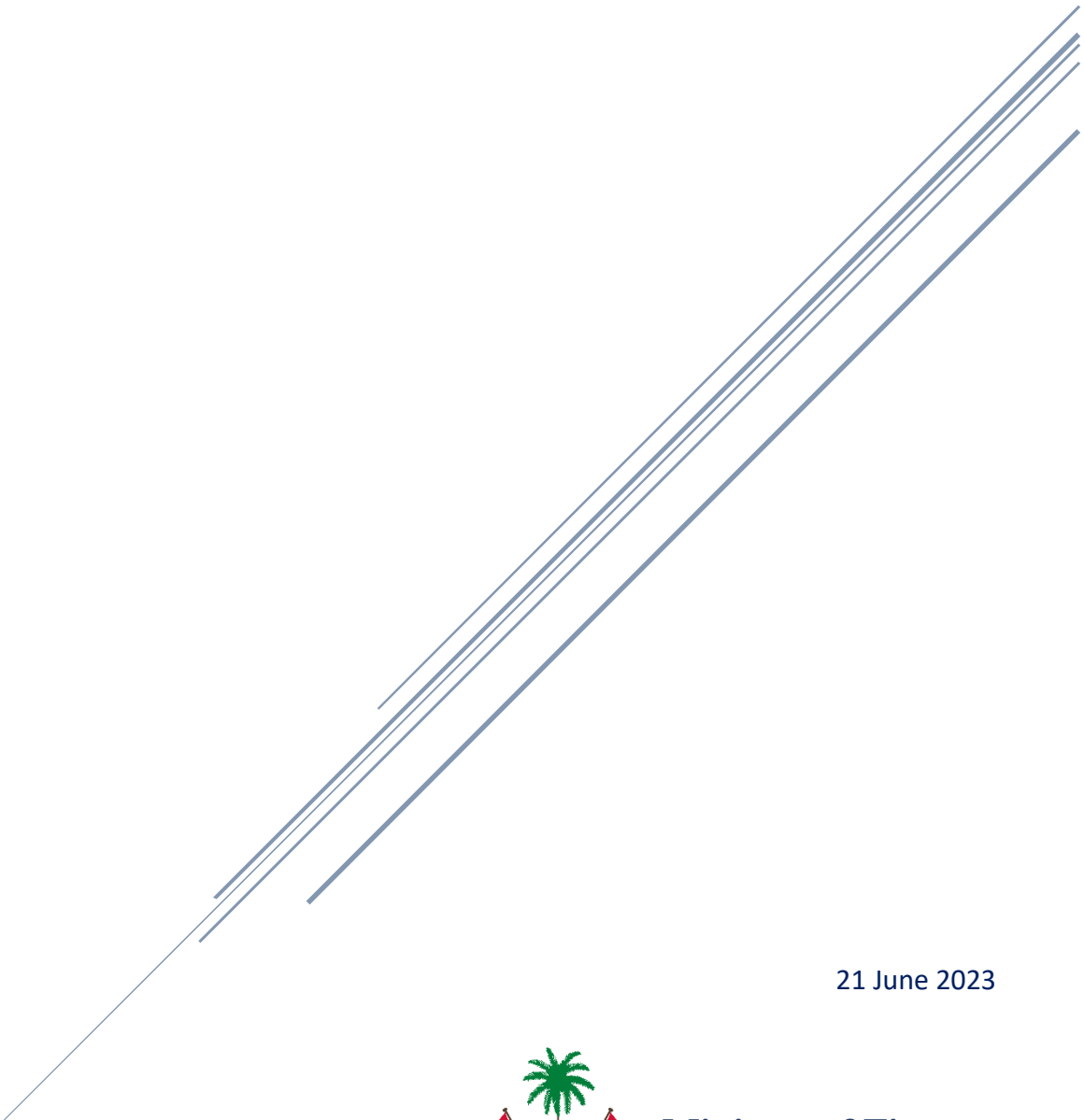


# LABOR MANAGEMENT PROCEDURES

Maldives Competitiveness and Growth Project (MCGP)  
(P179286)



21 June 2023



**Ministry of Finance**  
Republic of Maldives

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## List of Abbreviations and Acronyms

<b>Abbreviation / Acronym</b>	<b>Full Description</b>
ADB	Asian Development Bank
CIB	Credit Information Bureau
CMDA	Capital Market Development Authority
DSA	Daily Subsistence Allowance
ESF	Environmental and Social Framework
ESS	Environmental and Social Standard
FAD	Fiscal Affairs Department
FM	Financial Management
GBV	Gender-based Violence
GRM	Grievance Redress Mechanism
ILO	International Labour Organization
IPF	Investment Project Financing
IT	Information Technology
LMP	Labor Management Procedures
LRA	Labour Relations Authority
MCGP	Maldives Competitiveness and Growth Project
MMA	Maldives Monetary Authority
MoED	Ministry of Economic Development
MoF	Ministry of Finance
PAD	Project Appraisal Document
PCB	Privatization and Corporatization Board
PDO	Project Development Objective
PMU	Project Management Unit
PSC	Project Steering Committee
PSO	Public Service Obligation
SEA	Sexual Exploitation and Abuse
SH	Sexual Harassment
SHPC	Sexual Harassment Prevention Committee
SME	Small and Medium Enterprises
SOE	State-Owned Enterprises
SSMD	State Shareholding Management Department
TA	Technical Assistance

# 1 Introduction

## 1.1 Labor Management Procedures

The Labor Management Procedures (LMP) for the Maldives Competitiveness and Growth Project (MCGP) has been developed to meet the objectives and requirements of the World Bank’s Environmental and Social Standard 2 (ESS2) on Labor and Working Conditions, of the World Bank’s Environmental and Social Framework (ESF), as well as the national legislation and regulations of the Government of Maldives on labor and working conditions. Accordingly, the LMP will facilitate the planning and implementation of the project by identifying the main labor requirements, the associated risks, and the procedures and resources necessary to address project-related labor issues.

## 1.2 Project Background

The Maldives Competitiveness and Growth Project (“the project”) is a new investment project financed by the World Bank through Investment Project Financing (IPF) with Performance-Based Conditions (PBCs). The overall Project Development Objective (PDO) is to strengthen private participation in and financial sustainability of State-Owned Enterprises (SOEs), and the support mechanisms for the competitiveness of small and medium enterprises (SMEs).

The implementing agency of the project will be the Ministry of Finance (MoF). Project oversight will be provided by an empowered inter-ministerial Project Steering Committee (PSC) which will include representation from the Ministry of Finance (MoF), Ministry of Economic Development (Moed), Privatization and Corporatization Board (PCB), Maldives Monetary Authority (MMA), Capital Market Development Authority (CMDA), and other supporting partner agencies.

### 1.2.1 Project Components

The project components focus on accelerating SOE reforms, fostering SME competitiveness, and project management, as detailed below:

#### **COMPONENT 1: ACCELERATING SOE REFORMS (US\$7.0 MILLION)**

This component will finance technical assistance to support the following Government strategies and reform efforts for SOEs, arranged into 3 sub-components.

### **Subcomponent 1.1: Increasing Private Participation in Ownership of Select SOEs**

This subcomponent will finance technical assistance activities such as the following: (a) support to select SOEs to, inter alia, develop policies and business plans, identify specific private participation opportunities, publish in the Gazette, and/or list on a stock exchange, (b) support to onboard transaction advisors (including financial advisors) to advise on the private participation process, and (c) assist in undertaking necessary technical evaluations and due diligence (environmental, social, legal, and technical) of select SOEs to complement and support the work of the transaction advisors. To complement these activities, a communications program will be supported: this will involve the development of an overall communications plan for private participation, a communications plan for each select SOE as they are brought to market, active consultations with stakeholders, preparation of supporting materials, and establishment of a digital presence.

### **Subcomponent 1.2 - Improving Governance of SOEs at the Program and Corporate Level**

This subcomponent will finance technical assistance efforts to strengthen activities such as (a) providing advice on the design and implementation of SOE laws and regulations and guidelines pertaining to, inter alia, establishment, scope and governance (including on matters related to energy efficiency and climate-resilience of new infrastructure), divestment and dissolution of SOEs, (b) assisting in capacity building of governmental institutions engaged in owning and monitoring SOEs to improve overall governance of SOEs at the program level, including fiscal management, and capacity building of SOE managers and key staff, (c) providing advice on Corporate Governance Improvement plans and practices in select SOEs, and (d) providing advice on increased private sector access to SOE procurement opportunities.

### **Subcomponent 1.3 – Reforming SOE Public Service Obligations**

This subcomponent will finance technical assistance and consultancy activities aimed at supporting better targeting and accountability of operating subsidies and price and tariff subsidies, including through the development of a white paper and public service obligation (PSO) reform plans for significant SOEs, and providing advice on drafting a subsidy reform policy. In addition to financing the white paper process, the subcomponent will finance technical assistance and consultancy activities aimed at supporting better targeting of subsidies (through activities such as defining and identifying beneficiaries and estimating the level of fiscal risk reduction from SOEs) and better communicating the program benefits to key stakeholders.

## **COMPONENT 2: FOSTERING SME COMPETITIVENESS (US\$7.0 MILLION)**

### **Subcomponent 2.1: Digital Financial Infrastructure**

This subcomponent would include support for the (a) development of technology platforms to help collect secure SME business data from everyday touchpoints (transactions and income flows), (b) incorporation of value-added business management features (such as predictive analytics and automated loan

reminders) in the technology platform to be used by the SMEs, (c) establishment of a proprietary information sharing mechanism with, inter alia, the Credit Information Bureau (CIB), the project management unit (PMU), MoED, and financial institutions, (d) building of alternative credit scoring models based on transactions history and SME cash flow, (e) promotion of financial literacy and technology adoption to ensure robust collection of data, and (f) initiation of an extended consultation and technical assistance (TA) program to support financial institutions' uptake of lending opportunities made possible by this fintech transformation.

### **Subcomponent 2.2: SME Growth Acceleration Program**

This subcomponent will center around a structured, high quality, intensive business support program that will identify an agreed number of high potential SMEs, including targeting of women-owned/led SMEs, and, inter alia: (a) provide growth diagnostics, (b) develop sustainable and climate-conscious action plans, (c) offer performance-based TA from experts/mentors for structured management improvement, (d) connect select SMEs to finance providers for additional finance, and (e) provide targeted capacity-building support to local knowledge providers. Some support will be tailored, and some provided in groups or cohorts. The program will also support the establishment and capacity building of local SME advisory networks and mentors.

### **COMPONENT 3: PROJECT MANAGEMENT (US\$1.0 MILLION)**

A dedicated Project Management Unit (PMU) will be established in the MoF. The PMU will be responsible for carrying out project activities and conducting monitoring and evaluation, including, inter alia: (a) preparing the annual work plans, budgets, and quarterly project reports for endorsement by the Project Steering Committee (PSC), (b) undertaking coordination, management, procurement and contract management, financial management (FM), communications, and environmental and social management activities under the project and related follow-ups, (c) carrying out the overall communications and dissemination of project information to key stakeholders including policy makers, SOE officials, private sector, and the public, (d) monitoring and evaluation, and (e) reporting to the PSC, acting as its technical advisor and secretariat, and liaising with the World Bank team on any matters related to project progress and the use of the proceeds of the financing.

A complete overview of the project with further details on project design, objectives and implementation structure will be available in the Project Appraisal Document (PAD).

## 2 Overview of Labor Use in the Project

As per ESS2, project workers can be categorized into four groups:

1. **Direct workers:** people employed or engaged directly by the Borrower (including project proponent and project implementing agencies) to work specifically in relation to the project.
2. **Contracted workers:** people employed or engaged through third parties to perform work related to core functions of the project, regardless of the location.
3. **Primary supply workers:** people employed or engaged by the Borrower's primary suppliers.
4. **Community labor:** people employed or engaged in providing community labor.

The Borrower in this context refers to the Government of Maldives.

Given the current project design, the project would primarily make use of workers that can be classified as **direct workers and contracted workers**, with additional involvement from **primary supply workers**. Due to the nature of the project, **project workers with SOEs and SMEs can be considered an affected group** due to the labour risks associated with project activities. **Community workers will not be involved** since the project is not expected to have any community driven development type interventions.

**Existing civil service staff may be required at MoF and other ministries may be engaged** in project activities as well. However as per ESS2, they will be bound by their employment contracts and the provisions under this LMP will not apply to such parties.

### 2.1 Direct Workers

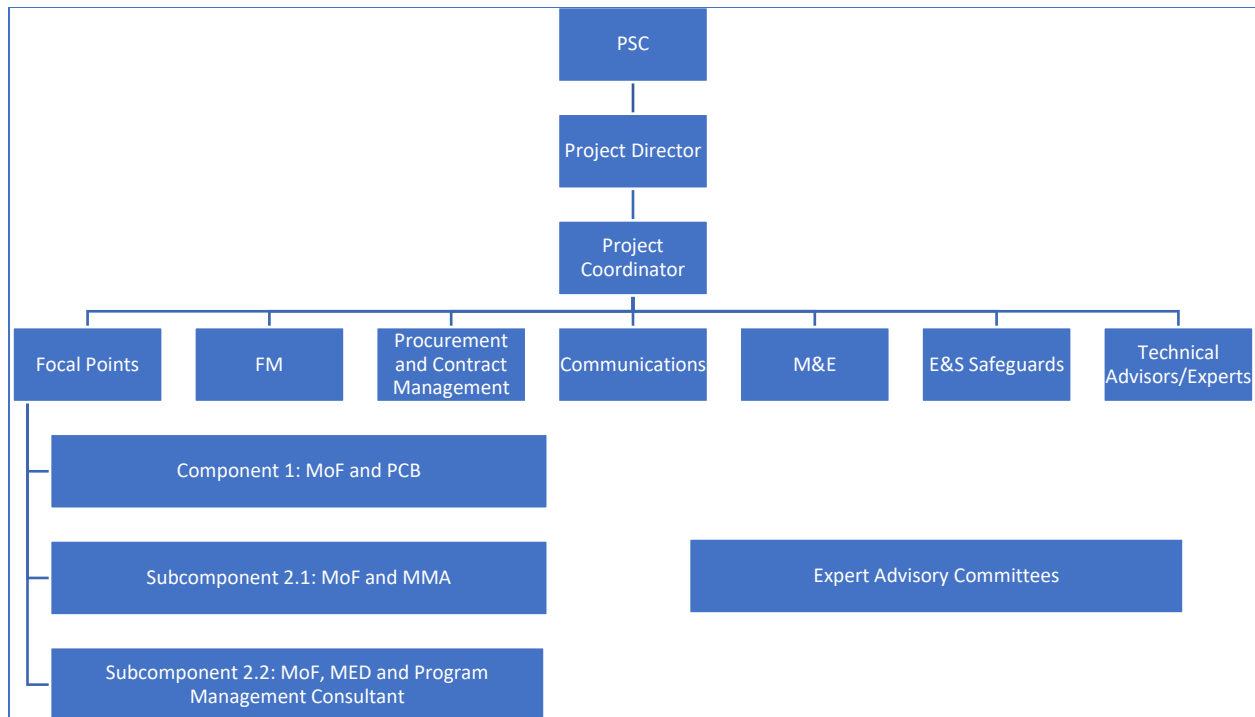
Project implementation will be supported by a dedicated Project Management Unit (PMU) housed at MoF, that will comprise of either service contract workers engaged directly for this project or existing Government civil service staff <sup>1</sup> shared with other projects. The PMU will be led by a Project Director and a Project Coordinator, who will be responsible for day-to-day management of the project activities. The PMU will include the following capabilities: project coordination, procurement and contract management, financial management (FM), environmental and social (E&S) safeguards, communications, monitoring and evaluation (M&E), and other skills as necessary to support the project (for example, gender).

The envisaged organogram for the project is depicted below:

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<sup>1</sup> Government civil servants involved in the project will be bound by their existing public sector employment agreement or arrangement, hence the provisions under this LMP will not apply to such parties. Nevertheless, their health and safety will be considered.





The “core” PMU team will comprise of the following roles:

1. The **Project Director** will oversee the project team on the overall day-to-day management and coordination and implementation of the subcomponents of the project. The Project Director will also closely liaise with the Task Team from the World Bank and other stakeholders.
2. The **Project Coordinator** will lead the overall day-to-day coordination of the project and assist the Project Director to ensure that the work done by project workers is in conformity with the objectives of the project and is carried out according to the relevant guiding project documents.
3. The **Procurement Specialist** will conduct and coordinate all procurement and contract management related activities as required for the project.
4. The **Financial Management (FM) Specialist** will ensure that all financial and accounting aspects of the project are handled effectively and set up and maintain the financial management system of the project.
5. The **Environmental and Social (E&S) Safeguards Specialist** will ensure that the project is implemented as per the E&S safeguards policies of the Government and the World Bank.
6. The **Communications Specialist** will coordinate all public communication on the project.
7. The **Monitoring & Evaluations (M&E) Specialist** will lead the monitoring, evaluation and reporting on project progress, and ensure that the project indicators are met.

Depending on the project’s evolving scope and nature of work, some of the roles listed above could be combined into one role or expanded into multiple different roles as the project progresses.

The project anticipates hiring a **full-time experienced international SOE reform expert** for the duration of the project, whose role will, inter alia, include supporting interagency coordination and sharing international best practices on SOE reform implementation.

In addition, the project may choose to hire other **international and domestic experts** in the areas of, inter alia, transaction advisory, corporate governance, subsidy reform, legal, IT architecture and other technical skills related to the project's activities, as and when needed for project implementation.

Further, the project **will designate focal points from all relevant departments and agencies** including the State Shareholding Management Department (SSMD) and Fiscal Affairs Department (FAD) from MoF, PCB, Credit Information Bureau (CIB) and Financial & Consumer Service Division from MMA, and MoED. These focal points will be responsible for coordination of project activities related to that department or agency.

Project oversight and high-level monitoring of project implementation will be provided by an empowered **inter-ministerial Project Steering Committee (PSC)** that will be established within three months of project effectiveness. The PSC will have a composition acceptable to the World Bank, including the MoF, MoED, MMA, PCB, CMDA, and other supporting partner agencies. The PSC will, inter alia: (a) provide strategic oversight and operational guidance for project implementation and ensure sustainability of project investments and interventions, (b) facilitate interagency coordination to ensure adherence to the project objectives, (c) resolve any disputes or conflicts related to the project, (d) approve any policy, regulatory, and institutional recommendations, and (e) facilitate timely approvals for project-related matters pertaining to agencies included in the PSC, where relevant.

In addition, multiple **public-private Expert Advisory Committees** including key stakeholders, such as private sector representatives and financial institutions, will be established and advise on critical project implementation aspects on SOE reform, digital financial infrastructure and the SME growth acceleration program.

**Workers of SOEs and SMEs:** Due to the nature of the project, there will be staff or laborers employed by SOEs and SMEs that will be affected by project activities and will be able to influence project activities. Hence these workers can be considered project affected groups, beneficiaries and also as key stakeholders. These workers belong to the following groups:

- Staff in SOEs targeted for increased private participation and corporate governance reforms.
- Technical staff working in the financial institutions selected to pilot the alternative credit scoring system.
- Staff in SMEs selected for the business support program.

The LMP acknowledges the labor-related risks associated with this project to these workers and the LMP includes measures to address risks and impacts faced by them as well.

## 2.2 Contracted Workers

As the fundamental work under subcomponent 2.2, the project will contract an experienced program management consultant to carry out the intensive business support program, which could be a consortium of international and domestic firms.

The project will also accommodate the hiring of a public relations firm that will assist in developing and rolling out a comprehensive public communications plan on private participation and subsidy reform.

Depending on the requirement for the digital financial infrastructure as identified by the preliminary gap analysis and resources available, software developers or an information technology (IT) firm will also be contracted under the project.

Firms contracted to work on this project, including the business support program management firm, the public relations firm and any software development team, may hire additional labor specifically for work directly related to the project. These workers will be treated as contracted workers in this LMP, and provisions to be made to contracted workers as defined under ESS2 will be applicable.

### 2.3 Primary Supply Workers

If it is required by the project to procure IT equipment including for developing the digital financial infrastructure, LMP provisions will apply to staff of the primary suppliers of these IT firms, as per ESS2.

### 3 Assessment of Key Potential Labor Risks

The scope of project activities primarily includes technical and consultative work and does not directly involve physical or manual labor. As such, this LMP focuses mainly on risks associated with technical and consultative labor. However, the project acknowledges that project workers with SOEs, SMEs and financial institutions can be affected by project activities and the LMP notes potential labor risks for these parties as well.

General labor-related risks that apply to all components of the project include:

- **Job Insecurity:** Employees may experience concerns regarding job stability, especially during periods of organizational changes, workforce restructuring and political pressures. Uncertainty about employment status can lead to anxiety, decreased motivation, and negative impacts on overall job performance.
- **Lack of Employee Voice and Representation:** Employees may face challenges in expressing their concerns, providing feedback, or participating in decision-making processes. Insufficient employee engagement and participation can lead to disengagement, reduced job satisfaction, and diminished organizational performance.
- **Occupational Health and Safety Hazards:** Inadequate safety measures and poor working conditions can pose risks to workers' health and safety. These hazards can include physical dangers, exposure to harmful substances, ergonomic issues, and accidents. Inadequate safety protocols can result in injuries, illnesses, work stoppages, and potential legal liabilities.
- **Gender-based Violence (GBV), Sexual Exploitation and Abuse (SEA), and Sexual Harassment (SH):** These forms of violence and abuse can have severe consequences for employees, including physical and emotional harm, diminished well-being, and hindered career progression.
- **Workforce Diversity and Discrimination:** Employees may be exposed to discrimination or harassment based on factors such as gender, age, marital status, race, or nationality. Projects with diverse workforces may face challenges related to discrimination, unequal treatment, and bias. Risks associated with workforce diversity and discrimination can include conflicts, low morale, reduced productivity, and potential legal action.
- **Workload and Stress:** Employees may experience excessive workloads, tight deadlines, or prolonged periods of high-pressure work. This can lead to increased stress levels, burnout, and negative impacts on physical and mental health.
- **Insufficient Compensation and Benefits:** Inadequate compensation, limited benefits, or unequal pay practices can undermine employee motivation and satisfaction. Unfair or non-competitive compensation packages may also hinder talent retention and attraction.
- **Inadequate Training and Development Opportunities:** Insufficient access to training and career development programs can hinder employee growth and limit opportunities for advancement. Lack of professional growth prospects can lead to decreased job satisfaction and employee turnover.

Key potential labor risks associated with specific project activities include the following:

**Table 1: Key Labor Risks by Project Activities**

Project Activities	Key Labor Risks
1. Accelerating SOE Reforms	<ul style="list-style-type: none"> <li>• <b>Job Insecurity and Layoffs:</b> Reforms involving workforce downsizing or restructuring can result in job insecurity, layoffs, or redeployment. This can cause stress, uncertainty, and financial hardships for affected employees.</li> <li>• <b>Change in Employment Conditions:</b> Reforms may bring changes to employment conditions such as working hours, compensation structures, or benefits. Poorly managed changes can lead to dissatisfaction, reduced employee motivation, and potential labor disputes.</li> <li>• <b>Skill and Knowledge Gaps:</b> Reforms may require new skills or knowledge that employees may not possess. Lack of adequate training or reskilling opportunities can hinder employees' ability to adapt to new roles, leading to decreased job performance and career advancement opportunities.</li> <li>• <b>Health and Safety Risks:</b> Reforms may introduce new work processes, technologies, or environments that pose health and safety risks. Inadequate training, insufficient safety protocols, or lack of protective equipment can jeopardize employees' well-being and lead to work-related injuries or illnesses.</li> </ul>
2. Digital Financial Infrastructure for SME Lending	<ul style="list-style-type: none"> <li>• <b>Technological Skill Requirements:</b> Developing and operating a digital infrastructure may require employees to possess specific technological skills. Inadequate training or skill gaps can lead to job insecurity, reduced job satisfaction, and limited career advancement opportunities.</li> <li>• <b>Increased Workload and Stress:</b> The implementation of a new digital financial infrastructure may result in increased workloads and tighter deadlines. Insufficient resources or inadequate staffing levels can lead to heightened stress levels and negatively impact employees' work-life balance.</li> <li>• <b>Privacy and Data Security:</b> Employees involved in handling sensitive customer financial data may face increased risks of data breaches or privacy violations. Inadequate security measures or lack of awareness can expose employees to legal and reputational risks.</li> <li>• <b>Ergonomic Challenges:</b> Employees engaged in digital infrastructure development may face ergonomic challenges due to prolonged computer use, improper workstation setup, or inadequate ergonomic practices. This can result in musculoskeletal issues and decreased physical well-being.</li> </ul>
3. SME Growth Acceleration Program	<ul style="list-style-type: none"> <li>• <b>Workforce Restructuring:</b> Implementing the growth accelerator program may involve workforce restructuring or reallocation of job roles. This can lead to job insecurity, layoffs, or changes in employment conditions for affected employees.</li> <li>• <b>Intercultural Communication and Language Barriers:</b> Working with an international business support firm may involve language and communication challenges. Misunderstandings or miscommunication can lead to employee frustration, reduced collaboration, and potential work-related conflicts.</li> </ul>

	<ul style="list-style-type: none"><li>• <b>Workforce Fatigue and Overwork:</b> Implementing a growth accelerator program may involve demanding work schedules, tight deadlines, or increased workloads. Employees may experience fatigue, burnout, and reduced productivity if adequate rest and work-life balance are not prioritized.</li></ul>
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## 4 Brief Overview of Labor Legislations

The Constitution of Maldives (2008) guarantees every citizen the right to engage in any occupation or employment, prohibits forced labor, entitles everyone to fair wages, equal remunerations, safe conditions of work, and equal opportunity for promotions. In addition, it also guarantees everyone the right to form trade unions and participate in their activities, right to strike, to rest and leisure, including limits on hours of work and periodic holidays with pay, and a right to a pension as well. These rights are ensured to everyone “without discrimination of any kind, including race, national origin, color, sex, age, mental or physical disability, political or other opinion, property, birth or other status, or native island.”

The Maldives is also party to all 8 of the fundamental conventions of the International Labour Organization (ILO), all ratified on 04th January 2013, and 2 of its technical conventions.

### 4.1 Employment Act (2/2008)

The Employment Act specifies the rights and duties of employers and employees. An employer is defined in the Act as, “any person, company, government or association of persons providing employment pursuant to an employment agreement which includes the use of services of non-independent contractors, successors, assigns of such employers, and any person to whom the rights of such employers are transferred in accordance with the law”. An employee is any person seeking to work pursuant to an employment agreement. The Act prohibits forced employment, and discrimination in granting of employment, increase in remuneration, provision of training, determination of conditions and manner of employment, dismissal and resolution of other employment related issues; based on race, color, social standing, religion, political beliefs or affiliation with any political party, sex, marital status, family obligations, age or disability.

**Employment Agreement:** All employers are required to enter into an employment agreement in writing with their employees. The Act recognizes three types of employment agreements, which are, (a) fixed term contracts or agreements with a definite term, (b) agreements with an indefinite term or permanent employment agreements, and (c) agreements for a specific task or project. Direct workers or project staff in the PMU fall under this latter category. Such agreements are considered neither permanent nor fixed term contract. And they are considered terminated upon the completion of the specific task or project. All agreements must at minimum have included in them the following details:

- The name of the employee, permanent address, current address, identity card number or passport number, date of birth, nationality, emergency contact person's name, address and phone number.
- Job description, whether employment is permanent or temporary.
- Date of commencement of employment agreement.
- Salary and other benefits, pay day, including method and guidelines for calculation of salary.
- Days on which leave may be granted.
- Staff appraisal, principles pursuant to which disciplinary measures may be taken against the employee, manner of dismissal from employment.

**Minors:** The law considers a minor to be a person under the age of 18. Chapter 3 of the Employment Act allows minors between the ages of 16 and 18 to be engaged in employment, provided consent is obtained from their legal guardian. Minors under the age of 16 are prohibited from engaging in employment, unless it is as part of training for their education. A minor may also be employed in a family business with the consent of such minor and their family.

**Working Hours:** No employee shall be required to work more than 48 (forty-eight) hours a week. This principle does not include overtime carried out in accordance with the Employment Act of the Maldives. No employee shall be required to work more than 6 (six) consecutive days a week (on a day that is normally a day off or has been agreed as a day off), without being provided with twenty-four consecutive hours of leave.

**Dismissal:** Employees have a right not to be dismissed unfairly, without cause. The Act provides a list of disciplinary measures that can be taken reasonably against an employee due to misconduct and which must ordinarily be exhausted before any dismissal.

**Leaves:** Entitled leaves for employees under the Act includes, 30 (thirty) days of paid annual leave, 30 (thirty) days of paid sick leave, 60 (sixty) days of paid maternity leave, upon expiry of which either parent may choose to take up to 01 (one) year of unpaid leave, 03 (three) days of paid paternity leave, 10 (ten) days of paid leave for family responsibility, and 05 (five) days of paid leave for a parent of a child undergoing circumcision. In March 2019, the government decided to grant all government employees with a paid maternity leave and paternity leave of 06 (six) months and 01 (one) month, respectively. This practice has since been taken up by state owned enterprises as well.

**Wages and deductions:** Except for wages to be paid to a temporary employee, all other employees shall be paid at least on a monthly basis. Temporary employees shall be paid on a daily basis in general. However, the employer and the temporary employee can agree that such payments should be made on a weekly, bi-weekly or monthly basis. Employees may be fined for absenteeism from work during official working hours, such fine to be deducted from his/her wages and to be commensurate to the time absent from work. No other fines shall be imposed by the employer on account of absenteeism.

**Pension:** The Pension Act (Act No. 8/2009) mandates every Employer to enroll all employees on a defined contribution pension scheme. In addition, the GoM has also established the Employment Tribunal, pursuant to the Employment Act with the objectives of examining and arbitrating legal matters arising in the work environment between the Employer and employee and any matters ascribed to the employment Tribunal pursuant to the employment Act or any other Act or regulation or under any agreement, in an expeditious and simple manner.

**Training:** Employees may be engaged in training, on the job or otherwise, subject to a separate agreement entered into with the employer, for this purpose. The agreement must have in them at minimum, the details of the employer and the employee along with, details of the type of training, the period it would take to complete the training, costs incurred by the employee in relation to the training and the rights and obligations of each party if the training is not completed.

**Time for Prayer:** Every employee shall be allowed 15 (fifteen) minutes to pray during each prayer period in such a manner that it does not disrupt work. If a 15 (fifteen) minute break for prayer, as specified in subsection (a) is not allowed, a fifteen-minute break shall be allowed every four consecutive hours of work.



**Overtime Work:** Employees shall not be required to work overtime unless this has been agreed in the employment agreement. Any work carried out overtime shall be subject to the requirements of subsection (b) and Section 38 of this Act. An employee working overtime shall be paid 1 ¼ times his hourly working wage as over time, and if working overtime on a Friday or a public holiday shall be paid 1 ½ times his hourly working wage as over time.

**Occupational Health and Safety:** All employers are obligated under the Act to take measures for the safety and protection of their employees, without any charge. These measures include:

- Providing a safe workplace environment and procuring of secure tools and machinery for carrying out work and ensuring the continued safety of the same.
- Provide resources necessary to carry out the work with safety.
- Provide protective attire and equipment if the nature of work is such that it is not possible to eliminate or control health hazards arising out of work.
- Provide education and training to employees on the use of protective gear and safety equipment and disseminate information to employees on all issues of related concern.
- Conduct regular health checks for employees involved in any work that may cause physical ill health or for employees working with chemical or biological materials that may pose a threat to their health.
- Provide or arrange appropriate medical care for employees injured during the course of their employment.
- Facilitate first aid to employees who are involved in emergencies or accidents.

Employees are required to:

- Maintain safe practices at work to avoid danger to the safety and wellbeing of the employee and co-workers, which may be caused by inattentiveness to safety and security measures.
- Assist the employer and co-workers in maintenance of measures designed to ensure health and safety in the workplace.
- Use safety equipment and protective gear as instructed in accordance with the training and education provided for use of such equipment and gear.
- Report to the employer any damage, loss of or destruction of protective gear or safety equipment.
- Inform the employer or his designated supervisor immediately of the occurrence of any incident which the employee believes may cause danger and which the employee is unable to resolve.
- Inform the employer or his designated supervisor of any accidents or damage sustained at work or related to work.
- Employees have the right to abstain from work where there is a serious threat to their health or life.

**Unionizing, Collective Bargaining and the Right to Strike:** The Act does not make specific mention of the right to strike or the right to form trade unions and lacks any provisions on collective bargaining. Employees can, however, create clubs and associations, which are governed under the Associations Act (1/2003). Such clubs and associations are required under the law to be registered at the ministry with the relevant mandate.

The Regulation on Resolving Disputes between Employers and Employees (2011/R-12), issued by Labour Relations Authority outlines principles for employees to comply with in exercising the right to strike and abstain from work. To strike, under the Regulation, is defined as to abstain from work by peaceful exercise of the employees' freedom of assembly and speech. Under the Regulation, before any decision is taken to conduct a strike due to a dispute between the employers, the employees are to carry out discussions with their respective employers.

**Redress, Labour Relations Authority and Employment Tribunal:** The Labour Relations Authority (LRA) formed under Article 77 of the Employment Act (2008) is mandated to implement the necessary administrative measures to ensure compliance with the Act. The Authority also issues regulations governing employer/employee relationships. As such employees can lodge complaints to the LRA, regarding an employer's action which they deem is in contravention of the law, and request to enforce compliance.

LRA has the authority to enter into and inspect workplaces and obtain documents through Employment Officials. Officials have the authority to order an employer to make changes, within a specified time, to the machinery or the manner in which equipment is set up, to ensure the health and safety of the employees as stipulated under law. An official can also order urgent steps to be taken in order to avert a danger where the risk of a danger to the employee's health and safety exists in the opinion of such an official.

If an employer is unhappy with the decision or order of LRA, they can appeal to the Employment Tribunal of Maldives, established under Article 85 of the Employment Act. The Tribunal reviews and deliberates at the first instance on matters of employment. Decisions of the Tribunal are appealed at the High Court.

## 4.2 Maldives Pension Act (18/2026)

Employers must enroll their employees in the Maldives Retirement Pension Scheme, and it is obligatory on the employees to participate in the scheme, under Article 12 of the Maldives Pension Act (18/2016). Failure to do so would amount to an offense under the Act. And as such the employment agreement is required to have provisions for deductions for pension contributions by the employee.

Each person who is considered a participant of the Retirement Pension Scheme of the Maldives, is required to pay a minimum of 7% of the employee's pensionable wage, and the employer must also pay a minimum of 7% of the pensionable wage to the scheme.

## 4.3 Prevention Of Sexual Harassment Act (16/2014)

Prevention of Sexual Harassment Act (16/2014) prohibits employers and employees from subjecting those who work under them or their co-workers to any extent any type of sexual harassment. Sexual Harassment is defined in the Act as, any sexual act committed against a person without their consent. A sexual act, for the purposes of the Act, is any action, whether physical, verbal or otherwise, which according to a

reasonable person, suggests a sexual intent towards the victim. Any such act is to be proven on the balance of probability. It is the duty of the employer to take reasonable steps to ensure that the work environment is an environment that is free from sexual harassment and one in which such acts does not negatively affect the work of employees. Employers are obliged to establish policies to prevent sexual harassment and have such policies published.

Every government office including the presidents' office, independent institutions, parliament, the courts and all workplaces with more than 30 employees must have, under the Act, a Sexual Harassment Prevention Committee, with the function, among other things, of hearing complaints, investigating potential acts of harassment and take proper action against perpetrators in accordance with the Employment Act. The Committee consists of 03 members out of which one must be a female. The Committee can, depending on the gravity of the action, take disciplinary actions ranging from cautioning, suspension, demotion and dismissal. Decisions must be taken within 60 days of receiving a complaint. Decisions of the Committee can be appealed at the Employment Tribunal.

#### 4.4 Gender Equality Act (18/2016)

Employers are further mandated under the Gender Equality Act (18/2016), to ensure non-discrimination based on gender. The Act stipulates that all government offices and private businesses must take appropriate measures to achieve the following goals:

- Abolish gender-based discrimination, including direct and indirect discrimination.
- Abolish all systemic discrimination caused through established systems with unequal practices.
- Promote equal opportunities for men and women.
- Promote notions and ideas of gender equality to eliminate undesired preconceptions against a certain gender.

Providing equal opportunity under the Act includes, (a) eliminating weaknesses or difficulties caused by inequality between men and women, (b) reducing the negative effects of inequality between men and women, (c) facilitating the special needs of a particular gender to achieve ease of attainment of services, and (d) evaluating the degree of participation of each gender in public life and public services and take appropriate steps to balance such participation.

Public and private sector employers are further mandated under the Act to:

- Provide equal opportunity to men and women in the employment, training and advancement of position.
- Provide equal wages to men and women who perform the same responsibilities at the same place of employment.
- Men and women at the same place of employment with work adequately equal in value and weight shall be given equal wages, overtime compensation, benefits and allowances.
- Employment opportunities shall not be offered or advertised to restrict a particular gender, except in circumstances where the work is required to be undertaken by a particular gender.

- Announcements and advertisements for work that is likely to attract more men than women must be designed to invite and not to exclude women.
- Take all possible steps to eliminate obstructions to employment of women and to create conducive work environments for women.
- Establish a complaints mechanism.

#### 4.5 Regulation on Employment of Expatriates in Maldives (2011/R-22)

Under the Regulation on Employment of Expatriates in Maldives (2011/R-22), government issues a specific number of “Quotas” for companies, upon request in order to employ expatriates. No foreigner is allowed to work in the Maldives without a valid work permit and a work visa. Employers are required to treat their foreign employees in accordance with the Employment Act and other applicable law. They are responsible for paying any fees related to the work permit or visa accordingly and of returning the worker to their home country once the work permit expires, or if for any reason the government decides that the worker should leave the country. Employers are also required to, upon the death of a worker, to return the body to their family in their home country.

The Regulation also requires foreign migrant workers to obtain employment approval as per applicable law and deposit a security with the relevant government agency. This deposit is to be used by the government for costs incurred to remedy an employers’ default of their responsibilities under relevant Regulation on Employment of Expatriates in Maldives (2011/R-22), or as payment for any unpaid fees related to work permit or work visa, or for travel expenses of the worker, where government decides to deport such worker.

Article 62 of the Employment Act gives the minister with the relevant government mandate to issue regulations related to the employment of foreigners.

#### 4.6 International Labour Organization Conventions

1. **Forced Labor Convention, 1930 (No. 29):** This fundamental convention prohibits all forms of forced or compulsory labor. Exceptions are provided for work required by compulsory military service, normal civic obligations, as a consequence of a conviction in a court of law, in cases of emergency, and for minor communal services performed by the members of a community in the direct interest of the community. The convention also requires that the illegal extraction of forced or compulsory labor be punishable as a penal offence, and that ratifying states ensure that the relevant penalties imposed by law are adequate and strictly enforced.

2. **Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87):** This fundamental convention sets forth the right for workers and employers to establish and join organizations of their own choosing without previous authorization. Workers' and employers' organizations shall organize freely and not be liable to be dissolved or suspended by administrative authority, and they shall

have the right to establish and join federations and confederations, which may in turn affiliate with international organizations of workers and employers.

3. ***Right to Organize and Collective Bargaining Convention, 1949 (No. 98)***: This fundamental convention provides that workers shall enjoy adequate protection against acts of anti-union discrimination. Workers' and employers' organizations shall enjoy adequate protection against any acts of interference by each other. The convention also enshrines the right to collective bargaining.

4. ***Equal Remuneration Convention, 1951 (No. 100)***: This fundamental convention requires ratifying countries to ensure the application of the principle of equal remuneration for men and women workers for work of equal value. The term 'remuneration' is broadly defined to include the ordinary, basic or minimum wage or salary and any additional emoluments payable directly or indirectly, whether in cash or in kind, by the employer to the worker and arising out of the worker's employment.

5. ***Abolition of Forced Labour Convention, 1957 (No. 105)***: This fundamental convention prohibits forced or compulsory labour as a means of political coercion or education or as a punishment for holding or expressing political views or views ideologically opposed to the established political, social or economic system; as a method of mobilizing and using labour for purposes of economic development; as a means of labour discipline; as a punishment for having participated in strikes; and as a means of racial, social, national or religious discrimination.

6. ***Discrimination (Employment and Occupation) Convention, 1958 (No. 111)***: This fundamental convention defines discrimination as any distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation. It requires ratifying states to declare and pursue a national policy designed to promote, by methods appropriate to national conditions and practice, equality of opportunity and treatment in respect of employment and occupation, with a view to eliminating any discrimination in these fields. The Convention covers discrimination in relation to access to education and vocational training, access to employment and to particular occupations, as well as terms and conditions of employment.

## 5 Policies and Procedures

This section identifies the key policies and procedures that will be in place to ensure that the risks identified in section 3 are adequately managed.

### 5.1 Direct Workers

The Project Director will have the overall responsibility for ensuring the implementation of the following procedures to mitigate labor risks for direct workers.

#### 5.1.1 Terms of Employment

- All project staff will be provided with an employment contract.
- All direct project staff employed for the purpose of the project will be above 18 years of age.
- Maximum working hours for staff will not exceed 48 hours a week, unless otherwise stated in their employment contract in accordance with the Employment Act.
- Equal training opportunities will be available to all staff working in the project without discrimination, based on gender or otherwise.
- All staff will be entitled to breaks from work of 30 (thirty) minutes after every 05 (five) hours during working hours; and prayer breaks of 15 (fifteen) minutes during each prayer period in such a manner that it does not disrupt work. They will also be provided with the leaves entitled under the Employment Act.
- All project staff will be provided with health insurance packages, equivalent to that given by other government companies and institutions working in similar capacities.
- Staff will be provided with a pension contribution and deductions will be made from their salaries for their contribution in accordance with the Pension Act 18/2016).
- Any foreign party employed by the project will have a valid work permit and a work visa while working in Maldives.
- All staff will be made aware of GRM available for the staff as specified under this LMP and will also be able to lodge complaints to the Sexual Harassment Prevention Committee established under Prevention of Sexual Harassment Act (16/2014).
- All project staff, trainers' providers, employers and project beneficiaries will subscribe to a zero-tolerance policy on sexual harassment, undergoing awareness training in SEA/SH prevention and reporting and will sign a SEA/SH prevention code of conduct.
- Any foreign party employed by the project will have a valid work permit and a work visa while working in the Maldives.

Note: Where Government civil servants are engaged, they will be bound by their civil service work contracts, and the provisions in this LMP will not apply to that category of workers.

### 5.1.2 At Project Office

- A workstation with computers will be provided for all staff.
- All software essential for the functioning of the assigned tasks will be provided to all project staff.
- Separate male and female toilet facilities will be provided at the project office.
- Drinking water will be available at the project office.
- Fire detection and firefighting equipment will be available at the project office. An emergency evacuation plan will be established for the project office and staff will be made aware of the plan and periodic simulation exercises that need to be implemented.
- Strict compliance with prescribed health guidelines for the prevention of COVID-19 will be ensured.

### 5.1.3 Travel and Field Work

- Adequate safety measures and availability of lifejackets when procuring sea-vessels for travel will be ensured.
- Hard hats (through contractors, or project directly) will be provided to all project staff when visiting project construction sites.
- All project staff will be made to wear enclosed shoes when visiting project construction sites (safety shoes are preferable).
- Arrangements will be made to ensure that water is available to all project staff in the field. Ideally a refillable water bottle would be provided for each project staff to be used during field visits.
- Official identity cards will be provided to the project staff when attending meetings and sites.
- Where a state of emergency or an epidemic is declared, all travel to that place will be seized with immediate effect.
- A daily subsistence allowance (DSA) will be provided to all project staff covering lodging, meals, gratuities and transport costs when travelling in the field. The rate of DSA will be determined based on the rates at locations where the project is implemented and will be revised based on changes to rates.

## 5.2 Contracted Workers

The E&S Safeguards Specialist will have the overall responsibility for ensuring the implementation of the following procedures to mitigate labor risks for contracted workers. Regular monitoring of on-the-ground conditions of the contracted staff will be undertaken through the project assigned supervision party. The safeguards specialist will also undertake quarterly reviews to determine compliance and will report to the Project Director. The Project Director will take necessary measures to address any non-compliance issues on the part of contracted works and will submit periodic reports to MoF and the World Bank on the status of LMP implementation in respect of contracted workers.

### 5.2.1 Terms and Conditions

- List of workers to be utilized in relation to the project, with proof of employment will be required to be submitted to PMU by all investors/contractors.
- As per the provisions of the employment, all parties employed by any contracted party will be above 18 years of age.
- All contractors and investors will be required to provide document evidence (passport, identity card or birth certificate) confirming the age of employees to PMU prior to involving them on activities of the project.
- Maximum working hours for staff will not exceed 48 hours a week, unless otherwise stated in their employment contract in accordance with the Employment Act.
- An internal transparent and accountable system will be established within the company to tackle issues of GBV, SEA and SH, physical and psychological harassment and workplace bullying. Details of this system will be shared with PMU prior to signing any contracts or agreements.
- The leave policy of the company will be shared and confirmed that it is in line with national laws and regulations.
- All foreign parties employed by all contractors/investors will have a valid work permit. The work permit details will be shared with PMU.
- All staff will be made aware of GRM available for the staff as specified under this LMP and will also be able to lodge complaints to the Sexual Harassment Prevention Committee established under Prevention of Sexual Harassment Act (16/2014).
- All project staff, trainers' providers, employers and project beneficiaries will subscribe to a zero-tolerance policy on sexual harassment, undergoing awareness training in SEA/SH prevention and reporting and will sign a SEA/SH prevention code of conduct.

### 5.3 Primary Supply Workers

All provisions highlighted under the above subsection for Contracted Workers will apply for any Primary Supply Workers, including the IT firms that will supply equipment required for the digital financial infrastructure.

### 5.4 Measures to address others risks associated with workers of SOEs and SMEs due to project activities

Due to the nature of the project, there will be project workers including laborers employed by SOEs and SMEs that will be affected by project activities such private participation of SOEs, piloting of the alternative credit scoring system and the SME business support program. Given below are measures to be adhered



to in line with the principles and requirements of ESS2 to address the associated labour risks as described in *Table1 : Key potential labor risks associated with specific project activities.*

#### 5.4.1 SOEs

- **Transparent Communication and Consultation:** Ensure open and transparent communication channels are maintained between SOE management and employees. This includes regular updates on reform progress, sharing information about potential changes, and actively seeking employee feedback and suggestions. Ensure consultation mechanisms established and used regularly throughout the project duration to facilitate consultative discussions between project workers, SOE management and employees.
- **Labor Policy for SOE Reform:** A clear SOE labor policy shall be developed for targeted SOEs on how labor concerns are managed when private participation is introduced. There shall be a workshop held on this topic with SOE upper management.
- **Training and Reskilling Programs:** Comprehensive training and reskilling programs will be encouraged to equip employees with the necessary skills and knowledge required for the reformed processes. This can include providing training in new technologies, corporate governance practices, or other relevant areas. In addition, continuous learning opportunities will be invested in to enable employees to adapt to changing roles and responsibilities.

#### 5.4.2 Financial Institutions

- **Employee Training and Capacity Building:** Provide comprehensive training programs to equip employees with the necessary skills and knowledge to effectively carry out their roles in developing and maintaining the technology platforms. This includes training on data collection processes, technology usage, privacy and security measures, and customer support.
- **Data Privacy and Security:** Establish robust data privacy and security measures to protect the sensitive information collected from SMEs. This includes implementing encryption protocols, access controls, and regular security audits to safeguard the data from unauthorized access or breaches. Conduct employee training on data privacy and security practices to ensure compliance.
- **Monitoring and Feedback Mechanisms:** Establish mechanisms to monitor employee experiences, gather feedback, and address any issues or concerns promptly. Regularly assess employee satisfaction, engagement levels, and well-being through surveys or feedback sessions. Use this feedback to make necessary adjustments and improvements to the implementation process.

#### 5.4.3 SMEs

- **Work-Life Balance Support:** Encourage work-life balance among SME employees by implementing flexible work arrangements and promoting employee well-being. Offer initiatives such as flexible

working hours, remote work options, and family-friendly policies to support employees in managing their personal and professional responsibilities effectively.

- **Cultural Sensitivity Training:** Conduct cultural sensitivity training for both SME employees and staff members of the international business support firm. This training should focus on promoting understanding, respect, and empathy towards different cultures and work practices. It can help create awareness of cultural nuances, communication styles, and expectations, reducing the likelihood of misunderstandings and conflicts.
- **Work-Life Balance Support:** Encourage work-life balance among SME employees by implementing flexible work arrangements and promoting employee well-being. Offer initiatives such as flexible working hours, remote work options, and family-friendly policies to support employees in managing their personal and professional responsibilities effectively.

## 6 Grievance Redress Mechanism

A Grievance Redress Mechanism (GRM) will be established for project workers to lodge their complaints, concerns and difficulties regarding project activities.

The focal point for the GRM will be the E&S Safeguards Specialist. Information about the existence of the grievance mechanism will be readily available to all project workers (direct and contracted) through notice boards, the presence of “suggestion/complaint boxes”, websites, emails, and other means as needed. Different ways in which workers can submit their grievances will be allowed, such as submissions in person, by phone, text message, mail and email. Contract workers will be informed of the grievance mechanism at the induction session prior to the commencement of work, and the contact information of the GRM focal person and the PMU will be shared with contract workers.

**SEA/SH related complaints:** The GRM will also include special provisions for reporting and responding to the grievance and complaints related to sexual harassment, sexual exploitation and abuse, and gender-based violence. Apart from the GRM, project staff shall also be made aware of the avenues available for victims of sexual harassment, sexual exploitation and abuse, and gender-based violence such as reporting to the Sexual Harassment Prevention Committee (SHPC) at the MoF, established under Prevention of Sexual Harassment Act (16/2014).

### 6.1 Direct Workers

The project will have in place an effective grievance system for direct workers including the PMU, which will hold periodic team meetings to discuss any workplace concerns. The grievances raised by workers will be recorded with the actions taken by the Project Director. The summary of grievance cases will be reported to the World Bank as part of the regular report.

### 6.2 Contracted Workers

Contracted workers are expected first to go through the established GRM norms of their contractor. The contractor’s periodic reports to the PMU must make note of all grievances raised and actions taken by the contractor for contracted workers. Where the aggrieved workers wish to escalate their issue or raise their concerns anonymously and/or to a person other than their immediate supervisor, the workers may raise their issue with the PMU.

### 6.3 Project GRM for affected groups and stakeholders

The project-related GRM will be available for all project stakeholders including project affected persons, to submit complaints/grievances, questions, comments, and suggestions, or provide any form of feedback

on all project-funded activities. The GRM will be easily accessible to the aggrieved parties irrespective of their ethnicity, religion, gender, and other social and economic differences. Moreover, it will ensure its transparency, efficiency and accountability in grievance handling and responding while winning the confidence of the complainants. The GRM will endeavor to resolve the grievances locally, and to avoid lengthy court procedures. The GRM will be managed and coordinated by the PMU to be set up for the project. The Environmental and Social Safeguards Specialist (E&S Specialist) from the PMU will act as the primary GRM focal for the project.

#### 6.4 National Appeal Process

As per the laws related to labor dispute resolution, any individual labor dispute can be submitted by any of the parties (direct workers or contracted workers) to either the Labour Relations Authority or the Employment Tribunal. Additionally, both the direct and contract workers will also have access to a Sexual Harassment Prevention Committee established at the MoF to report any grievances related to sexual exploitation and harassment or gender-based violence. In the event of any project worker being dissatisfied with the outcomes of the above-mentioned grievance redress mechanisms, he/she can have recourse to legal action in the country's judiciary.

## 7 Responsible Staff

The Project Management Unit (PMU) will be responsible for the implementation of the LMP. The responsibilities of specific staff in relation to LMP are described below:

**Table 2: Staff Responsibilities**

<b>Staff</b>	<b>Responsibilities</b>
Project Director	<ul style="list-style-type: none"><li>• Overall responsibility to ensure all project activities follow the provisions of the LMP.</li></ul>
Environmental and Social Safeguards Specialist	<ul style="list-style-type: none"><li>• Provide information on LMP and other safeguards instruments to contractors prior to commencement of work.</li><li>• Monitor activities and working conditions of contracted workers.</li><li>• Ensure all safeguards reporting requirements are met.</li></ul>
Communications Specialist	<ul style="list-style-type: none"><li>• Ensure that labor-related risks and mitigation measures are communicated effectively, including the grievance redress mechanism.</li></ul>
Procurement Specialist	<ul style="list-style-type: none"><li>• Ensure that the provisions highlighted in LMP are included in all contracts.</li></ul>