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Maldives Human Development Report 2014

Bridging The Divide :
Addressing Vulnerability, Reducing Inequality

Summary

Maldives
Human Development
Report 2014

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Addressing Vulnerability, Reducing Inequality

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FOREWORD

Since the launch of its first National Human Development Report (NHDR) in 2001, the Maldives has undergone a period of significant economic growth and human development. This beautiful, small island nation graduated from the Least Developed Country (LDC) status to Middle Income Country (MIC) status in 2011, and has attained a Gross National Income (GNI) per capita of US\$ 5,750 in 2012. Having met five out of the eight Millennium Development Goals (MDG) targets ahead of the agreed timeline of 2015, the Maldives is considered as a 'MDG plus' country, with life expectancy of 73 years for men and 75 years for women. The number of enrollment of school children for both primary and secondary schooling increased remarkably from 2004 onwards and has consistently been close to 100 percent among both girls and boys. At the same time, the Maldives also made strides in embracing multiparty democracy and consolidating democratic principles. A new constitution, ratified in 2008, paved the way for separation of state powers, introduction of multiparty elections, establishment of independent institutions, decentralized governance and a comprehensive bill of rights and freedoms for its citizens.

Amidst these notable achievements in the past decade, the second National Human Development Report for the Maldives – 'Bridging the divide: addressing vulnerability and inequality' – finds that ensuring equitable distribution of developmental gains amongst the Maldivian people has proved to be a challenge. At the same time, the country remains vulnerable to internal and external shocks, including the impact of climate change.

During the process of selecting the theme for this second NHDR, vulnerability and inequality were repeatedly mentioned by many as a relevant and suitable topic for the report, suggesting the growing awareness and concern among the Maldivian people. By establishing, for the first time, a sub-national Human Development Index, the report confirms that the spatial disparity between the capital, Malé and the atolls contributes greatly to the human development gap, mostly in the form of income and education choices. For instance, a person living in Malé is likely to complete three years more of schooling than someone living in the atolls, and the average income of a person living in Malé is nearly twice as high as that of a person living in the atolls.

In order to sustain the development gains of growth, decision makers are encouraged to implement appropriate policy interventions for greater equity

and inclusivity. Incidentally, this year's Global Human Development Report, which is to be launched by the Human Development Report Office of UNDP New York in mid-2014 will share a similar theme, 'addressing vulnerabilities and building resilience'. This means that for a number of countries, particularly emerging economies with fast growth, ensuring equitable sharing of development gains while reducing vulnerabilities is a common challenge. The Maldives is not alone.

Of the many recommendations made in the NHDR, the report emphasizes the need to establish a framework on equality and vulnerability that can guide the development of inclusive policies and measures for action, and that which effectively target on helping vulnerable groups. Furthermore, to address vulnerabilities related to location, scarcity of resources, and accessibility to services demands, it recommends that the Government put in place improved spatial planning and policy-making mechanisms.

Throughout the long history of NHDRs, one fact remains consistent – that NHDRs are not simply publications. They are dynamic advocacy tools, which are created through a process of broad participation and active engagement within countries and across regions. The NHDRs offer flexibility, and because they are grounded in national perspectives and issues that matter to people, the Human Development Reports are ideally placed to make substantial impacts on policies and practices.

The second Maldives NHDR aspires to do the same. Countries around the world continue to produce the NHDRs, despite the fact that these efforts require considerable investment. They produce NHDRs because they find them useful. Development cannot be achieved without data. Data – both qualitative and quantitative – is important for understanding problems, tracking progress and analyzing policy impacts. Many studies indicate a strong correlation between national data collection and analysis capacity and the quality of public service delivery. NHDRs are aimed at influencing public policy discourse through the generation of evidence for sound policy formulation and often times, informed Government resource allocation for more equitable national development and attainment of MDGs.

The Maldives is facing a set of difficult fiscal challenges. At a time of resource limitations, informed decisions and evidence-based choices and targeting needs to be undertaken, in order to ensure the optimal use of available resources for greater impact. With the level

of commitment demonstrated by senior national policy makers and stakeholders throughout the process of making the second NHDR, I am confident this NHDR will bring about policy debates and informed decisions in moving forward.

We would like to sincerely thank members of the NHDR research and drafting team led by Aishath Raniya Sobir and the content editor, Nandini Oberoi, who worked tirelessly for the production of the report. This report would have not had the level of substantive richness and analytical rigour without the consistent guidance from the National Steering Committee, Dr. A. K. Shiva Kumar, an independent peer reviewer with many years of experience in the area of human development and the writing of human development reports, both at the global and at the national level, the National Statistical Advisory Committee, and UNDP colleagues from the Asia and the Pacific Regional Center in Bangkok, International Centre for Human Development in New Delhi and the Human Development Report Office in New York.

We also extend our gratitude to national stakeholders who contributed to the theme selection, data gathering and validation of data analysis. Bihura Studio and Novelty Printers & Publishers provided timely design and publication support. Lastly, I'd like to particularly thank the core-team comprised of Deputy Minister, Abdul Haleem Abdul Ghafoor, and his team members, Mohamed Imad, Fathmath Shafeega, Aishath Shahudha and Ahmed Naeem in the Ministry of Finance and Treasury and Athifa Ibrahim and Mohamed Naahee Naseem in the Policy and Inclusive Growth Unit of UNDP Maldives, who have coordinated various efforts to ensure the timely and quality publication of the report and the dissemination of knowledge.



Ms. Azusa Kubota,
Resident Representative a.i.
UNDP Maldives

FOREWORD

It is an honor and great privilege for me to introduce the second Maldives National Human Development Report (NHDR) – the first report of this nature was launched in the country more than a decade back.

Since the introduction of the idea of Human Development by the United Nations Development Programme (UNDP) under the leadership of late Mahbub-ul-Haq in the year 1990, the Human Development Reports that had been produced by UNDP have aimed at putting people at the centre of the development debate. Each report that has been published – regardless of the region of origin – has attempted to address key subjects and issues pertaining to developmental challenges that face the people and provided path-breaking analysis and policy recommendations.

In similar discourse, the second Maldives NHDR focuses on addressing inequality and vulnerability. Through critical analysis and the study of data obtained through a well-organized and strategic survey, the NHDR has painted a comprehensive picture of the country in terms of inequality and vulnerability. Based on its findings, the report has enumerated a number of key policy recommendations such as improving spatial planning, establishing efficient governance mechanisms and advocated focusing on improving the justice sector.

The Government of Maldives remains committed to serving its people. It realizes the aspirations, needs and hopes of the Maldivian people. The recommendations made in the report would further strengthen the Government's efforts in responding to these aspirations and to the needs and hopes of the people. The Government continues to be committed to work for sustainable development. The NHDR stresses that the key priority for the Government is to address the current economic situation and to achieve fiscal stability, a task that we are working towards.

On this note, on behalf of the Government of Maldives, I would like to thank the UNDP for their continued support and their role as a key partner in the development of the country. I also express my profound gratitude to the entire team behind the development of the second Maldives NHDR for their determination and perseverance in developing such a quality and informative document.

I am optimistic and hopeful that the second NHDR will provide a sound basis for the Government of Maldives to pursue the objectives and goals that are required for further improving the human development status of all citizens in the country.



Honorable Mr. Abdulla Jihad
Minister of Finance and Treasury
Government of the Maldives

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REGIONAL AND ATOLL CLASSIFICATIONS

R1 - Region 1

HA - North Thiladhunmathi (HaaAlifu Atoll)
HDh - South Thiladhunmathi (HaaDhaalu Atoll)
SH - North Miladhunmadulu (Shaviyani Atoll)

R2 - Region 2

N - South Miladhunmadulu (Noonu Atoll)
R - North Maalhosmadulu (Raa Atoll)
B - South Maalhosmadulu (Baa Atoll)
LH - Faadhippolhu (Lhaviyani Atoll)

R3 - Region 3

K - Malé Atoll (Kaafu Atoll)
AA - North Ari Atoll (AlifuAlifu Atoll)
ADh - South Ari Atoll (AlifuDhaalu Atoll)
V - Felidhu Atoll (Vaavu Atoll)

R4 - Region 4

M - Mulakatholhu (Meemu Atoll)
F - North Nilandhe Atoll (Faafu Atoll)
DH - South Nilandhe Atoll (Dhaalu Atoll)

R5 - Region 5

TH - Kolhumadulu (Thaa Atoll)
L - Hadhdhunmathi (Laamu Atoll)

R6 - Region 6

GA - North Huvadhu Atoll (GaafuAlifu Atoll)
GDh - South Huvadhu Atoll (GaafyDhaalu Atoll)

R7 - Region 7

GN - Fuvahmulah (Gnaviyani Atoll)
S - Addu Atoll (Seenu Atoll)

INTRODUCTION

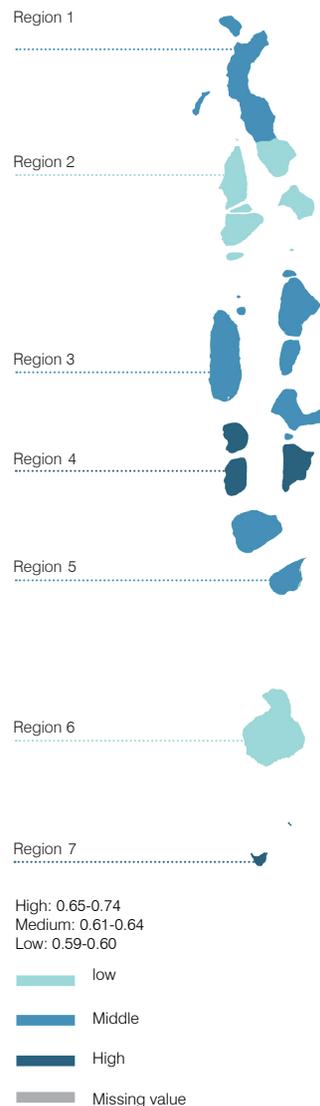
The decade since the first national Human Development Report of the Maldives (2001) has seen major gains and progress, both on the economic front and in human development indicators. The per capita gross national income (GNI) has almost doubled and now stands at US\$ 5750.

Social indicators in the Maldives have shown significant improvements in the last decade. The Maldives has met five of the eight Millennium Development Goals (MDGs) ahead of the agreed timeline of 2015 and has been labeled as a 'MDG plus' country, showing potential to go beyond the agreed MDG targets. The country lags behind on MDG 3 – Promoting Gender Equality and Empower Women, MDG 7 – Ensuring Environmental Sustainability and MDG 8 – Global Partnership for Development. During the ten-year period 2001 to 2011, life expectancy at birth increased from 70.2 years to 72.83 years for men and from 70.7 to 74.8 years for women. It has seen significant improvement in the Infant Mortality Rate (IMR) and Maternal Mortality Ratio (MMR). The year 2000 saw the achievement of a major milestone in the education sector, in the Maldives, when the goal of universal primary education was realized. For the period 2001 to 2011, enrolment of both boys and girls has been maintained at close to universal level, at the primary stage and has increased substantially at the secondary level as well.

The country has witnessed a major overhaul of its governance structure as well, in recent years with the ratification of the current constitution in 2008, the separation of powers (of the executive, judiciary, and legislature), multi-party elections, decentralized governance and a comprehensive bill of rights and freedoms for its citizens. In November 2008, the first democratically elected President of the Maldives was sworn into office, after a multi-party election under the 2008 Constitution, ending a 30 year rule by the previous President.

The national-level Human Development Index (HDI) for Maldives (2012), shows that it is placed in the medium human development category, with a HDI value of 0.688. From 2000 to 2012, Maldives experienced an average annual increase of 1.26 points in the HDI, positioning the country at number 104 out of 187 countries (for which the HDI was able to be calculated). This value puts the Maldives above the average value of 0.64 for countries in the medium human development group and above the average value of 0.558 for countries in South Asia.

Figure 1 Regional Human Development - Disparities in Income, Education and Health Indices



Source: Annex II, Table 1

► NATURE AND TYPES OF INEQUALITY IN THE MALDIVES

Human development performance in the Maldives demonstrates progress as well the underlying inequalities that face the population. Unpacking human development drivers and performance at the sub-national level reveals spatial disparity between the capital Malé and the atolls, mostly in income levels and education choices. A person living in Malé is likely to complete three years more of schooling than a person living in the atolls. This is largely due to the lack of higher secondary and tertiary education facilities in the islands. The per capita income for the seven regions in the country, estimated applying categorization of income variation from the Household Income and Expenditure Survey (HIES) 2009/2010 data shows that the average income of a person living in Malé (PPP \$4251.90) is likely to be more than one and a half times as that of a person living in the atolls (PPP \$2687.30). Concentration of tourism and connectivity are key drivers of economic performance in the country.

This report presents for the first time the HDI at the regional level for the Maldives. The HDI value for the capital, Malé is at 0.734 compared to the cumulative HDI value of 0.627 for all atolls, excluding the capital.

Among the regions, Region 4 (Meemu, Faafu and Dhaalu atolls) tops the HDI performance with a HDI value of 0.654, followed by Region 7 (Gnaviyani and Seenu atolls) at 0.647, which is in the high human development category. Region 3 (Kaafu, Alif Alif, Alif Dhaalu and Vaavu atolls) comes in at third place with an HDI of 0.644 (Figure 1). Region 4 has the highest mean years of schooling and expected years of schooling, whereas the advantage that Region 7 has is mainly due to the relatively higher life expectancy and years of schooling. Income performance is better in Region 3 compared to both Region 4 and 7; which is due to the concentration of tourism and tourism related services. The lowest HDI performance is found in Region 6 (Gaafu Alif and Gaafu Dhaalu atolls), which is mainly due to the low performance in the education index (the region has the lowest mean years of schooling). Region 2 has the lowest income index.

The life expectancy index value remains consistently above 0.800 across all regions. However, surprisingly, the atolls have a higher average life expectancy than in Malé. For the atolls, the life expectancy index is 0.875, while for Malé it is at 0.841. The lower life expectancy in the capital is due to the high death rate in Malé. The death rate in Malé remains higher because it has the country's only tertiary hospital and a high number of patients are treated in Malé, which also results in a higher number of deaths recorded (deaths are recorded by place of occurrence).

▶ CONNECTING INEQUALITY AND VULNERABILITY

Vulnerability is the probability or risk today of being in poverty or of falling into deeper poverty in the future. Generally, the term vulnerability refers to exposure to contingencies and stress, and the difficulties in coping with them. Vulnerabilities impact inequality at the micro-level among individuals, households and communities and they have macro-level impact in the form of state's ability to address or reduce inequality (Figure 2).

There are two types of vulnerabilities that are considered in this report. Structural vulnerabilities, those that the country faces particularly as a Small Island Developing State (SIDS) such as economic vulnerabilities due to high external dependency and narrow growth base and physical characteristics i.e. small size, lack of land and natural resources as well as the low lying geographical situation of the country, which makes it among the most vulnerable countries in the world to climate change and an increase in the sea level.

The second type of vulnerability is defined in terms of risks such as macro-economic shocks, natural disasters, health hazards and personal insecurities. These risks can be understood in the Maldives context through the multiple economic, political and social transitions that the country has seen in recent years and specific events like the tsunami and the global financial crisis.

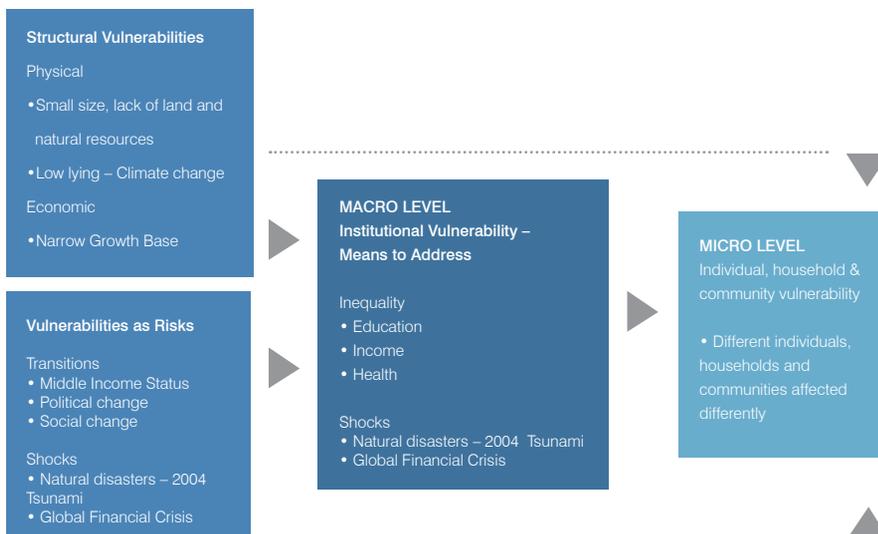
The Maldivian economy has been dominated by the tourism sector since the 1970s. The share of tourism in GDP has remained high at almost 30 percent for the past two decades. The share of the primary sector (including fisheries and agriculture) has declined over the years. The Maldives is extremely dependent on food and energy imports. It is estimated that the Maldives

produces less than a tenth of its food requirements. Most of the food products including all staples (rice, flour and sugar) are imported. Being dependent on fuel imports makes the country vulnerable to international fuel price fluctuations. This is evident from the sharp increase in fuel expenditures as a percentage of GDP in recent years. In 2012, the Maldives spent USD 474.6 million on fuel-based imports (excluding bunker fuels), which accounts for about 35 percent of the GDP of the country. The graduation to a middle income country and the impact of the global economic crisis are events that highlight risks or shocks to the economy. The international financial crisis resulted in a negative GDP growth of 5 percent in 2009. Public finances were strained by the fall in government revenue (tourism revenue declined substantially as resort lease rents were waived for struggling properties and bed tax receipts fell from loss of arrivals).

Economic recovery picked up in 2010 and there was a gradual resumption of the levels of tourist arrivals indicating signs of resilience. On the other hand the economy continued to be weighed down with macro-economic instability. The budget constraints resulting from the worsening fiscal deficit and the debt conditions continuing from the impact of the global financial crisis, still pose major challenges. These impact the Government's ability to address issues of quality health care, education and unemployment especially in the far-flung islands.

Institutional vulnerability is characterized by structural vulnerabilities and various shocks and transitions that impact the state's ability to address inequalities and promote human development. For example, the geographic or spatial dispersion of the population poses major challenges to policy makers in the delivery of high quality services such as education, health and other infrastructure such as power at economical costs. Similarly, economic vulnerability and the economy's high dependence on imports affect the country's overall economic performance, which in turn affects

Figure 2 Vulnerability Links to Inequality at Macro and Micro Level



the government's revenue sources and tax reserves and its ability to deliver services or implement inequality reducing interventions. Institutional vulnerability has been affected by the recent democratic transition, political instability and the constant friction between the executive, the legislature and the judiciary.

The fast pace of change taking place in the Maldives including economic growth, changing rural and urban dynamics, the high rate of migration to Malé and high rate of growth of population in the city as well as the rapid overhaul of the governance system has meant that many adjustments are taking place in society. Disparities in access to services and uneven development reinforce divisions between those from the capital Malé and the atolls. Coupled with this, there are major issues associated with drug abuse particularly among youth and increasingly children as well as gang activities and growing crimes. A recent study on gangs in Malé reported that there are between 20 and 30 different gangs operating in Malé with 50 to 400 members in each group.

Consultations conducted for this report, across the Maldives depict a vicious cycle that children and youth often find difficult to break. Children from broken families or those with parents on substance abuse are affected very adversely. They face neglect and often become the centre of disciplinary issues in school. As a result they under-perform in school, face suspension, low attendance and the risk of expulsion. Many drop-outs from school become exposed to drugs and drug dealing and become involved in crimes. With their criminal records, young people recovering from drug use or exiting gang life, find it difficult to find jobs, rehabilitation and or any other support system. Many feel that they are rejected by their families, friends and by society as a whole. Inability to break the cycle often leads to them facing problems in relationships like marriage, incidents of domestic violence, which in turn reinforces the cycle.

► DRIVERS OF INEQUALITY AND VULNERABILITY

In order to address vulnerability and inequality in the Maldives, it is important to understand the common factors that drive vulnerability and inequality. The findings of this report suggest that spatial setting, income and age/gender are core factors which affect institutional vulnerability, the state's ability to address inequality which in turn drives inequality among certain groups, households and communities (Figure 3). The first – and most influential – driving factor is spatial setting or location. Where one is born within the Maldives determines many of the opportunities and choices available to a person. Remote islands with small populations have limited access to services including schooling, healthcare, social services, job opportunities and face overall isolation. Spatial background poses a major challenge for institutions and policies to impact communities as well as to build up infrastructure (such as airports and connectivity links) to enable equitable human development. Low

performing regions in the HDI like Region 2 (Noonu, Raa, Baa and Lhaviyani atolls) for example faced high

Figure 3 Spatial Setting, Income and Identity drive Inequality and Vulnerability



dispersion of population across many islands. A second tier of vulnerability arises from income, wealth and employment status and stability. Income status determines the ability to better services through enhanced capability to move and seek quality services where they are available. The main source of disparity between Malé and the atolls was found in income in the regional analysis of HDI performance highlighted above.

The third tier of vulnerability is ascribed to age and/or gender. Those in their school graduation years and the elderly are widely perceived to be the most vulnerable. Young people are at risk of facing joblessness and are exposed to substance abuse and related crimes. The elderly face health risks, neglect from families and low social status. Similarly, women face extreme vulnerability due to multiple risks—acutely so if they do not hold jobs and are not financially independent or are single mothers.

► ADDRESSING INEQUALITIES IN INCOME

To address income inequalities and reduce poverty in the Maldives, it is important to look at some of the lessons we can learn from the last decade. These include the success in expanding tourism, fiscal consolidation and macro-economic stability and the sustained interventions to reduce poverty.

The growth of tourism has been led by the private sector and the partnerships government was able to foster with the private sector. Especially in its formative years, tourism in the Maldives benefited from the absence of taxes, and the fact that the rent on the islands was kept low. Islands were leased in a controlled manner so as not overwhelm the private sector and investments in tourism development. Interventions in market development and product innovation contributed to

the growth of the tourism and Maldives has emerged as a high-end brand destination. The resilience of the tourism sector has been noted in the speed by which tourist arrivals bounced back following the global financial crisis and the 2004 tsunami. Diversification has been the strategy that enabled the Maldives to weather such shocks. Despite the slump in European economies since the 2008 global economic crisis, the sector has been kept buoyant by arrivals from alternative markets, primarily China and to a lesser extent, India and Russia. Between 2008 and 2012, the market share of visitors from the Asia and Pacific region grew from 22.9 percent in 2008 to 40.1 percent in 2012.

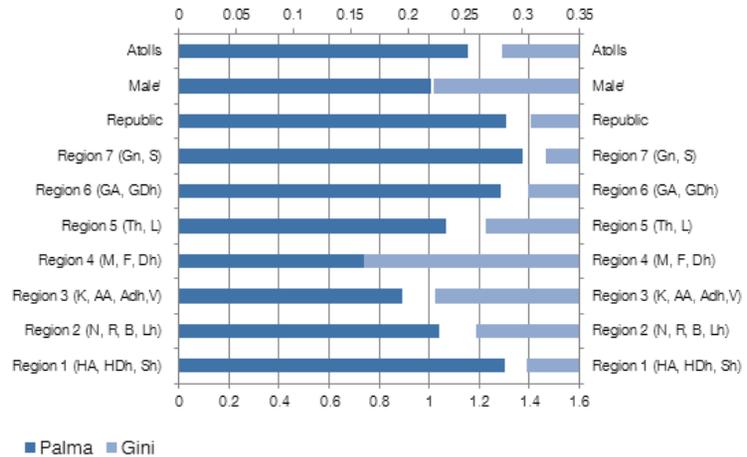
Similarly, the manner in which Government committed to broader programme of fiscal and monetary consolidation that reversed the trend of rising fiscal deficits in the early 1990s yield important lessons. The Maldives suffered from severe macro-economic imbalances with large fiscal deficits and strong pressure on its balance-of payments, which was associated with the sharp decline in tourist arrivals due to recession in the European economy, the Gulf War, and reduced world tuna prices. As a result of the government's fiscal interventions, the fiscal deficit as a percentage of GDP declined to about 2 percent in the mid 1990s (1996-97) from about 10 percent in the early 1990s (1990-93). This was achieved enhancing government revenue and trimming government expenditure, including wages and salaries. The deficit was kept below 5 percent, from late 1990s until 2004.

Sustained investments to reduce poverty by increasing access to services and expansion of tourism in the atolls reveal successful outcomes. The Vulnerability and Poverty Assessments (VPA) of 2004 showed that poverty has declined rapidly since 1997 and indicated that by mid-2005 absolute poverty had effectively been eliminated, using a poverty line of US\$ 1 per day at Purchasing Power Parity (PPP), or MVR 4.34. In recent years, the Household Income and Expenditure Survey (HIES) 2009/2010 data shows that using the MDG poverty line of US \$ 1.25, the incidence of poverty dropped from 9 percent to 8 percent between 2003 and 2010. For the atolls (excluding Malé), poverty incidence dropped from 12 percent to 8 percent.

To address inequalities in income, it is important to understand the nature of persisting inequality in the Maldives. Although poverty reduction has proven to be substantial, there are regional disparities in income and poverty, which require attention. The Gini coefficient for the Maldives show a decline from 1997 to 2004 from 0.42 to 0.41 and further to 0.37 in 2009/2010. On closer examination of the Gini coefficient, it is seen that income inequality shows an increase in the capital Malé and shows a decline in the rest of the country (in the atolls), over the same period (1997- 2004, and 2009/2010). This report attempts to investigate inequality further by the study of the emerging measure of the Palma Inequality Index based on the observation of Gabriel Palma that the middle classes tend to capture around 50 percent of national income, so that distributional politics can be thought of, simplistically, as determining the split of the remaining half of national income between the richest 10 percent and the poorest 40 percent. In

the Maldives, inequality is higher when considering the concentration and variation of the income of the top 10 percent and the bottom 40 percent across the republic, the atolls and in the capital Malé. Except for Region 4, (Meemu, Faafu, Dhaalu atolls), the region

Figure 4 Comparing the Gini to the Palma Index 2009/2010



Source: Department of National Planning, 2012

with the highest HDI, all regions show higher level of inequality when measured using the Palma index (see Figure 4).

In order to address income inequality, three key issues have been examined in the report. These are enhancing the benefits of tourism to the wider population through physical expansion of hotels outside the Malé region, investigating the problem of limited livelihood opportunities available to local people in the tourism sector, developing options to increase participation of private sector and investors in tourism, so as to break the current oligarchy, where five to six groups dominate the industry. An important recommendation is to introduce employment friendly policies to enhance absorption of youth and women into the sector.

Recent assessments show that poverty and inequality are an increasingly urban phenomenon in the Maldives. Poverty incidence increased for the capital Malé from 2 percent in 2003 to 7 percent in 2010. As mentioned earlier, inequality levels increased as per the Gini Index from 0.35 in 2002/2003 to 0.38 in 2009/2010 (HIES 2009/2010). One reason for this is the influx of migrant families to Malé from the atolls. This is due by disparities in education, health and employment opportunities, which are better in the Malé region. In 1995, 45 percent of the population in Malé consisted of migrants. In 2006, the proportion of migrants in Malé was 53 percent. Urbanization has driven wealth inequality as well, as landowners in Malé benefit from property and rent increases, at the expense of migrant families moving from the atolls.

The report recommends that more information be collected to investigate the nature of poverty facing the

urban population in the Maldives. At present, there is a lack of data on migration, as well as on the duration of stay and conditions of stay. The Government needs to recognize the importance of the issue and focus on urban planning and urban management as a priority.

The high level of unemployment and discouragement in the capital has implications on the widening inequality between households. According to the international definition, an unemployed person is one who is willing to work and available to do so at short notice and is 'actively looking for work'. By this definition, the unemployment rates in the Maldives are very low. This is because although many people are not currently working, they are not 'actively seeking work'. Discouraged workers are those individuals of working age, who are not in education, retired or doing household or care activities, but who have not sought employment during the last two weeks, because they have been unable to find suitable work, or because opportunities are lacking. Under the broad definition, unemployment rate among atolls is even higher at 34 percent compared to 17 percent in Malé, in 2010. Similarly, the female unemployment rate is much higher at 31 percent compared to the male unemployment rate (24 percent in 2010). The female unemployment rate was highest in the atolls, in 2010 at 42 percent.

Expatriates have come to dominate the labour market. In 2006, there were 53,901 expatriate workers in the Republic, compared with 98,941 employed Maldivians. By 2009-2010, this figure had risen to 73,840, while the number of employed Maldivians had dipped marginally to 95,085. The expatriate labour force is expected to be even higher, if the number of illegal migrants is taken into account. Jobs in the sectors that are expanding are increasingly going to expatriates rather than to Maldivians.

An employment strategy is required to address this issue, with an integrated development policy framework and an articulation of multi-dimensional policies. At the moment, most people interviewed for this report said that there is an absence of a conducive policy environment to foster employment. Policy priorities have not resulted in focused, consistent and long-term plans. Limited dialogue exists between strategic stakeholders including different line ministries and with the private sector. According to most informants, the relevant policy making bodies experienced a number of mandate changes over the past years and the issue of unemployment has not been taken up as a priority for policy action and planning. The unemployment issues specific to the Maldives need to be addressed through revisions in the education system and through skill development programmes, which target the gaps in the various industries. Society should be encouraged to respect those employed and not dismiss semi-skilled or non-white collar jobs. Policy makers need to make interventions to make the labour market more inclusive by putting in re-integration programmes for recovering drug-use offenders, juvenile offenders and differently-abled people.

▶ REDUCING INEQUALITIES IN EDUCATION

There has been continuous expansion in the access to education and the building up of human capital in the Maldives. To develop effective policies and examine what works, it is important to look at some of the early lessons in the education sector. Significant progress towards equitable access to education has been achieved through overcoming geographical, income and barriers of age and sex. One of the earliest attempts to achieve equitable access to education in the Maldives was through the formalization of the education system by establishing a unified education system, to promote more equitable distribution of facilities. The focus of the policy was on a unified curriculum for grades 1-7, improving teacher training and upgrading or establishing new schools in the atolls. A milestone towards achieving equitable access to education came at the turn of the millennium. The Maldives achieved universal primary education in the year 2000, when primary education was made available on every inhabited island.

The Maldives enjoys higher primary enrolment than is predicted for the country's level of per capita income and outperforms many small island nations that are considerably wealthier, such as Antigua and Barbuda, the Bahamas, Malta, Mauritius, Seychelles, and Trinidad and Tobago, in primary education attainment. Lower secondary education enrolment is high as well. The net enrolment rate at lower secondary education is 83.6 percent, with the net enrolment rate for boys at 81 percent and girls' enrolment at 87 percent. To enable these achievements, the income barriers to education were successfully overcome. Primary and secondary education is free. Since 2008, the Government provides textbooks and learning materials. Special facilities are available for families who need assistance to cover the cost of school uniforms. The examination fees are paid by the Government for all students who are enrolled in public schools. This has reduced the financial burden for poor parents and led to sustained high enrolment rates.

These achievements have been made possible by sustained investments in education. Spending by the Government on education increased significantly in the 1990s. In 1992, approximately 20 percent of government revenues went to finance education, a significant increase over the 1982 figure of 8.5 percent. Government expenditures for education increased from US\$ 18.9 million in 1995 to US\$ 169.4 million in 2009, a nine-fold increase.

Disparities in education are mainly visible in the mean of years of schooling, higher education enrolment and quality of education. While children in Malé complete on average close to eight years of schooling, in the republic as a whole the figure is about six years. The lowest number of years of schooling was seen in Region 6 (Gaafu Alif and Gaafu Dhaalu atolls) 3.45 years and in Region 2, (Noonu, Raa Baa and Lhaviyani atolls) where the figure was 4.21 years. The average for the atolls is 4.62 years. One reason for these extremely low figures could be the high levels of out-migration from these atolls to the capital Malé, especially among

children and families seeking better quality education. One of the challenges facing the Maldives is the sharp drop in the enrolment rate after secondary education. From an enrolment of 106 percent at the primary school level, enrolment first increases to 117 percent at the lower secondary level, after which there is a sharp drop at the higher secondary school level to 21 percent and then to as low as 3 percent at the higher education level. The main reason for the sharp drop in participation at the higher secondary level is the limited number of schools offering education in grades 11-12.

With regards to quality of education, national assessments indicate low achievements at all levels of education while a major difference exists in the quality of education between Malé and the atolls. Lower secondary attainment rates are of great concern. Lower secondary achievement rate for Cambridge IGCE/GCE was only 27 percent of students achieving a pass (Grades A-C in 5 subjects or more) in 2008. There has been some improvement in the achievement rates from 2009 onwards till 2011. But 16 percent of the students did not achieve a single pass in 2011 despite an 8 percent improvement since 2008. Quality of teachers is of vital importance to the performance of schools and the quality of education. In 2011, 15 percent of teachers were untrained, although this figure has dropped to 5 percent in 2012, due to intensive training programmes undertaken by the Government. The majority of untrained teachers are found in the atolls (336 out of 370 untrained teachers); as most of the trained teachers prefer to work in Malé (in the atolls, 13 percent of teachers are untrained as compared to two percent in Malé (Education, 2012). There is an acute shortage of local teachers which results in high reliance of expatriate teachers. Close to 30 percent of teachers were foreigners and 84 percent of expatriate teachers were deployed in the schools in the atolls in 2012, as local teachers were less willing to work outside of the capital Malé. Expatriate turnover is high which poses costs to the system and the students in terms of loss of school days and school work. The perception from the focus group discussions was that expatriate teachers especially those deployed in the atolls often lack commitment and motivation. It was felt that expatriate teachers sometimes do not engage sufficiently to understand the local curriculum and the cultural context and the quality of education may suffer as a consequence. The Maldives is often regarded as a transit point for foreign teachers to get sufficient experience after which they seek jobs in other places/countries.

To expand education opportunities and bridge education gaps between the capital and the atolls, it is important for the government to examine innovative financing mechanisms such as public-private partnerships (PPP). Technical and Vocational Education (TVET) is another important category, that aims to create a skilled workforce to meet the labour market demands, which is critical for the Maldives, given low labour force participation rates particularly among youth and women. Like the rest of South Asia, Maldivians consider the pursuit of vocational training and skills as being inferior to pursuing academic degrees, because white-collar jobs are preferred by the general population. Due to this, the demand for vocational subjects in colleges and institutes is

lower than for academic subjects. The development of soft skills, especially in schools, through a variety of activities like co-curricular and extra-curricular activities is also essential for employment.

► CLOSING THE GAP IN HEALTH PROVISIONING

Significant advances underlie the progress in health provision in the Maldives. In order to understand how these gains have come about, the report looks at some of the successful interventions made in the health sector. The Maldives has maintained almost universal coverage for all vaccines for preventable childhood diseases for nearly two decades. Data shows that, 89 percent of children aged 12-23 months were fully vaccinated by 12 months of age (USAID, 2009). The per capita expenditure on the health sector in the Maldives is cited amongst the best practices in the South East Asia region. In the period 2005-2011, per capita health expenditure increased from US\$ 136 to US\$ 247. Notable achievements have been made in the control of communicable diseases as a result. Per capita expenditures on health have risen steadily from about \$60 in 1995 to an estimated \$200 in 2007 (there was, however, a dip in the year 2001). Most of the increases took place in the years after the tsunami, with per capita spending doubling to an average of \$211 during 2005-2009, from an average of \$97 for the years 2000-2004. Expenditures made included upgraded buildings for island health posts and additional staffing, especially in 2008 and 2009 (some of these expenses were undertaken because it was an election year).

Recent years have seen a major expansion of health service delivery in the country with more focus given to curative health care. The Maldives has one of the best doctor-to-population ratios amongst its neighbours and other small island countries. In 2005, there were 379 medical doctors with a doctor-to-population ratio of 1:775, while in 2010 there were 525 doctors with a doctor-to-population ratio of 1:609, making the physician density (per 1000 population) as much as 1.642.

Disparities in health outcomes are prevalent in nutrition status and quality of care particularly between the capital Malé and the atolls. Three important indicators of malnutrition in children are general malnutrition (low weight for age), stunting (low height-for-age) and wasting (low weight-for-height). The Multiple Indicator Cluster Survey (MICS)-2 2001/ Maldives Demographic Health Survey (MDHS) 2009 surveys revealed that amongst children general malnutrition reduced from 30.4 percent to 17.3 percent, stunting reduced from 24.8 percent to 18.9 percent and wasting reduced from 13.2 percent to 10.6 percent over the period 2001 to 2009. Regional variation in nutritional status of children is substantial, with stunting being highest in the North Central Region (23 percent) and lowest in Malé and the North (16 percent).

Non-Communicable Diseases (NCDs) impose the largest health burden in the Maldives, in terms of the

number of lives lost due to ill-health, disability and early death. NCDs require specialised and expensive service including health experts, machines and infrastructure. There is a major disparity in the quality of services available to address NCDs between the capital, Malé and the islands. Many of the islands have impressive buildings but the health resources are missing. Quality of service is largely constrained by the lack of competent doctors and nurses available and their willingness to reside in the islands. Other issues include the lack of maintenance of infrastructure and machinery in the health facilities on these islands.

An important issue is the fairness or equality of a country's health financing arrangements. The amount people pay for health care through the various sources of financing out-of-pocket payments, private insurance, social insurance, and taxes—affect the amount of money they have to spend on things other than health care. The Maldives has seen health expenses rising through the decade, as the trends in health expenditure for households suggests, and household expenditure increased at a much faster pace than Government expenditure. As a result, out-of-pocket (OOP) expenditure for Maldivian households in 2011 reached 49 percent of the total health expenditure in the country.

The report highlights the financial feasibility of the national health system based on curative service being provided to 200 islands. The growing cases of NCDs and the ageing population trends poses a major financial burden for the national health accounts. To address ongoing financial constraints in the health sector and potential pressures in the future, it is recommended that innovative financing schemes and the use of technology be explored in the Maldives. Innovative financing can be explored through establishing partnerships with the private sector. For example the Maldives Economic Diversification Strategy discusses opportunities to leverage investments in the health sector through health tourism. 'Health tourism' is already established in South Asia and the Maldives has potential to tap on its natural beauty, pristine environment, and serenity to establish itself as a future destination for wellness and health tourism. This can reduce the leakages in the health sector caused by medical care sought abroad by the local people themselves.

Another option to address health financing is to explore the use of technology in service delivery. One such channel is telemedicine, which can help to extend consultations and service provisions to remote locations. Unfortunately in the Maldives, despite heavy investments, telemedicine service has not been operationalized. Given the demand for specialised health services particularly relating to NCDs, it is recommended that the project be revived and its potential be tapped.

The health sector in recent years has seen multiple transitions. These include the transition to a curative based system, corporatization of the health sector in 2009 and its subsequent reversal in 2011 (when the corporatisation strategy was rolled back) as well as the impact of decentralisation on health service delivery. The reorganization of the health system to

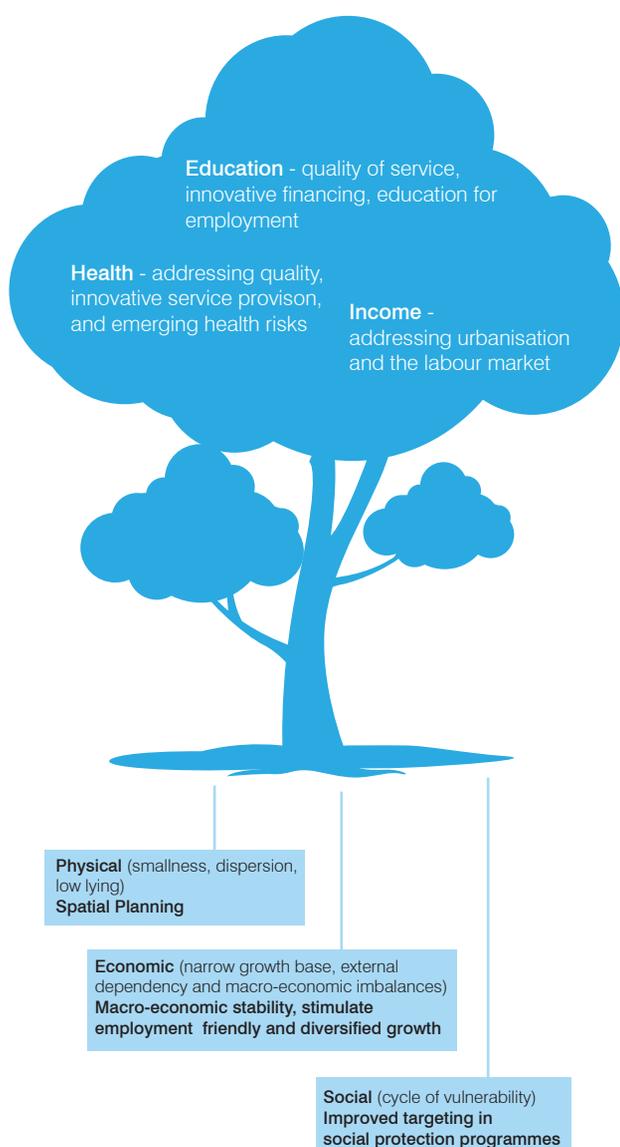
a curative based system poses many challenges for effective service delivery. Many believe that the strong foundation of primary health care system, which has been successfully established in the Maldives over the past three decades, has been disintegrating as primary health care is no longer the focus of the health sector. It is important to strengthen and develop management capacity in the health sector with improved reporting and accountability mechanisms. There is a need to develop a common vision among health professionals, policy makers and service providers on the priorities of the health sector.

The health system needs to take into account the emerging health risks among the population. Climate-related health risks demand enhanced community action and prevention. In the recent dengue epidemic in 2011, 32 people faced dengue shock syndrome. The increase in 'life style' diseases demands better awareness raising and prevention methods of NCDs including mental health, injury and disability prevention, with risk factors and the surveillance of NCDs. As mentioned before cardiovascular disease, cancer, chronic lung disease and diabetes are the major NCDs and the main causative factors are tobacco use, unhealthy diets and sedentary lifestyles. The high prevalence of drug use increases the incidence of psychological problems, which require counselling and community level support in rehabilitation and recovery. It is therefore critical that preventive health care be considered a priority and that public health services and professionals be reoriented to address the emerging health issues mentioned above.

► RECOMMENDATIONS - ADDRESSING THE PROBLEM AT ITS ROOT - 'KAMUGE ASLU BELUN'

The report stresses the importance of addressing the core vulnerabilities facing the Maldives in an attempt to reduce inequalities in human development outcomes. It emphasises that issues of physical, economic, institutional and social vulnerability must be addressed to implement policy reforms in the health, education, labour and urban sector and to sustain policy actions in these sectors.

Figure 5 'Kamuge Aslu Belun'
A Framework for Addressing the Roots of Inequality i.e Vulnerability



The solution lies in addressing the root of the problem (locally expressed as kamuge aslu belun), in building resilience through improved spatial planning, increasing targeting and effectiveness of social protection measures, restoring fiscal and macro-economic stability and diversifying the growth base. Most importantly, policy-making needs to be strengthened and institutions made stronger.

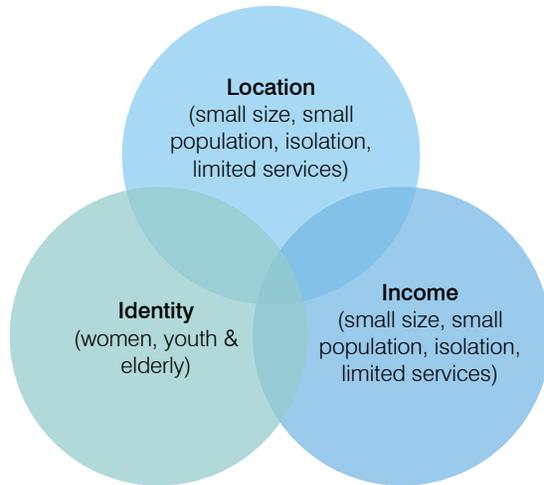
► IMPROVING CHOICES FOR THE VULNERABLE

The report presents a framework on equality and vulnerability that can guide the development of inclusive policies and measures for action. It identifies spatial factors, income status and identity, gender and demography, as the key variables that impact on vulnerability and inequality.

The report shows that the most vulnerable groups are those that face more than one impediment, for example of location, income and identity. It is therefore recommended that this framework be studied and built upon further, to better understand the vulnerable groups in the Maldives, the types of risks they face, their coping mechanisms and how development programmes and safety nets can be targeted towards improving their situation.

The report recommends that effective targeting be done to help vulnerable groups. The current basket of social protection programmes lacks an assessment of the social protection needs of citizens. Cash transfer programmes for specific groups of vulnerable persons have only recently been initiated (since 2009-10). Recent reforms in social protection involved introduction of universal programmes such as the universal health insurance scheme (Aasandha) and blanket subsidies for electricity. Although universal programmes are easier to administer, these programmes have some unfavourable implications. The first is the fiscal burden of these programmes. The Aasandha scheme turned out to cost more than anticipated; the allocation for 2012 (MVR 720 million) was exhausted by July 2012. Another implication is the absence of a redistributive effect of these schemes on the population. For example, the food subsidies provide essential food staples (rice, flour and sugar) to all, at low administered prices. As a result, even the resort sector (which by and large caters to an extremely high-end tourist segment) is eligible for food subsidies. Similarly, the electricity subsidy benefits all households in Malé and households as well as businesses in the atoll islands. The World Bank estimates from data in DHS 2009 show that 30 percent of the electricity subsidy benefits the richest income quintile, and only 12 percent of the benefits are received by the poorest quintile. It is therefore recommended that the social safety net programmes be restructured to account for various vulnerabilities that face the population, particularly based on location, income and identity, develop criteria and preferences around these aspects and improve the feasibility and impact of the programmes through targeting.

Figure 6 Interlocking Vectors of Vulnerability and Inequality



► IMPROVE SPATIAL PLANNING

To address vulnerabilities relating location, scarcity of resources such as land and people, accessibility to services demands putting in place improved spatial planning and policy-making mechanisms. This is imperative in order to manage the quality of life on both rural and urban locations and to counter the rural-urban migration. The proposed model is based on the provision of a hierarchy of services on various categories of islands and clearly informing people of the availability of services at each level. People should then be enabled to move freely to seek these services and should be given various incentives, connectivity and support to settle. The model involves central hub islands that provide tertiary services and periphery islands that provide selected services. In this way the Government will not face resource constraints that would inevitably result if it tried to provide all the services on all the inhabited islands, a task that is proving to be extremely challenging. Hub islands can be developed with specialized economic activities, allowing the private sector and an investment scale that allows the feasibility to build support infrastructure and businesses. Hub islands can provide higher education and quality tertiary health care services. Preferential policies that target vulnerable groups who are constrained by location, income and identity need to be put in place.

It is important to integrate climate resilience building measures in spatial planning, given the country's high level of vulnerability to climate change and sea-level rise. Coastal protection infrastructure on small islands for small populations is expensive and inefficient. Alternatively, through spatial planning that identifies hub islands for growth and service provisioning, comprehensive climate resilient infrastructure can be developed in a more sustainable manner, because it will be provided and maintained in locations where the population is concentrated.

► RESTORING MACRO-ECONOMIC STABILITY

In order to address inequalities in human development outcomes in the Maldives, it is important that the country's fiscal situation be restored on to a sustainable path. The current level of deficit spending, high rates of inflation, cash flow crisis of the national public accounts and the high risk of debt distress (as warned by international agencies including the IMF and the World Bank), indicates the existing and potential limitations on the Government's ability to spend on education, health and other services. There is empirical evidence of how the Government was able to achieve key milestones in education and health, such as universal primary education and immunization, extension of health services in the atolls, in the late 1990s to mid-2000s, when the country demonstrated fiscal discipline, reduced expenditures and budgetary deficits. These lessons are critical for the current policy makers if they want to make progress in education, health and job creation. The Government should consider cutting down its expenditures and putting the economy on the path to recovery.

A key intervention that can be very useful in this context is tax reform. Income tax has a redistributive effect and more importantly, it can generate regular and systematic data on incomes and wealth status of the population if implemented comprehensively. Income tax can help to reduce the income inequality trends in the Maldives, particularly in the capital Malé, where inequality is increasing.

► ECONOMIC DIVERSIFICATION AND STIMULATING GROWTH

Although the tourism sector has demonstrated resilience to the global financial crisis and to natural disasters (like the 2004 tsunami), the high dependence on tourism and imports, (particularly imports of fuel and food) make the country and its people highly insecure. To stimulate growth, production and build resilience of the economy, it is critical that the Government develops alternative growth sectors. This policy can be tied up to the spatial planning strategy, where economic zones or alternative growth hubs with infrastructure, population concentration and tertiary services can attract foreign and domestic investments and industries. The Maldives Economic Diversification Strategy outlines key comparative advantages the country holds in terms of location, skills and resources and presents strategies for investments and commercial development of a range of sectors including transport, energy, education, health, financial services, Information and Communication Technology (ICT), etc. It is important that the government select one or two key sectors, set targets to increase their share in GDP and employment, design policies (such as tax breaks, specialized skill development) and laws (land ownership or alternative jurisdiction points for commercial sectors to foster a financial centre) to attract investment and development.

Given the high levels of unemployment, which puts young people and women in particular at risk of being

trapped in a social vulnerability cycle and low income status or poverty, it is proposed that the economic diversification and growth strategy should focus on developing alternative sectors that can attract youth and provide employment for women. For example, reviving fisheries and agriculture may not promote employment and entrepreneurship opportunities where as financial services and/ or ICT can be an attractive option for young people. Similarly, the economic diversification strategy with selected sector development should be tied to a skills development strategy that will set targets, build programmes, direct investments and lead to the absorption of youth and women in the growth sectors.

▶ ENHANCING CAPACITY OF INSTITUTIONS TO EXPAND FREEDOMS

The post-democratic transition context in the Maldives provides an opportunity to enhance the capacity of institutions to design and implement policies that encourage human development.

One of the critical changes needed is to promote long-term visioning and strategic policy and law-making among the political leadership of the country. Political parties and political leaders need to start thinking beyond the ballot. With democratic transition, the country's long-term development planning process has been side-lined. For example, the Seventh National Development Plan (2006-2011) was replaced with the Strategic Action Plan (2009-2013); based on the election manifesto pledges made in 2009. This has meant that the country's development planning has become tied to the election cycle and development priorities are centred on election pledges. It is important that policy makers and development partners have the space and the environment to do more in-depth policy analysis, planning and long-term visioning, beyond a five year cycle to address structural problems facing the country.

Similarly, in law making, while core legislative pieces such as the Penal Code has been sidelined from the Parliament's agenda for years, ad-hoc and reactionary legislations have been passed to address the vacuum. Law-makers show less sensitivity to the country's fiscal environment and growing economic problems when they set pay and remuneration packages for various institutions including their own and introduce measures which can serve as major setbacks to the country in the medium to long-term fiscal framework. For example, despite good intentions, the recent Social Health Insurance Bill, the Disability Act and the Parliament decree to include subsidies for fishermen have increased the fiscal burden manifold. The Parliament needs to focus on strategic law-making that will enhance the overall legal framework and provide the enabling environment accelerating human development for everyone.

It is important to enhance Evidence Based Policy (EBP) making. A recent paper on EBP in the Maldives

states the following: 'Policy processes in the Maldives are neither linear nor cyclical, as they are subject to multiple influences' - an observation made earlier based on a diagnostic survey where 'value-based' decision making was the prevailing norm. It is equally important that evidence gathered particularly through research, monitoring and evaluations be fed into the policy making process.

In order to address inequalities and vulnerabilities, the country's laws have to be designed and implemented taking into account the various inequalities and vulnerabilities that exist, such as those in incomes or in years of schooling. It is therefore important to improve the understanding and knowledge of vulnerabilities, resilience building, human development and inequality concepts and issues among Parliamentarians. Parliamentarians should be sensitized to the local context and encouraged to pass laws that favour inequality reduction such as the Income tax law mentioned earlier. Similarly, it is extremely important for the parliamentarians to strengthen their relationship with the constituents to understand these dynamics. Members should increase the channels to consult with the population and receive feedback on the challenges they face.

Another area for reform is the justice sector. The Human Rights Survey in 2012 shows the increased levels of dissatisfaction with the courts, judges and magistrates. The reasons given include corruption, unfair/unjust decision-making, lack of security of judges, unavailability of lawyers and competence of judiciary. Dissatisfaction with the judicial system, judges and magistrates is higher in rural areas, partly because of accessibility issues for appeal and the lack of qualified judges or absence of judges on the islands. All cases (lower courts, High Court and Supreme Court) are heard in the capital, the atolls only have magistrates' courts. Any appeal has to be made in the capital, Malé. People living outside the capital are therefore disadvantaged in accessing justice. In order to strengthen access to justice in the country particularly for the vulnerable, the most critical interventions relate to establishing transparent hiring and firing practices for the judiciary, increasing investments for training and qualification of justice sector personnel including prosecutors, judges, magistrates, investigators, court officials, court administrators and legal professionals.

Decentralization can have positive effects on human development. The benefits include an increase in the participation of communities in decision-making, bringing governance closer to the people and enhancing accountability and access to services; and efficient use of funds in accordance with the needs and priorities of communities at the local level. It is important to address key challenges faced in the decentralization transition in the Maldives such as clarity on mandates, harmonizing laws and strengthening the capacity of the council personnel including elected officials. The decentralization of public health was the first service to be transferred to the local bodies, in 2011. During consultations, health professionals in regional hospitals and health centres expressed concern over the lack of clarity of accountability and monitoring of the health sector with the transfer of mandate between the central government and local

councils. It is important that legal gaps be addressed to fully operationalize decentralization. For example, the Decentralization Act identified land management as a core responsibility of the councils. However, this contradicts the Land Act. Legal challenges pose difficulties for councils to deliver services as per the mandate. As a result, councils are constrained to raise their own financial resources to invest in development initiatives.

▶ AN OPTIMAL GOVERNANCE SYSTEM TO REDUCE INEQUALITY AND VULNERABILITY

Maldives has adopted a highly democratic Constitution, which integrates good governance principles, the Maldivian state carries extraordinarily high costs for a small country. As mentioned earlier, the 2008 Constitution guarantees that the islands will have electricity, water and sewage infrastructure, as well as mandates a decentralized local government administration. The constituency size of only 5000 people for a seat in the Parliament has resulted in a large Parliament. The decentralization programme implies sizable recurrent costs to the government budget (in terms of holding local elections every three years, salaries and the like). As per the Constitution, more than 19 independent commissions have been established to provide oversight and execute independent work on a range of areas including human rights, elections, corruption, etc. Yet the processes for oversight, transparency, accountability and protection of the rights of the people require more reforms. The enlarged bureaucracy of state institutions has not been able to fully function, partly due to financial and resource constraints and partly due to the lack of expertise and familiarity with the new concepts of democracy, institutional independence and mandates on human rights, anti-corruption, free and fair elections, etc. The bureaucracy is highly politicized, given that membership of these commissions and institutions are political in nature. For a small country like the Maldives, with mounting pressures, fiscal crisis and high debt distress, it is time that political parties, institutions, civil society and the public debate and agree to right-size the governance system, to make it more sustainable and to enhance the freedoms and choices for the people.



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