5. Assist employers that have alternative accommodation arrangements to shift workers. To lower the risk of spreading of the disease by reducing the congestion in workers' accommodations, some employers have arranged alternative accommodation sites to move some of their works and enable better social distancing. However, the workers are not shifted as they have not received permission from HPA / Maldives Police Service.

6. Establish a health and safety guideline for the construction industry and construction sites.

Right now HPA provides a basic guideline with every permit. However, there is no guideline to follow by the construction workers. This is very important as construction projects seem to be ready for resuming after the restrictions are lifted.

7. Identify projects that are going to start, resume and / or stop.

The contractors are informed that some projects will stop and there are some projects that will continue. There is a confusion amongst the contractors as to which ones are being stopped. If the authorities can identify these projects and advise the industry stakeholders ahead, they can prepare and be ready. These details can be published on the gazette for the public.

8. Practice transparency, accountability and fairness.

The authorities must ensure there are transparent procedures and systems in place. Information must be shared and accessible equally by companies. There must be accountability and projects must be distributed fairly in an even manner to allow the industry experiences a boost as evenly as possible amongst the contractors.

SUMMARY

- Allocate at least MVR205 million a month, as a soft loan for the construction industry, with a grace period of at least one year.
- Assist to repatriate expatriates.
- Release payments for invoices promptly.
- Establish an efficient permit and approval system for construction related permits.
- Assist employers that have alternative accommodation arrangements to shift workers.
- Update and implement a health and safety guideline.
- Identify projects that are ready to start, resume, stop and publish.
- Practice transparency, accountability and fairness.

CONCLUSION

The global pandemic has left no country untouched and the world economy is in an undeniable crisis. With the global economic downfall and the effect on the Maldivian economy and construction industry, an industry with estimated 5,000-7,000 locals and 40,000-50,000 expatriates, we must do everything possible to fight against the pandemic from a health perspective and also from an economic sense.

MNACI currently has 384 registered contractors with MNACI. From the local survey report, it is estimated that the companies will face a loss of MVR205 million monthly over the upcoming months, in terms of project interruptions, food and accommodation of work force and related expenses. Additionally, the loss of MVR7.2 billion due to the stoppage of PSIP projects in the pipeline is a direct loss to the Maldivian construction industry. Therefore, right now, keeping construction industry alive is the only objective.

We hope the report and the proposed recovery plan assist the relevant authorities to carve out the best action plan for the industry and Maldives, for a new era in construction.

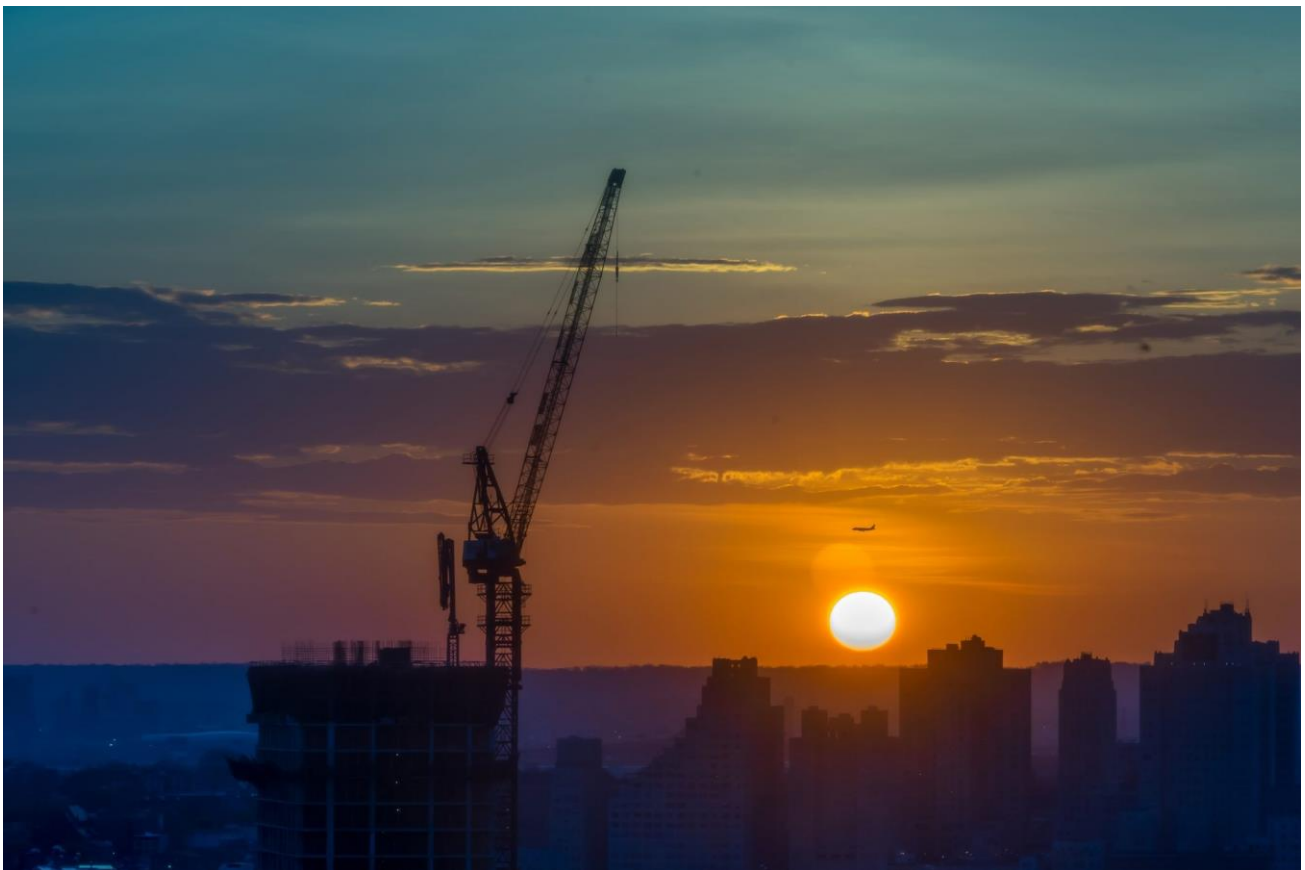


Image Source: PBC Today UK

SOURCES

<https://covid19.health.gov.mv/en/> [Accessed 26 April 2020]

<http://www.mma.gov.mv/#/> [Accessed 26 April 2020]

<https://www.bbc.com/news/business-51706225> [Accessed 22 April 2020]

<https://environment-analyst.com/global/103561/chinese-construction-coming-out-of-covid-19-crisis> [Accessed 22 April 2020]

<https://moderndiplomacy.eu/2020/04/22/impact-of-covid-19-on-global-economy-structure/> [Accessed 22 April 2020]

<https://www.mckinsey.com/business-functions/risk/our-insights/covid-19-implications-for-business> [Accessed 22 April 2020]

<https://www.statista.com/topics/6139/covid-19-impact-on-the-global-economy/> [Accessed 22 April 2020]

<https://fortune.com/2020/04/20/oil-prices-negative-crash-price-crude-market/> [Accessed 22 April 2020]

<https://www.khl.com/international-construction/uk-construction-declined-5-in-march/143452.article>

<https://www.khl.com/international-construction/ontario-canada-accelerates-essential-construction-projects/143363.article>

<https://www.khl.com/international-construction/construction-growth-for-2020-forecast-at-just-05/143240.article>

<https://www.khl.com/international-construction/construction-and-covid-19-rolling-news-update/142849.article>

<https://www.constructionaccord.nz/news/news-stories/covid-19-response-plan-for-the-construction-sector/> [Accessed 20 April 2020]

Ministry of Finance, letter to Parliament (13-B3/57/2020/42)

Maldives Economic Review, Volume 1, Issue 3

<https://www.bbc.com/news/business-52034586> [Accessed 23 April 2020]

<https://www.channelnewsasia.com/news/singapore/covid-19-singapore-moh-new-cases-apr-23-workers-dormitory-12669086> [Accessed 23 April 2020]

Presentation by the Minister of Finance on the economic and fiscal impact of Covid-19, and proposed response measures, Available from: <https://www.finance.gov.mv/media/news/presentation-by-the-minister-of-finance-on-the-economic-and-fiscal-impact-of-covid-19-and-proposed-response-measures> [Accessed 24 April 2020]

Covid-19 – New Construction Protocols provide guidance on how sites should operate under Alert Level 3, Available from: <https://www.russellmcveagh.com/insights/april-2020/covid-19-new-construction-protocols-provide-guidance> [Accessed 24 April 2020]

<https://www.mbansw.asn.au/SocialDistancing> [Accessed 25 April 2020]

<https://mbr.mv/8990/> [Accessed 25 April 2020]

<https://therealdeal.com/miami/2020/03/27/miami-dade-cracks-down-on-social-distancing-at-construction-sites/> [Accessed 25 April 2020]

Copies of letters sent by MNACI and the statements released can be accessed from the link: <http://mnaci.org.mv/mnaci-25042020>

<https://www.finance.gov.mv/public-procurement/awarded-projects> [Accessed 25 April 2020]

The report has been reviewed by Mr. Bandhu Ibrahim Saleem, Mr. Ibrahim Athif Shakoor, Mr. Hassan Shameem and Dr. Fazeel Najeeb. Report review with MNACI's comments can be accessed on <http://mnaci.org.mv/report-review-2742020>.

Report Compiled By:

Mr. Mohamed Ali Janah

President - Maldives National Association of Construction Industry,

President - International Federation of Asian and Western Pacific Contractors' Associations,

President - National Federation of Maldivian Employers

Private Businessman and Industry Expert

Ms. Aminath Suzan

Executive Board Member – Maldives National Association of Construction Industry

AUTHORS

Mohamed Ali Janah



Mohamed Ali Janah is a prominent businessman with over 30 years of experience in construction. He has been a prime person in the transformation of the construction industry and has worked on over 53 resort development projects in different levels. He has been a key member of Maldives National Association of Construction Industry, MNACI, since 2006 and have served as MNACI's President for over 6 tenures over all and is currently also serving as MNACI's President and as the 45th President of International Federation of Asian and Western Pacific Contractors' Associations, IFAWPCA.

He is also the President of National Federation of Maldivian Employers and was a former board member of Maldives Monetary Authority and former Chairman of the Maldives Building and Construction Board.

Janah was awarded the National Award of Recognition, in the area of Architecture, Construction and Consultancy, by the Government of Maldives in November 2017 and named the "Entrepreneur of the Year 2018" by Maldives Business Awards. His official website is www.maj-official.com.

Aminath Suzan



Aminath Suzan shifted her career from banking in 2014. She was the face of Premier Banking in HSBC Maldives with a banking career of 7 years.

Since she started working in construction industry, she has achieved several milestones such as becoming the COO of one of the major resort development companies in Maldives, representing Maldives as the Chief Delegate in the 43rd IFAWPCA Convention in South Korea and she is the Chief Executive for the Organisation of the 45th IFAWPCA Convention to be held in Maldives.

Currently pursuing her MBA from University of Cumbria, UK, she is the first female board member of Maldives National Association of Maldives, MNACI.

REVIEWERS

MNACI is immensely grateful to the reviewers who have been kind enough to have a look at the report and share their expertise. The reviews, with MNACI's comments are available from <http://mnaci.org.mv/report-review-2742020>.

Mr. Bandhu Ibrahim Saleem



Mr. Bandhu Ibrahim Saleem is a former Member of Parliament from 1998-2008 and wore many hats over the past many years. He was the Vice Governor to the World Bank from 1982-1987, a director of Ministry of Finance in 1991. Mr. Bandhu Saleem has also represented various corporations as a member of their board, including Dhiraagu, Maldives Telecommunication Company, Maldives National Shipping Limited, MTCC and MFLC. He was also appointed as the Honorary Consul of Italy in Maldives in 1999.

Mr. Bandhu Saleem played a key role in the expansion of the company, Island Aviation Services during his tenure as the Managing Director from 2002-2011, in terms of fleet capacity of aircraft and passenger flows; and commencing international operations.

With over 44 years of experience in his career and holding prominent posts both in public and private institutions, he is a successful businessman and industry expert who is always available to serve the nation.

Mr. Ibrahim Athif Shakoor



Mr. Ibrahim Athif Shakoor, has a BA in Economics, and an MBA from Monash University, Australia. He has served at senior, CEO level and Board Positions of some of the biggest and most diversified corporate entities of the Maldives.

He has been a Visiting Lecturer at the Maldivian National University and at Villa College. He is in a modest measure, a writer and an essayist and some of his writings are found at www.athifshakoor.com.

Mr. Athif have also been a consultant to some of the bigger corporate entities in the country and is presently employed as the Managing Director of a private firm in the food industry.

For the past 25 years he has worked individually and with others to heighten the awareness of economic issues. He is the co-founder and co-editor of the Maldives Economic Review, www.mer.mv.

Mr. Hassan Shameem



Mr. Hassan Shameem holds an MSC (Eng) in Project Management from the UK, University of Leeds and Bachelor of Construction Management and Economics (Hon) from Australia. He has also completed number short courses including in the areas of business, Finance, construction management, project management from Singapore, Dubai, New Zealand and Australia.

Mr.Hassan is a registered Project Manager at the Ministry of Construction and Public Works (MCPW),registered Quantity Surveyor of MCPW; Member of Project Management Institute (NZ) Ltd, registered QS of New Zealand Institute of Quantity Surveyors (Reg.NZIQS); Associate Member of Australian Institute of Quantity Surveyors (AIQS); and Past Member of Australian Institute of Building (AIB). He has over 20 years of project management experience. He has 9 years working experience in New Zealand including the Fletcher Construction Company, the largest contractor in New Zealand.

In 2001, he was the Head of Tender Board Section at the Ministry of Construction and Public Works and a Board Member of Bank of Maldives. He also worked as the Project Director of Maldives Tourism Development Corporation (MTDC). Currently he the Chairperson of Construction Sector Council Tvet Authority and runs his own company in construction.

Dr. Fazeel Najeeb



Dr. Fazeel Najeeb holds a PhD in Commercial Law (Intellectual Property), an LLM in International Business Law, and a BA Honours degree in Economics. He is a former governor of the Maldives Monetary Authority (2008-2013) where he was also the Chairman of the Board of Directors. He is also a former Governor of Maldives to the International Monetary Fund, and also held the position of Chairman of SAARC Finance, a network of Central Banks in South Asia, and an expert (advisor) at Qatar Central Bank.

He began his public service in 1987 at the Ministry of Trade and Industry. He also had his own consulting firm, before taking up his doctoral studies in London. He assumed office at Maldives Monetary Authority in 2008 and in 2009, Dr.Fazeel introduced the first prudential regulations for banks in the Maldives – a set of 11 prudential regulations. In the same year he also proposed to the government, the first banking act of Maldives and introduced the first ever monetary policy framework and operations at the Central Bank, and, simultaneously introduced the auctioning of treasury bills.

Dr. Fazeel is an assistant professor at the Maldives National University, and a member of the editorial board of the Maldives National Journal of Research, and one of two founders and editor of the Maldives Economic Review.