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Ministry of Finance
Male', Maldives

Terms of Reference

Social Protection Economist (International)

“Designing a Direct Subsidy Mechanism and Targeting Methodology for the Maldives”

Invitation Number: (IUL)13-PMU /13/2024/80

Project: Maldives Competitiveness and Growth Project (P179286)

Loan No./Credit No./ Grant No.: IDA-73050, IDA-E1690

Assignment Title: Designing a Direct Subsidy Mechanism and Targeting Methodology for the Maldives

Reference No: MV-MOF-MV-407601-CS-INDV

A. Background

The Maldives Competitiveness and Growth Project (MCGP, “the project”) is a new 5-year investment project financed by the World Bank for the Government of Maldives (GoM) through Investment Project Financing (IPF) with Performance-Based Conditions (PBCs), declared effective on 23 June 2023 and to be implemented by the Ministry of Finance (MoF). 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 project comprises of three components which are as follows:

Component 1: Accelerating SOE Reforms

- i. Sub-component 1.1: Increasing Private Participation in Ownership of Select SOEs
- ii. Sub-component 1.2: Improving Governance of SOEs at the Program and Corporate level
- iii. Sub-component 1.3: Reforming SOE Public Service Obligations

Component 2: Fostering SME Competitiveness

- iv. Sub-component 2.1: Digital Financial Infrastructure
- v. Sub-component 2.2: SME Growth Acceleration Program

Component 3: Project Management

SOEs form a significant part of the Maldivian economy and many of them are among the largest commercial entities in the country, and engaged in infrastructure, financial services, tourism, fishing, petroleum, retail, construction, and property development among other sectors. There is considerable potential to strengthen the governance mechanisms of SOEs, enhance the accounting and financial reporting quality, and optimize resource utilization. Currently, SOEs are heavily

reliant on capital contributions indirect subsidies provided by the Government. Electricity, fuel, staple foods and sanitation subsidies are estimated to account for approximately 90 percent of expenditure on total indirect subsidies in 2023, and these expenditures have been rising consistently along with the global market prices of fuel and staple foods.

The National Social Protection Agency (NSPA) is mandated to administer and oversee social protection programs identified by the Government to protect Maldivian citizens from the effects of poverty. At present, NSPA administers multiple targeted and blanket financial assistance programs including medical welfare, allowances for disability, single parents and foster parents, and food assistance. In addition, the GoM directed an Emergency Income Support Program with assistance from the World Bank in response to the COVID-19 crisis, to mitigate the income loss faced by workers.

In order to stabilize Government spending on subsidies to sustainable levels and to increase the efficiency of the social protection system, MoF is exploring a proposal to reform the current indirect subsidy regime with targeted, direct income transfers. This reform is the major policy change proposed in the Medium-Term Fiscal Strategy 2024 – 2026 submitted to the Parliament.

Officials from MoF led by the Fiscal Affairs Department (FAD), NSPA, and other relevant Government agencies are working on finalizing the design of the proposed direct transfer mechanism, the overall subsidy reform program and the administrative set-up required to implement this. The World Bank is currently providing Technical Assistance (TA) support through multiple avenues other than MCGP to the GoM including MoF and NSPA on subsidy reform and targeting mechanisms.

The MCGP will support the proposed subsidy reform program through financing consultancies and TA aimed at supporting better targeting and accountability of subsidies, and providing advice on drafting a subsidy reform policy, as part of the broader project objective of strengthening financial sustainability of SOEs. The project will utilize the services of multiple international and local expert consultants in subsidy reform and other SOE reforms, in addition to a dedicated communications team to develop and implement a strong communications program for a comprehensive SOE reform package.

In this context, the project is looking to hire an International “Social Protection Economist”, with assistance from a “Associate Social Protection Economist”, to research, design and propose a suitable targeting methodology and direct subsidy mechanism for the Maldives, and to provide strategic advice and guidance on the proposed subsidy reforms from a fiscal, macroeconomic, social, and political economy perspectives.

B. Objectives

1. Research, analyze, and propose a robust targeting methodology suitable for the Maldives context in implementing a direct subsidy mechanism. Consider means testing, proxy means testing, or other relevant methodologies to ensure precise identification of eligible beneficiaries. Support the International Social Protection Economist in conducting research, analysis, and proposing a robust targeting methodology suitable for the Maldives context in implementing a direct subsidy mechanism. This includes assisting in the consideration of means testing, proxy means testing, or other relevant methodologies to ensure precise identification of eligible beneficiaries.
2. Design a practical and efficient transfer mechanism for the proposed direct subsidy methodology, ensuring the timely and accurate distribution of financial assistance to the identified beneficiaries. This involves outlining the operational framework, payment methods, and monitoring mechanisms to optimize the effectiveness of the subsidy reform program.
3. Offer strategic advice and guidance on the proposed subsidy reforms from fiscal, macroeconomic, social, and political economy perspectives. Analyze the potential impacts of the reforms on Government finances, overall economic stability and social welfare. Provide recommendations for a comprehensive and sustainable subsidy reform policy aligned with the broader project objectives and Government priorities.

C. Scope of Work

1. Review the research and analysis conducted by MoF and various donor partners on the current indirect subsidy regime and proposed reforms, in the context of the overall social protection framework and economic, social, and demographic landscape of the Maldives, to gain a nuanced understanding of the local context and inefficiencies within these schemes from fiscal, macroeconomic and socioeconomic perspectives.
2. Coordinate with MoF and project team to engage with key stakeholders as necessary, including Government agencies, SOEs, local communities, and potential beneficiaries, to gather insights and perspectives on the socioeconomic dynamics and preferences for targeting and transfer mechanisms to inform the ultimate design of the direct subsidy mechanism.
3. Review existing literature and best practices in social protection targeting methodologies and direct subsidy mechanisms, considering both national and international experiences. Benchmark against successful models implemented in similar contexts.
4. Review the existing NSPA targeting system, and their vision for improving the targeting of the most in need, mainly the revision to the existing proxy means test.
5. Evaluate the feasibility, accuracy, inclusivity and practicability of potential methodologies for targeting subsidies such as means testing, proxy means testing, or another alternative approach, including a mixed approach.
6. Develop a clear and well-founded proposal for the targeting methodology, specifying the variables and criteria for beneficiary identification, and detail verification mechanisms to ensure accurate and equitable distribution of income transfers, in alignment with project objectives and best practices in social protection.

7. Identify data and information systems requirements for the successful implementation of the proposed targeting and transfer mechanisms and highlight any existing data and information systems gaps and resource requirements.
8. Outline an operational framework and roadmap to fully implement the proposed direct subsidy mechanism, detailing the processes for beneficiary registration, payment distribution, and overall program management.
9. Propose an efficient transfer mechanism, considering options such as mobile banking, digital wallets, or other secure and accessible methods to ensure the timely and secure transfer of funds to beneficiaries.
10. Develop a Monitoring and Evaluation framework to measure the effectiveness of the proposed income transfer mechanism. Define key performance indicators (KPIs) and establish a system for real-time tracking, reporting, and feedback.
11. Conduct an ex-ante impact assessment of the proposed subsidy reforms, including a fiscal impact assessment on proposed subsidy reforms, analyzing revenue implications, expenditure savings, and budget adjustments. Evaluate macroeconomic effects on inflation and economic growth, with recommendations to mitigate risks. Simultaneously, assess the social impact on vulnerable populations, providing recommendations to minimize negative consequences on poverty rates, income distribution, and essential services.
12. Prepare an evaluation framework to conduct the ex-post impact assessment of the reform on the population and the accuracy of the targeting system, and train relevant Government staff on using the framework.
13. Collaborate closely with officials from MoF, NSPA, and other relevant Government agencies to gather insights and align the proposed technical specifications with the broader goals of SOE reform. Coordinate with other consultants, World Bank team, and donor agencies involved in Government's subsidy reform program to ensure synergy in recommendations and implementation strategies.
14. Enhance capacity of the GoM to implement responsive reforms in support to the most in need.

D. Deliverables

The Consultant will be responsible to deliver the following within the duration of their 3-month Assignment:

#	Deliverable*	Estimated Duration	Payment Breakdown (%)
1	Prepare and obtain approval for a detailed work plan and mission programs, with agreed mission dates and deliverable deadlines.	Week 1 (1 week)	5%
2	Prepare a report reviewing and analyzing existing research conducted on the current subsidy regime and proposed subsidy reforms.	Week 2-4 (3 weeks)	15%

3	Prepare and present a draft proposal for a targeting methodology, suitable for the Maldivian context and in line with Government objectives.	Week 5-8 (4 weeks)	30%
4	<p>Prepare and present a comprehensive report on the subsidy reform proposal, including the following elements:</p> <ol style="list-style-type: none"> 1. Revised targeting methodology, incorporating Government and stakeholder feedback on the initial draft proposal. 2. Proposal for an efficient direct subsidy mechanism which utilizes the refined targeting methodology. 3. Operational framework and roadmap to fully implement the proposed direct subsidy mechanism. 4. Outline of a Monitoring and Evaluation framework to measure the effectiveness of the proposed direct subsidy mechanism. 5. Ex-ante impact assessment of the proposed subsidy reforms, including fiscal, macroeconomic, and socioeconomic perspectives, and framework to conduct ex-post impact assessment. <p>The Consultant shall refine the report based on feedback received from MoF and other key stakeholders and submit the final version that is acceptable to the Government.</p>	Week 9-12 (4 weeks)	50%

*Specific deliverables may be subject to change based on the Government policy decisions during the contract duration as agreed by the Government and the Expert

E. Reporting & Working Arrangements

The Consultant will report to the MCGP Project Director and Head of Fiscal Affairs Department (FAD) regularly as needed and agreed in the detailed work plan. The Consultant is expected to work closely with the local Associate Social Protection Economist and liaise with the Project Management Unit (PMU), other international and local consultants, and officials from MoF, NSPA and other Government agencies in carrying out the necessary works for the Assignment.

The Consultant is expected to work both on-site (in the Maldives) and off-site, as agreed on the detailed work plan, over the 3-month assignment. The Consultant is expected to be on-site for a minimum of 10 working days distributed to at least 2 trips. The Consultant should hand over all reports and relevant data and information such as maps, diagrams, plans, databases, other documents and software, supporting records or material compiled or prepared by the Consultant for this Assignment, to the PMU at the end of the assignment.

F. Timeframe & Payment Terms

The Assignment will be for 3 months (of which the Consultant is expected to work at least 60 working days), and renewal is based on needs and performance evaluation. The Consultant is expected to commence their services in March 2024.

Payment for the Assignment will be tied to the key deliverables listed in Section D and paid upon approval from the PMU on completion of the deliverables.

G. Qualifications & Experience

- A minimum of a Master's degree or equivalent professional qualification in Economics or relevant branches of Economics including Development Economics, Welfare Economics and Public Economics.
- Minimum 10 years of relevant professional experience in public expenditure reform.
- Proven track record in conducting in-depth policy analysis, particularly in the areas of public expenditure and/or subsidy reform, with a focus on identifying areas for improvement and implementing effective solutions.
- Previous experience in designing subsidy regimes or in subsidy reform works, including research and methodology design for targeting mechanisms such as proxy means testing and studying effectiveness of direct transfers, or other social protection works will be an added advantage.
- Previous experience in subsidy reform in similar middle-income economies and Small Island Developing States will be an added advantage.
- Familiarity with the regulatory environment and governance structures related to social protection and subsidies in the context of Government agencies in the Maldives will be an added advantage.
- Strong quantitative and analytical skills, and proficiency in statistical methods, econometrics and data analysis for economic modeling and impact assessment.
- Strong capacity for innovative thinking and problem-solving in approaching complex issues and designing creative and modern solutions.
- Excellent written and spoken English, with strong report-writing skills and ability to effectively convey complex information and recommendations.