

Development, development policy and governance in the Maldives: A political economy perspective

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ABSTRACT This article discusses the problems with development experienced by the Maldives through a political economy lens. It claims that key socio-economic areas like health, education and community-based activities such as local fishing have not developed to an extent it should have considering the success of national development achieved through the growth of the tourism industry since the early 1970s. Using theories of governance, development and inequality, this article forms a methodologically feasible theoretical framework to explain the phenomenon of unbalanced development or underdevelopment in the Maldives. It claims that development can coexist with underdevelopment in a society. This phenomenon of underdevelopment in the Maldives is assessed by observing economic performance of the tourism industry against the performances of other sectors including health, education and local fishing. Using a historical institutionalist method to political economy analysis, this article shows that the empirical evidence of underdevelopment in the Maldives, during the 1970s–2000s, can be equated to policy shortfalls associated with a weak governance system. It asserts that there is a notable connection between developmental problems and the system of governance in the Maldives that policy makers should take into account in the decision-making process.

Introduction

This article discusses the problems with development experienced by the Maldives in key socio-economic areas including health, education and community-based activities like fishing in light of political economy literature. It claims that the Maldives has experienced levels of unbalanced development in these key socio-economic areas despite the overall national development achieved through the booming tourism industry during the 1970s–2000s. It claims that these key socio-economic areas should have, in terms of their socio-economic output, made progress or developed more than they have, considering the national development or growth achieved during the same period. One might as well take caution in making such a claim. Significant development or progress has been made since the early 1970s as a result of tourism. During the 1980s–2008 period, the (nominal) Gross Domestic Product (GDP) jumped almost six-fold (Ministry of Tourism, Arts and Culture, 2008). This observation can also reduce the soundness of a general claim that the Maldives has experienced unbalanced development or underdevelopment during the same period. Such a two-way approach to view development can also prompt ineffective policy-making due to incomplete information on real development status. Using theories of governance, development and inequality, and a historical institutionalist method to political economy analysis, this

article forms a methodologically feasible explanatory framework to explain this phenomenon of underdevelopment in the Maldives. It provides a theoretically backed policy analysis framework for policy makers to assess development holistically for present and future political decision-making process.

The development literature reviewed in this article suggests that there is no universal definition for development (see Clark, 2006; Power, 2003). As opposed to conventional methods of assessing development using GDP, contemporary approaches understand development as a process that enables members of a society, individually and collectively, both to enjoy social, political and economic opportunities that maximise wellbeing (see Haddad, Hossain, McGregor & Mehta, 2011; Layard, 2010; McGregor, 2007; Sen, 1985) and to retain the social and political security of their nation states (Thomas, 2001; United Nations Development Programme, 1994). Using this theoretical base, this article aims to show that the Maldives has experienced socio-economic performance leading to both development and underdevelopment. Underdevelopment hence can mean that society, individually and collectively, has not been able to maximise wellbeing to achieve social and political security. It shows that this imbalance of development is observable by the level of economic inequality in the society.

The development literature also stresses that institutional provisions, supporting good governance methods for effective government intervention, play a significant role in determining the success or failure of development (Acemoglu, 2009; Acemoglu & Robinson, 2012; Kohn, 2009; Li, Ahluwalia & Qiang, 2012; Teskey, Schnell & Poole, 2012). Governance and its relations with inequality (unbalanced development) have a significant impact on development trends in societies. Issue of unbalanced development can be resolved and managed through sound policy choices made within good governance approaches such as meta-governance¹ (Bell and Hindmoor, 2009). It is not the purpose of this article to assess the governance structure of the Maldives; neither to explain why government has misgoverned if not failed to govern economic development. Moreover, it does not assert that the Maldives, at the time of writing this article, has continued to experience development problems in the same areas and aspects discussed in this article. On the other hand, these areas are not selected because they are the only key socio-economic areas; they are merely used as case examples to create a viewpoint regarding developmental problems of the Maldives. The overall viewpoint will be a guide to further research and policy assessments. This article only aims to present an explanatory framework, using historical institutionalist methods involving collecting evidence from a set timeframe, to show that the Maldives has experienced unbalanced development that has an inevitable relation with the governance system in place.

The article proceeds in two-folds. Using contemporary theories of governance development, and inequality, the following part forms a conceptual framework to understand development and underdevelopment in view of forming a methodologically feasible theoretical framework to capture and assess the development properties of the Maldives. In light of this theoretical framework, the article presents a temporal assessment of key socio-economic areas—health, education and the community-based economic activities related

to the fisheries industry—in the Maldives in terms of the level of development and underdevelopment experience by those areas during 1970s–2000s. The level of development and underdevelopment is assessed by observing the performance-levels of those areas with respect to the performance-level of tourism during this specific timeframe. The article concludes with a summary of the main findings to assert that there is a connection between development failures and the system of governance in the Maldives that policy makers should take into account in the present and future political decision-making process.

Conceptualising Development and Governance: A Literature Review

Development is no longer defined in terms of GDP. There is no universal definition for development (see Clark, 2006; Power, 2003). From the conventional perspective, development can be defined as a process whereby a society experiences constant production or per capita income growth, which measures the overall national productivity or income level as indicated by GDP. Contemporarily, development is understood as a process that enables members of a society, individually and collectively, both to enjoy social, political and economic opportunities that maximise wellbeing (see Haddad et al., 2011; Layard, 2010; McGregor, 2007; Sen, 1985) and to retain the social and political security of their nation states (Thomas, 2001; United Nations Development Programme, 1994). Development enables all of society to experience increased living standards, enjoy better health and education (Ranis, 2006; Sen, 2006) and other types of ‘common good which are seen to benefit the society at large’ (Power, 2003, p. 2). Therefore, this article defines development in terms of this broader (socio-economic) development state of societies.

All social science is multi-causal. There is a sense in which any one thing can be explained with reference to multiple factors (see Gerring, 2005; Humphreys, 1986). Likewise, development policy could not focus only on a single causal factor such as income or productivity aspect of the economy, but on causal factors of development and development problems that actually affect the standard of living or poverty in societies. These include geography, population, environment, health and education conditions, natural resources, international trade, and good governance aspects of an economy (Clark, 2006; Haddad et al., 2011; Layard, 2010; McGregor, 2007; North, Acemoglu, Fukkuyama & Rodrik, 2008; Pearce, 2006; Sen, 1985, 1999; Stiglitz, Sen & Fitoussi., 2009).

Moreover, sufficient development requires that all societal actors are able to derive the benefits in an equitable manner. The causal factors as listed above affect the capacity of actors to derive those benefits, and can become barriers to growth. For example, with the publication of the World Bank report entitled *World development report 2009: Reshaping economic geography*, the debate on why some economies, specifically those in the Southern Hemisphere, tend to lag behind more advanced economies of the ‘West’ (see Garretsen, Roberts & Tyler, 2011, p. 157), has shifted towards explaining economic development in terms of *multifaceted* phenomena. In this context, governance, institutions and human capital are no longer considered indisputable and exceptional determinants of development, but as factors intertwined with physical places and structures of economies. The geography, including the location and physical structure of economies² may be significant, but it is not the only factor

influencing economic policy and development outcome. The same literature acknowledges that institutions have a significant impact on development outcome within a geographic area by moulding economic policy frameworks (see Acemoglu, 2003; Henderson, Shalizi & Venables, 2001). Hence, it is important for development policy and governance systems to consider these factors in order to set efficient development goals (see Loxley, 2004; North et al., 2008; Seers, 1969; Sen, 1999; Stewart, 1985).

On the other hand, geography also determines the key resource base for development (Acemoglu, 2003; Bertocchi & Canova, 2002; Kwon, 2011). However, the resources-based-development literature reviewed in this article indicated that institutions matter in achieving long-term development, despite the availability of rich or poor resources and geographical locations that could facilitate development (Acemoglu, Johnson & Robinson, 2001; Barbier, 2005).

North et al. (2008) argue that countries can continue to experience static or increasing poverty at different levels because of a lack of 'good' governance systems. This assertion allows policy makers to rethink the orthodox approaches to development policy. However, there are political reasons linked to the method of governance adopted by the government that limits the capacity of policy makers to formulate development policy for the benefit of the broader society. The lack of 'adequate governance' can reduce the capacity of the government to formulate and implement economic or development policies to achieve balanced development—development that benefits all of society. The development literature stresses that arrangements with different institutional provisions for effective government intervention play a significant role in determining the success or failure of development (Acemoglu, 2009; Acemoglu & Robinson, 2012; Kohn, 2009; Li et al., 2012; Teskey et al., 2012). Thus, effective government intervention through efficient development policy is important to achieve balanced development (see Haddad et al., 2011; Moore, 1993; Reinert, 2007; Stevens & Gnanaselvam, 1995).

Institution building, or state capacity building, has also been an approach promoted by such agencies and development scholars worldwide including agencies like the World Bank (see Moore, 1993; Stevens & Gnanaselvam, 1995; Teskey et al., 2012). This enables nation states to establish sufficient institutions that support good governance mechanisms for development (North et al., 2008). The World Bank sights that "good governance ensures that political, social and economic priorities are based on broad consensus in society and that the voices of the poorest and the most vulnerable are heard in decision-making over the allocation of development resources" (World Bank, 2014); hence prompting efficient government intervention.

The nature of government intervention and its developmental impact also depend on societal contexts (see Acemoglu & Robinson, 2012; North et al., 2008). For example, post-war South Korea and Botswana acquired social and political contexts encompassing sufficient institutions to support the successful governance (i.e. better state–society interactions) for their development success; conversely, Africa's institutionally weak socio-political contexts failed to support an effective implementation of central bank independence in support of economic development (North et al., 2008). This latter context is common in countries that possess similar to what Acemoglu and Robinson

(2012) describe as ‘extractive institutions’ (p. 138). Such institutions create political and economic disincentives for broader development activity by giving extractive powers to rulers and privileged private parties to utilise national resources for political and personal advantage. Such institutions are also possible reasons for the failure of nations today (see Acemoglu and Robinson, 2012).

Governance and development policy

In view that governance affects development policy directly, the state of development in a given timeframe can also explain the properties of governance systems in place to support policy making. This article claims that the coexistence of development and underdevelopment in societies can be equated to inadequate development policy made under weak governance systems. A conceptual framework on the relationship with development patterns and governance can help to assess this phenomenon in the Maldives.

A number of studies have demonstrated that despite the development experienced in terms of GDP per capita growth, increasing poverty, inequality and unemployment continue to be key problems experienced by the global community (see Loxley, 2004; North et al., 2008; Sachs, 2005; Seers, 1969; Sen, 1999; Stewart, 1985). For example, as Szirmai (2005) noted, the asymmetries between overall growth and societal level development show significant levels of welfare development and improving conditions of education alongside slow growth in Sri Lanka and some states of India; conversely, fast growth is associated with increasing poverty conditions in Brazil. Anand and Sen (2000) noted that ‘the continued high incidence of premature mortality, ill-health, undernourishment, illiteracy, poverty, insecurity, and other forms of deprivation [in some parts of the world] indicate the failure of the modern world [specifically the governments of recent economies] to bring even the most basic capabilities within the reach of all’ (p. 2030).

Literature on income inequality provides a lens through which we can investigate problems of development as an outcome of government intervention, and a theoretical framework to assess development and underdevelopment caused by governance arrangements. The fundamental argument here is that income inequality increases as development progresses during the initial period of development and then starts to decrease as per capita income increases with long-term economic development (Kanbur, 2000; Kuznets, 1966). Simon Kuznets (1955) hypothesised this relationship in terms of an inverted U-curve using development datasets on the industrialisation phases of today’s developed countries, including the US, England and Germany. Kuznet’s hypothesis shows that economic development may not necessarily alleviate income inequality or poverty in the initial period; however, with long-term growth, poverty may be reduced by reducing inequality as well.

The important characteristic of the inverted U-curve for this article is its turning point. In estimating this turning point, using both economic and political aspects of inverted U-curves, Tam (2008), consistent with other studies (Acemoglu & Robinson, 2002; Kanbur, 2000; Khalifa & Hag, 2010; Kuznets, 1966), suggested that political factors play a key role in shaping this turning point. For example, prolonged inequality invites social suppression,

which in turn, leads to political unrest and subsequent democratisation and economic reform supporting equitable development (Tam, 2008). However, the actual timeframe in which this happens is undetermined—the turning point is indefinite, but depends significantly on the extent and type of government intervention. Such government intervention aims at reaching balanced growth and societal level development can result in reducing poverty and alleviating inequality.

One of the most widely accepted approaches to assess inequality of development is the human development approach (HDA) (Adger, Huq, Brown, Conway & Hulme, 2003; Power, 2003; Schipper, 2007; Sen, 1990; United Nations Development Programme, 2012b). It looks at the capability of a person to enjoy life as a means of determining the wellbeing of a society and its development. The HDA stresses the importance of societal factors, including the ability of human beings to live ‘valuable or flourishing’ lives, to achieve balanced development (Qizilbash, 2006, p. 246). This ability is affected by causal factors of development (as mentioned earlier), such as education, health and income distribution as well as political liberties (Sen, 2006). The HDA demonstrates that the structures of health, education and income are interrelated factors that support or effect this capability of human beings (Colantonio, Marianacci & Mattoscio, 2010) and hence are significant determinants of the broader development trends. For example, in observing studies of causal relationships between health, education and income, Colantonio et al. (2010) found that improvements in education can enhance health conditions, which in turn can influence income by affecting the capability of individuals to ‘work better and longer’ (p. 268).

Furthermore, Human Development (HD) has a direct effect on growth and growth also contributes to HD (Ranis, Stewart & Ramirez, 2000). Income growth can enable societal actors to acquire better health and literacy conditions. For example, at a micro-level, increasing household income can enable its members to afford nutritious food and quality education, while at a macro-level, state-sponsored social security systems can enable the poor to have their healthcare needs covered see (Ranis, 2006; Ranis et al., 2000).

This linkage between the government intervention and level of HD affects the turning point of the inverted U-curve. Adequate governance arrangements can balance growth and HD in societies. The state of this linkage depends on how incomes are allocated by the socio-economic and government policy structures. For example, studies of Gambia (see von Braun & Webb, 1988) and the Philippines (see Ranis, 2006) demonstrated that household calorie consumptions were larger when sources of food and income were controlled by or allocated to women, suggesting that an income allocation to household managers can improve household HD levels (see Anand & Ravallion, 1993; Ranis, 2006). Similarly, the extent to which poverty is reduced with economic growth varies greatly with the way in which income is distributed. If poor households receive extra income, income distribution has a greater impact on the broader societal development (Ranis et al., 2000).

Using evidence from East Asian experiences in the 1970s and the 1980s, specifically those of Taiwan, Kanbur (2000) suggested that distributional patterns resulting from land reforms and infrastructural changes can create

growth with equity in the short term. Bowman (1997) presented several cases involving different countries, which demonstrated how different types of government intervention affected development differently. During the 1950–1980 period, Brazil achieved significant growth, creating the world’s second largest market for executive jets; however, one quarter of its population would go to bed hungry (Bowman 1997). This situation was caused by the lack of governmental income distribution considerations. During the 1950–1980 period, Japan experienced growth with equity as a result of the extensive land reform policies. In the 1960s, Malaysia experienced growth with increasing inequality; however, the ‘New Economic Policy’—launched in the 1970s—arguably helped to accelerate Malaysia’s effort to address societal issues to correct ‘economic imbalances’ (Bowman 1997, p. 137).

The literature on inequality pays specific attention to economic discrepancies between different regions (Meier & Rauch, 2005). Regional disparities add further, but not easily addressable, challenges to the issue of imbalanced development. In analysing a long-run time series for regional inequality in China, Kanbur and Zhang (2005) revealed that a key cause of inequality is policy shortfalls at different levels (regions) in different timeframes. Consistent with such studies, Lall and Yilmaz (2001), highlighted that policy instruments can increase the speed of regional convergence, indicating that public policy has a key role in achieving equitable regional development. The issue of regional separation is a policy challenge; however, it is addressable through central planning and continuous processes of careful policy development (see Ashby & Sobel, 2008; Kanbur, 2000; Kelejian & Robinson, 1997). This process of policy development is affected by the nature of the governance system adopted by governments.

The underlying argument here is that government intervention with lack of good governance—limiting efficient state–society interactions—can weaken the linkage between growth and HD, causing development shortcomings in different parts of the society leading to unbalanced development (Haddad et al., 2011; Reinert, 2007). This conceptual framework forms a guide to the empirical assessment of the development situation in the Maldives.

Approach to empirical study: a historical institutionalist method

An assessment of development trends with respect to tourism, health, education and community-based activities can show whether the Maldives has experienced the type of unbalance development discussed here that could be equated a development policy shortfalls similar to those experienced by aforementioned economies. Using a historical institutionalist lens to political economy analysis, this article undertakes a qualitative assessment of development strands of the Maldives. Historical institutionalist method(s) look(s) at political economic aspects of societies within set timeframes. The main claim here is that development outcomes through policy choices made through time shows patters of change that affect and are affected by the policy choices and societal performances of the present and future (see Bell, 2011; Peters, 1999). In light if this approach, this article investigates and collects data on socio-economic areas including tourism, health, education and the local

fishing activity in the Maldives within a set timeframe—during 1970s–2000s period.

Statistical data and official records used here include Maldives' National Development Plans (NDPs), tourism master plans, United Nations development reports and the World Bank's regional and country specific studies. There are limited records of development information, much of which rest presumably with an under-performed national information management system. For example, it was only in the early 1980s that the Maldives established an official statistical department under a government mandate (Department of National Planning [DNP], 2005).

However, the specific timeframe used here provides sufficient information on patterns of development experienced by the Maldives for the given time period, reducing the risk of having possible misjudgements on the real development outlook due to limited data available. On the other hand, due to existing shortcomings within the national statistics system, substantial sequential data on income is not readily available;³ only data for short timeframes is available.⁴ Therefore, rather than a time-series assessment—specifically on income levels, an assessment of official records on socio-economic experiences of different parts of the population and geographical locations is made for the main timeframe.

Inequality is examined using data on inequality between different economic community units. Community units include social groups living in the capital, Malé, and the atolls. Inequality is defined in terms of the inequitable distribution of income and socio-economic opportunities in these community units. Economic inequality between different community units is estimated using data on the geographical distribution of economic opportunities and development trends in other socio-economic areas, including health, education and the fisheries sectors in Malé and the atolls.

Development and Underdevelopment: the Empirical Assessment

The Maldives is a low-lying archipelago, 80–120 kilometres wide and 860 kilometres long, located in the Indian Ocean. It has 26 natural atolls made up of 1,190 low-lying coral islands. Some 198 of these islands are inhabited (United Nations Development Programme, 2012a). From the 1980s to the 2000s, the Maldives has achieved substantial development in terms of its GDP per capita growth rate. According to the Department of National Planning, [DNP] (2010c), the national GDP (at basic prices) grew from MRf1,615.2 million (about US\$125.7 million) in 1984 to MRf10,611.4 million (about US\$825.7 million) in 2008. The GDP per capita (at current market prices) was US\$4,071 in 2008. According to the World Bank (2009), in 2009, the GNI per capita in the Maldives was almost twice the middle-income group of nations and four times the South Asia region. This growth (the increase in GDP per capita) demonstrates the positive development trend of the Maldives over the past two to three decades. The differences in the statistical figures—specifically in GDP—generated by the United National Development Programme (UNDP) and the DNP are minor but largely reflect weaknesses in the capacity of the Maldives statistical organisations (see DNP, 2005).

Against this development backdrop, using the conceptual framework provided in the preceding part, the following assesses and portrays the development and development shortcomings in the Maldives during the 1970s–2000s. The following provides an analytic angle to show the phenomenon of underdevelopment in the Maldives in terms of the developmental property of tourism and the economic performances within other sectors that had experienced the typical for of unbalanced development discussed in this article.

Tourism: an aspect of development

Historically, the economic policies established since independence on 26 July 1965 encouraged free-market activities including foreign direct investments (FDIs) (Government of Maldives, 1979) and free-trade. In this economic environment, tourism started as a private endeavour but in the absence of the typical kind of interventionist policies practiced by the previous Maldivian governments in a less democratic system (Rasheed, 2014). The industry is owned and run by private partnerships between locals with the help of foreign investors who provided financial support to build the resorts.

With the interest of developing the industry within the social structures of the Maldives, in the late 1970s, the government introduced laws and created political institutions, including foreign investment laws, tourism regulations and a department of tourism as a ‘control’ mechanism to govern tourism in a socially and economically effective way (Government of Maldives & Dangroup, 1983, pp. 203–205). Tourism became a top priority of the government although it was mainly led by the private sector (Ministry of Tourism, Arts and Culture, 2008). The government launched the first tourism master plan (TMP) for tourism development in 1983, followed by a second, a third and a fourth master plan in the mid-1990s, 2000s and 2013 respectively. Within these institutional frameworks, the government maintained a minimal interference policy with respect to resort businesses.

Tourism has made significant impact on economic growth. Fast growth of tourism development set against the GDP, during 1980s and 2000, illustrates a rapid increase of GDP indicating the direct influence of tourism on economic growth (DNP 2010c). For example, with this development, in the 1970s there were about 17 resorts developed with about 1,300 beds. By 2009 there were about 97 resorts with a total of 20,804 beds. Most of the resort hotels are of a four- to five-star standard and have generated large sums of foreign exchange (Ministry of Tourism, Arts and Culture, 2011).

The increase of tourist arrivals has further impact on government revenue. In 2007, the government received about MRf2,525 million (about US\$197 million) as tourism revenue compared to around MRf400 million (about US\$31 million) two decades ago. This accounts for about 27.5 per cent of the total government revenue of MRf6,669 million (about US\$518 million) (Ministry of Tourism, Arts and Culture, 2011; Ministry of Tourism, Arts and Culture, 2009). In the absence of a general tax system, prior to 2011, it had no direct way of calculating business income to generate a comparative income figure. Recent statistics showed that the per annum tourism receipt in 2010 was US\$713.6 million (Ministry of Tourism, Arts and Culture, 2010). An aggregated projection may show that the Maldives has generated an

overall windfall of roughly US\$4 billion between 2001 and 2009 (Ministry of Tourism, Arts and Culture, 2006; 2010). This is a huge sum given the small and stable economy of about 300,000 people,⁵ and the level of development the population had achieved in societal activities during this period.

Socio-economic inequality: the unbalanced development

The coexistence of national development and under-performance in key socio-economic areas can be a guideline to assess the level of balanced development in the Maldives. Evidence of unbalanced development can be drawn from an observation of the inequalities with development. Evidence of unequal development is the key to observe the development policy issues experienced within the governance system in place during the timeframe used in this article as well as in the present and future policy process.

Economic and developmental studies by the World Bank, Asian Development Bank (ADB) and UNDP demonstrated that the Maldives has experienced recognisable levels of inequality in development. The Maldives had attained a constant Gini coefficient of 0.41 between 1997 and 2004 (Asian Development Bank [ADB], 2009). This is a relatively narrow period to determine the extent of inequality. A recent study by the ADB (2009) evaluated economic performance in 45 Asian economies, including South Asian countries. It noted that despite the development achieved, the Maldives has a 'significantly higher inequality than its neighbouring countries' (ADB, 2009, p. 205). The Maldives also had higher Gross National Income (GNI) growth (per capita) compared to the South Asia region. When this level of inequality is set against the overall GDP growth—GDP increased from MRf5,144.6 million in 1997 to MRf8,311.2 million in 2004 (DNP, 2010c) for example—two implications are apparent: (1) steady growth with unchanged inequality is an indicator of underdevelopment in some parts of the economy; and (2) it is likely that this inequality remained unchanged or worsened as the GDP continued to increase to MRf2.2 billion in 2008 (Department of National Planning, 2011c). Conversely, if inequality—in terms of socio-economic underdevelopments within the nation—exists presently, it may be indicating that the circumstances contributing to unbalanced development have not improved considerably (see North et al. 2008).

On the other hand, income disparities between Malé and the atolls have key development policy implications. According to the World Bank (2007):

The most important factors in this regard are found to be levels of education, the size of the household, the gender of the head of household, and regional aspects, with people in the north most vulnerable. Although income inequality appears to have declined within Malé and within the atolls during this period, inequality between atolls (the south has fared better than the northern regions), and between Malé and the atolls has increased. (pp. 1–2)

As discussed above, economic inequality between urban and rural areas is a crucial indicator of the imbalances in development in the nation. Income disparities between Malé and the atolls can be an indicator of underdevelopment (Ministry of Planning and National Development [MPND], 2007). The World

Bank (2007) report explained this condition in terms of the poverty problem in the atolls:

[In the Maldives,] in the context of overall declining poverty rates, the poverty dynamics based on panel data limited to the atolls found that 11 percent of the non-poor in 1997 had fallen back into poverty in 2004, and 8 percent of the non-poor in 2004 had slipped back into poverty in 2005. (pp. 1–2)

The low incomes in the atolls as a development problem can also be seen in the uneven distribution of socio-economic circumstances in the island communities—including the opportunity to create good healthcare and education systems, and to develop a skilled workforce able to support a self-sustaining economy. As national levels of economic growth increased over the decades, lower income communities may have remained unchanged while the higher incomes were being drawn into the activities that are mostly concentrated in Malé (Department of National Planning, 2004). Theoretically, income from the rich can be re-invested in human capital development in local areas (Kanbur, 2000). However, the extremely weak legal and political institutions in the Maldives have also created disincentives for private investment within the atolls (Ministry of Tourism, 2003). This has reduced the capacity of the local community units to enjoy socio-economic benefits to the level they could have if recourses were well governed (see North et al. 2008).

Healthcare development and policy challenges

The Maldives has experienced recognisable improvements in health. It will be unfair to assert that the government has no role in this. Improvements have been made in strengthening the capacity of healthcare providers, universalising vaccination schemes and developing hospitals in Malé and the atolls, while meeting the most of what is required by international standards including the UN Millennium Development Goals (MPND, 2007). Considerable progress has already been made in eradicating certain communicable diseases like malaria, childhood diseases, leprosy and filaria through systematic execution of vaccination programmes. The prevalence of tuberculosis and HIV is minimal (MPND, 2007). Geographically, primary healthcare services at atoll level—hospitals and healthcare centres—have been created and significant effort has been made to improve the capacity of healthcare workers and professionals (MPND, 2007). Nonetheless, these successes exist alongside some notable policy shortfalls associated with weak domestic infrastructure (MPND, 2007).

Some key areas require further development. For example, the provision of pharmaceutical services remains an area of concern in the delivery of adequate services to the general population (MPND, 2007). 21 percent of atoll-based hospitals experienced difficulties accessing to medicines as opposed to only nine percent in Male' (United Nations Development Programme [UNDP], 2014). The increasing demand for general services cannot be met due to the lack of resources available in the health system (MPND, 2007; UNDP, 2014). It is important to cut costs and establish affordable and accessible healthcare services through sufficient welfare systems.

It was only in 2009 that the government opened a health insurance scheme to the general public—which still faces further management challenges (UNDP, 2014). Although it was a key objective of the Seventh NDP to create a national welfare system for healthcare purposes, it appears that the government has not been able to undertake necessary governance functions to effectively meet such a target (MPND, 2007); besides, the government has continued to meet shortfalls in managing healthcare services (MPND, 2007; UNDP, 2014).

These shortcomings are related to inefficient distribution of resource and a weak financial policy structure. In the 1990s, the Fifth NDP recommended decentralising the centrally controlled health system to enable quality service in the atolls (Ministry of Planning, Human Resources and Environment [MPHRE], 1998). The government was concerned that the centrally controlled healthcare system lacked adequate administrative and organisational capacities to redistribute financial resources for the development of atoll services. A key aim was to decentralise responsibility for budget-setting by enabling atoll-level authorities to manage their own healthcare services more effectively (MPHRE, 1998). However, such governance approach may not be fully realised because of the weaknesses that may have persisted in the management of the public finance system (UNDP, 2014).

Educational development and policy weakness

Over the past decades, education has contributed to the economic and social stability of the nation. Education has increased the basic skills and general knowledge of people over the years. The government has always played a crucial role in education development. According to the United Nations Educational, Scientific and Cultural Organisation (United Nations Educational, Scientific and Cultural Organization, 2011), the Maldives introduced English-medium schooling based on the British's General Certificate of Education (GCE) O-level and A-level systems in the 1960s. The government established a public education system with a common national curriculum for grades one to seven and universalised primary education by the 1980s (MPND, 2007). The secondary education system has been improved and is now provided to communities throughout the Maldives (MPND, 2007). The Maldives has achieved universal primary education with a 'net enrolment ratio of 100 percent for both girls and boys' (MPND, 2007). The attainment of an adult literacy rate of 98 per cent can be compared to the 55 per cent in Bangladesh, 91 per cent in Sri Lanka, and 63 per cent in India (United Nations Children's Fund, 2011).

Concerns yet remain as to the quality and accessibility of education services throughout the Maldives (MPND, 2007). A key shortcoming of the education system is mirrored in an inadequate local workforce, incapable of fully meeting the demands of the growing market economy (UNDP, 2014; MPND, 2007). Although primary education is universalised, secondary and tertiary education has remained underdeveloped especially in terms of quality (MPND, 2007). Higher education is essential to the creation of a productive workforce. A special report of *The Economist* (2005) noted that higher education qualifications doubled between 1975 and 2000 in the Organisation for Economic Co-operation and Development (OECD) countries, from 22 per cent to 41 per

cent, indicating the importance of higher education in successful development. Other studies have demonstrated that while basic education is a necessary condition for development in poor and newly industrialising countries, there is an urgent need for them to upgrade higher education to overcome development challenges in the long term (Kanbur, 2000). In the Maldives, although there are increasing numbers of students finishing secondary school, fewer are able to obtain higher education or skill-based training with which to secure skilled employment in growing markets (UNDP, 2014).

In the Maldives, despite the government-projected funds that are being made available for high education purposes (UNDP, 2014), it appears that higher education has not been seen as a key policy priority (Ministry of Education, 2007). According to education statistics, in 2006, government school enrolments were 65 per cent in primary schools, 27 per cent in lower secondary schools and seven per cent in higher secondary schools, indicating a low rate for higher education (Department of National Planning, 2011b).

One reason is that higher education activity is centred in Malé. This limits equitable access to education services throughout the Maldives, affecting the overall educational outlook of the society. The quality and accessibility of basic and higher education is distributed disproportionately between Malé and the atolls (UNDP 2014). This is explained by the service, resources and infrastructure development in these two areas. When the level of enrolment in Malé and the atolls is against the number of teachers and populations in these areas, for the year 2009/2010, it indicates that the number of students enrolled and teachers employed in the atolls is proportionally lower than those in Malé. As per national statistics, there were 1,477 higher secondary students in Malé compared to 465 students in the atolls (Ministry of Education, 2007).

The low student-teacher ratio in the atolls on the other hand indicates the limited quality of education available for island communities, where there are relatively fewer trained teachers compared to the increasing student population. A relatively high ratio of teachers in Malé indicates the presence of quality education for community units there (UNDP, 2014). The disproportionate distribution of education services limits equality human development, leading to the type of unbalanced development of education as discussed in the above literature review.

Despite the national contingency plans to provide skill-based training to island communities, including projects that were pursued during the recent tsunami recovery stages, the education system has lacked a long-term national curriculum for vocational training (Ministry of Education, 2007). The overall effect of the infrastructure shortcomings is a lack of creativity and innovation within the society, contributing to the weakening of the local workforce. A government report revealed that about 15,000 youths living in Malé are unemployed—the total population is about 104,000 and the youth population is about 30,000 (Government of Maldives, 2007).

Side effect of this is an increase of the number of expatriates working in the Maldives reaching more than double the youth population—as of 2008, there were about 80,839 expatriates working in the Maldives (Department of National Planning, 2010a). According to the Seventh NDP, ‘in 2006, 30.5 per cent of expatriates were engaged in construction sector, 20.6 per cent in tourism and

15.4 percent in community, social and personal services' (MPND, 2007, p. 49). When youth unemployment and the increasing number of expatriates are viewed together, the failure of the education system to create a productive local workforce to meet the needs of the market or development becomes apparent. Shakeela (2010) noted that the 'high dependency on expatriate labour results in significant leakages of tourism revenue, mitigating the positive economic impacts of tourism' (p.10).

Education has remained a key policy priority, and it would be unfair to argue that the government has entirely failed to develop human capacities. Nonetheless, attempts to develop education have not been very effective in contributing to the sustainability of the socio-economic infrastructure, and have resulted in creating misgivings about the effectiveness of the educational development policy framework in place. Evidently, this unbalanced development of education has not created the most reliable or productive local workforce and a high-income population to improve living standards and have the overall development of the society.

Underperformed community-based activities

Geographically, considerable parts of the Maldivian population, especially those in the atolls, rely on community-based or primary economic activities such as agriculture and fisheries. Developmental problems in the potential primary sector are explained by the development shortcomings experienced with regard to fisheries activity. The properties of development and underdevelopment of agriculture are not evaluated for the purpose of this article as agriculture has never been seen as an economically viable commercial activity due to high costs and associated infrastructural problems—mainly the irreversible geographical constraints in the Maldives (MPND, 2007).

Fishing has been a main source of income for the island communities, which form a significant portion of the entire population. Fishery activity has recently expanded locally and internationally with the introduction of a fish freezing and storing system, which was the first technological development in over 100 years of fishing (MPND, 2007). The fisheries sector now accounts for more than 75 per cent of total merchandise exports (Maldives Country Review, 2008). In 2007, the fish export value was about US\$97,521 (DNP, 2008). Fishing can be regarded as the second leading activity, important not only for the growth but also the survival of the island economies (Maldives Country Review, 2008).

Fishing was a primary source of national income before tourism and has created medium- and long-term employment for island communities (MPND, 2007). However, it has never and still does not generate an income as high as tourism since its inception in the 1970s. Therefore, it is possible that there is less incentive for people to engage in fishery activity. According to official statistics, 11,498 people were employed in the fisheries in 1990, but this number decreased to 9,294 and 8,388 in 2000 and 2006, respectively—this may indicate that there is a possible decline of its employment benefits (Department of National Planning, 2011a). The total fish catch remained around 34,000 metric tons from the early 1970s to the mid-1980s, and then increased in the 1980s, 1990s and 2000s to around 60,000 metric tons, 90,000

metric tons and 120,000 metric tons, respectively, indicating a gradual but significant increase in the total fish catch and the sustainability of the fish stock in the Maldives (Department of National Planning, 2010b). The estimated contribution of fishing activity to GDP also increased from about MRf220 million in the 1980s to MRf360 million in the 1990s and then to MRf420 million in the 2000s, indicating a positive contribution to the national revenue base mostly as a result of technological change—mechanisation of fishing boats was the key technological development (see Department of National Planning, 2010c; MPND, 2007).

However, the total number of people employed in the fisheries industry shows a gradual decline from 11,498 in the 1990s to 9,295 in the 2000s and then to 8,388 in 2006 (Department of National Planning, 2011a). This can suggest that the increasing fish catch and the positive contribution to GDP have not necessarily increased employment levels in this sector, at least according to official statistics.

This decline in employment is also linked to the less reliable income and the precarious employment it generated especially when compared to tourism. This does not necessarily suggest that tourism, for example, generated or generates more employment and income for the overall economy. A substantive reason for this decline could be an underdeveloped infrastructure for fisheries caused by overall development policy shortfalls in this area. This can be explained by the underdeveloped socio-economic conditions caused by the inadequate distribution or redistribution of national revenue—which is largely supported by tourism income—to provide and develop adequate human and capital resources for the development of island communities by utilising fishing as an important community-based economic activity that could generate direct and indirect employment (see Teh & Sumaila, 2013).

This decline can also be linked to the policy and infrastructural shortfalls in the development of the education system over the past decades. As argued above, the socio-economic infrastructure was weakened by policy shortfalls in the distribution of economic resources that could have facilitated other areas complementary to fishing activities in island communities. A weak financial and institutional infrastructure combined with inadequate policy has possibly contributed to a weak education system unable to teach local communities how to produce efficiently. This can reduce the capacity of local communities involved in fishing activities to experience the indirect ‘multiplier effects’⁶ of community fishing using the new technology available. The technological changes have provided direct and indirect development opportunities in fishing (MPND, 2007). However, the lack of relevant skills and training resulting from an underdeveloped education system has limited the capacity of the broader community to take advantage of fishing opportunities. Considering the region’s geographical challenges, including problems caused by internal migration and population congestion in Malé, it is possible that the island communities—mostly engaged in small- and large-scale fishing—have not been benefiting from fishing activities at the atoll level.

At this point, one could argue that fisheries should not be developed at the expense of tourism. However, economic assets can be distributed in a more equitable manner so that all sectors of society benefit and develop. With the

support of adequate infrastructure and government policy, fishing and its potential multiplier effects has the capacity to form a primary industry that, directly and indirectly, can generate income and employment for most of the island communities not directly involved in tourism activity (see Acemoglu, 2009; Acemoglu & Robinson, 2012; Kohn, 2009; Li et al., 2012; Teskey et al., 2012). However, this is not what has happened in the Maldives, at least during the 1970s–2000s period.

Arguably, this unbalanced development in fishing can be linked to insufficient policy initiatives to empower and develop fisheries in collaboration with the development of other areas, specifically education and tourism (in more recent decades) (MPND, 2007). For example, there are less incentives for private investors to invest in the fishing sector due to the weak legal arrangements and the lack of government policy frameworks (MPND, 2007; Acemoglu, 2009; Acemoglu & Robinson, 2012). The overall assertion here is that the Maldives could have lost its state capacity to provide structural solutions to eliminate certain obstacles despite the national resources that have been generated by tourism (see North et al., 2008).

Conclusion

This article has demonstrated that the Maldives has problems with the development that involves policy implications. The study—which looked at the timeframe between the 1970s and the 2000s—has identified inequality within different community units, representing unbalanced development of socio-economic utilities in the Maldives. It has presented a comprehensive literature review of theoretical links between governance, development and development policy using empirical studies of economies that have experienced economic inequality affected by the type of governance systems in place. It has provided a significant viewpoint to look at all aspects of development in order to address broader development policy issues of the society. It has explained that, by failing to govern national resource allocation and re-distribution, an economy can experience both development and underdevelopment; which can be used as a guide for policy makers in present and future political decision-making.

The empirical assessment of the socio-economic performance has found that the Maldives has achieved fast growth through tourism development since the 1970s and 1980s along with developmental problems faced by other areas, as manifested by the inequitable distribution of socio-economic resources and opportunities in Malé and the atolls. Distributional patterns or consequences observed here indicated that the government has not successfully developed an adequate socio-economic infrastructure, through sufficient public policy, to achieve balanced development of health and education in the atolls with respect to overall growth achieved. This forms a discriminatory economic system—encompassing a disappointing overall development in community-based activities.

The underdevelopment in the Maldives may not be seen as a consequence of tourism; but rather a result of broader policy issues with respect to the specific socio-economic areas discussed here. There are two possible ways to explain this.

- (1) The physical structure of tourism business has not allowed broader development.
- (2) The private money goes through institutions in Malé or directly to private accounts, limiting the possible equitable re-distribution of that resource for improving the performance of other areas.

However, this is insignificant with respect to socio-economic development responsibilities of the government. Obviously, it appears that national revenue coming from tourism has not been managed or redistributed with a broader developmental approach that addresses both macro and micro level economic issues faced by the society. Such a snapshot overview of developmental problems associated with policy issues rooted in a weak governance system in the Maldives can at best invite academic discussion and political debate on ways to further improve or review development policy approaches of the Maldives.

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Footnotes

¹ A process defined as the governance of other governance arrangements which involves a hierarchical political practice undertaken by the government to govern socio-economic activities for broader developmental purposes (see Bell and Hindmoor, 2009).

²The literature of geography and development reviewed in this thesis explains that economic systems located near the coast have development advantages such as access to low-cost transport. It also explains that the physical distance

between economic systems can affect such transport cost, depending on the strength of the markets in place (Garretsen et al., 2011; Henderson et al., 2001).

³ The Maldives did not have a general tax system that could be used to calculate the income levels of different income units. It was only during 2010–2011 that the government introduced a tax regime for the first time (Maldives Inland Revenue Authority, 2011).

⁴ The government of the Maldives established a statistical department only in the early 1980s (see DNP, 2005). Most of the social and economic data are available from this date onwards. This further limited the datasets built by international bodies including the UN and the World Bank.

⁵ The 2006 official census shows that the population growth rate has decreased and stabilised since the 1980s (DNP, 2011a).

⁶ Community fishing has indirect ‘multiplier effects’ upstream and downstream of the production activity. The underlying claim here is that although fishing activity alone may make a relatively small contribution to the GDP, other activities that occur in connection with fishing could generate income and employment, alleviating poverty and food insecurity in small communities (see FAO, 2013a, 2013b).