

CRISES, VULNERABILITY & POVERTY IN SOUTH ASIA

Peoples' Struggles for Justice and Dignity

Country Report 2013

MALDIVES

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Introduction

Maldives is made up 1,390 coral islands on a double helix chain of atolls, in the Indian Ocean. The white sandy beaches of the islands are merely 2-3 meters above the sea level. They are protected by the coral reefs as boundaries surrounding them. The capital island Male' is among the bigger islands, with just approximately 3 square kilometers around it. The weather is sunny throughout the year and the islands survive on tourism and fisheries. Tuna fisheries and the more than 700,000 tourists, who arrive in the Maldives per year, bring in huge revenues to the tiny nation with a population of 342,000¹ people.

Table 1.1 explains the various population distribution statistics. Maldives is currently gearing towards an ageing population by the time 2025. With lack of available jobs and increasing teen marriages, the outcome seems to be grim as per the situation at present. The working population is mainly employed by the civil service, tourism industry and the fisheries industry, by amount of employees respectively. It has to be noted that though the Construction Industry has over taken fisheries by contribution to GDP, it employees more foreign workers than locals.

Maldives has been a republic since 1965, freeing itself from being a British Protectorate state. Democracy is said to have been properly established after the first multi-party election in the Maldives. Maldives has a 77 member parliament that is supreme. Three main powers, Judiciary, Parliament and the Executive are independent and separate. Yet, democracy is still in its infant stag. Maldives held its first multi-party election on September 2008. For the past 30 years before that, Maldives was ruled by an autocratic leader. The new government in 2009 began to implement subsidy programs, insurance schemes and tax policies. While the subsidies and fiscal assistance to the vulnerable were well received by the people, the tax policy was not. The democratically elected president, Mohammed Nasheed was over thrown by an uprising of Police and Military with opposition forces in February 2012. The vice president Dr. Mohammed Waheed Hassan Manik was sworn in 8th February 2012. Maldivian parliament has a majority of partisan members and a minority of independent members. Maldives is fully embracing the party system and the freedoms of democracy such as free speech.

Maldives celebrated its first Human Rights Day rally in 2007, by popular civil society movement. Though Non-Governmental Organizations have existed since the early 1970's, it still is at an infant stage. Women's development committees in the islands have played a prominent role in female health and reproductive awareness since the 1990's and Environmental NGO's took the stage in the 1990's as well. Though today there are more than 700 NGO's registered with the Maldives Registrar of Organization's under the ministry of Home Affairs, very few are active and

¹ Department of National Planning (2010) 'Statistical Year Book of the Maldives 2010'. Department of National Planning, Maldives

focused. The past 5 years had seen an influx of Human Rights based NGO's that have developed with international assistance from organizations such as UNDP, Commonwealth and European Embassies. Maldives is on the path to developing a strong and independent civil society movement. It will take more time and assistance from International Donors and Organizations. While the main focus areas of civil society movement is Human Rights and Environment, there are few much focused NGO's working with issues such as Autism and Child Health. The whole civil society need more man power and capacity building. It has to be noted that there are few civil society movements such as community consumer groups that work for economic development. The Maldives National Chamber of Commerce, though financed by the government is the leading independent body that works to empower entrepreneurship within island communities.

State of poverty is studied through the various researches that will be looked into throughout this report. The National Census is the main document of understanding the basic issues that lead to poverty especially within the island communities. The Economy of Maldives in whole is fragile and in dire state. Today Maldives is endangered by a deficit budget, excessive spending by the government and weak economic opportunities and an externally relied private economic industry. Tourism and Fisheries both are dependent on external factures such as the state of the world peace and the status of the tourists and purchasers of our fish. Any changes in the oil industry, through events such as war, cause a multitude of problems within the economy. With the excessive spending of the government and a huge wage bill, Maldives has borrowed from International Monetary Fund and other International instruments. The economy is solely based on the United States Dollar, and the Tourism Industry and Fisheries industry (which is seeing rapid decline due to environmental and other factors).

Recent reports such as the House Hold Income Expenditure Survey 2009, (HIES 2009), show that the Maldivians spend a lot and save very little. Of the population, 57% of women are actively involved in economic activities while 75% of the men are active². Though both female and males receive equal educational opportunities within the primary and secondary schooling level, the national census shows that women seek higher education opportunities less than males (Census 2006). The Maldivian economy is mainly male dominated and the disparities between the rich and poor are vast. While the country has a 28% unemployment rate, the average person earns a salary of 500 USD per month (within the civil service with a first degree qualification), an owner of a resort or a private company could earn in millions per year. About 7% of the Maldivians work within the civil service³ and much less within the tourism and the fisheries sector. There are more female workers employed within the Manufacturing area

² Population Census Maldives 2006, Department of National Planning

³ Statistical Bulletin, January 2011, Maldives Civil Service

(total 19,000 employed), such as small scale manufacturing of thatch, while the males are mainly employed within the resorts and the fisheries industry. The degree of poverty needs to be further analyzed in the Maldives to get a clear understanding of the detailed situation.

Table 1.1 General Data on Maldives

S.N	AREA	UNIT	YEAR	TOTAL
1	Total Population M/F	Number	2009	342,000 ⁴
2	Total Households	Number	2007	46,194
3	Average Family Size/Household	Number	2007 ⁵	6-7
4	Population Growth Rate	Percent	2006	1.69
5	Total Area Land and Sea	Sq.Km	2006	90,000
6	Inhabited Islands	Number	2006	200
7	Un Inhabited Islands	Number	2006	1,190

Source: Maldives Statistical year Book 2012, Department of Planning

2. Broad Policy regime

We will look at the present situation of the economy of the Maldives and the various government policies that support or depreciate poverty. It has to be noted that the newly implemented constitution and the democratic process is quite new concepts for the government and the people in whole. The due processes of creation and implementation of policies are often not properly attended to. We will also look at one of the biggest obstacles Maldives faced which disrupted its economy and pushed it to borrow from international donors.

2.1 Maldivian Economy

The Maldivian economy is largely dependent on the tourism and fisheries industry. The tourism sector amounts to more than 30% of the national output. According to the Maldives Monetary authority (MMA), tourism sector experienced a 7.5 % growth rate in the year 2011⁵. In the recent years, the fishery industry has shrunk in percentage share of contribution to the GDP, (almost 3% of GDP from 2009-2011, MMA 2011), but it still is one of the most significant sectors of employment and livelihood for the people.

A third industry that has seen a significant increase (7% growth rate in 2010⁶) in its contribution to the GDP is the construction industry. With large-scale resort development projects, this sector is now competing with the fisheries and tourism.

⁴ ibid

⁵ Maldives Monetary Authority (2011) 'Annual Reports and Financial Statements 2011'. Maldives Monetary Authority, Maldives

⁶ ibid

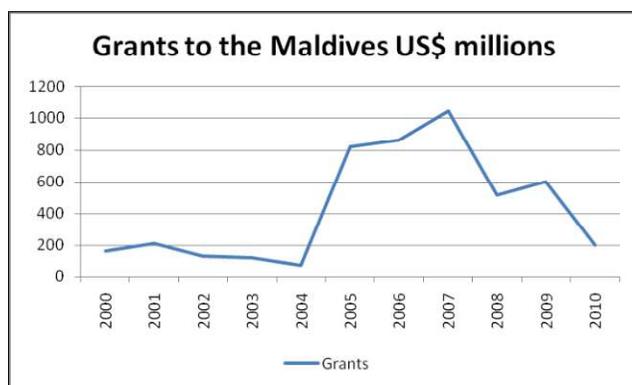
According to MMA, the GDP stood at approximately US\$ 1,653.3 million during September 2012⁷. Though it is a comparatively a high figure that stands out within the Asian subcontinent, with the inequality and unequal distribution of wealth, poverty is still evident within the atolls and islands of Maldives.

Due to mismanagement (especially due to political turmoil) together with environmental factors and the impact of global economic crisis, the Maldivian government has had to borrow in huge amounts from domestic and international institutions. This has led to a huge increase in the country's foreign debt within the last few years.

2.1.1 Total Grants to the Maldives

Source: Maldives Monetary Authority, Monthly Statistics June 2010 Table 7: Summary of Central Government Finances 2000-2010

Figure 1.2 Grants to the Maldives 2000-2010



2.1.2 Government debt and the IMF

According to the Millennium Development Goals - Maldives country report 2010⁸, within the last few years, public debt has increased due to short and long term causes.

The noted short-term causes are as follows:

- a) The Indian Ocean tsunami of December 2004;
- b) The democratization process which took place between 2004 and 2008;

⁷ Maldives Monetary Authority (2012), 'Monthly Statistics, September 2012', Maldives Monetary Authority, Maldives

⁸ Department of National Planning (2011), Millennium Development Goals, Maldives Country Report 2010. Available : [http://planning.gov.mv/mdg/MDG%20report%20final%20\(july%2011\).pdf](http://planning.gov.mv/mdg/MDG%20report%20final%20(july%2011).pdf) MDG Maldives 2009

- c) The recent food-fuel-financial crises which ran concurrently between 2007 and 2010;
- d) Imminent graduation from Least Developed Country (LDC) status.

Long-term causes include:

a) Structural characteristics which are particular to many small island developing states (island that are of geographical isolation, smaller populations, limited natural resources, limited economic base, high unit cost of service provision, vulnerability to external incidents)

b) Narrow tax and revenue base

To address the tax issue the parliament in 2010 passed the GST, TGST and BPT bill and in 2011, the government started its implementation. This has been criticized heavily by the business community and has created a lot of political challenges for the then government.

As the Maldives is highly dependent on the global changes to climate change due to the fishing and tourism industry especially, the economy is constantly tested. Travel advisories refraining tourists from traveling to Asia can have significant impact on the Maldivian economy, just overnight. The effects of the shortage of US dollar within the economy and relation to poverty and healthy life style are areas that need research and study.

The Maldivian government has borrowed from the IMF as follows:⁹

2005	\$5,860,000.00
2006	\$6,168,000.00
2007	\$6,479,000.00
2008	\$3,948,000.00
2009	\$8,839,000.00
2010	\$15,785,000.00

The last installment of fund borrowed from IMF as SBA (standby agreement) was on 4th December 2009 and it expires December 2012. The IMF also put forward its terms and conditions, which the government of Maldives agreed upon, which have a direct impact on the lives of the people. The main terms were¹⁰:

⁹ <http://www.indexmundi.com/facts/maldives/use-of-imf-credit>

¹⁰ <http://www.imf.org/external/np/sec/pr/2009/pr09444.htm>

- Reduce the governments wage bill by at least 10-20 % (which the government complied with on October 2009)
- Reduction of civil service and government staff (Privatization of government-led sectors as well as introduction of redundancy packages between 2009-2011 caused huge lay off of civil servants)
- Halt deficit monetization printing of money to finance the fiscal deficit and introduce open market operations to absorb excess liquidity

2.1.3 The Environment and Tsunami 2004

While we cannot claim that the Tsunami in 2004 was a direct environmental incident it did create environmental hazards of waste management and pollution. In its wake there was a huge issue with organic and chemical waste contaminating ground water and food sources. The economic losses were numerous and the Maldivian economy regressed by 5.5 percent of the GDP in 2005¹¹; this subsequently led to Maldives having to borrow from international donors in huge amounts.

The biggest issue raised by the Maldives is, global warming, and sea level rise. As the Maldivian islands are merely at average 2 meters above the sea level, a mere increase can have drastic effect on livelihood of the people. Melting ice caps and release of greenhouse gases are issues that the world at large has to address in order to help the Maldives.

3. Review of Policies Leading to Multiple Crisis

There are major government policies that directly or indirectly lead to aggravation of poverty and lead to a multitude of crises. The economic policies of Maldives are newly adapted with extensive assistance from international donors. These policies at times are helpful but also create a greater dependency and November 2012 the government decided to discontinue its subsidy program for food and utilities as the government is out of money; this was suggested by the IMF monitoring group.

3.1 Government Policies that aggravate poverty

- Huge reduction in the number of civil servants leading to high rates of unemployment
- Taxation policies impacting the vulnerable
- Flotation of US Dollar
- Borrowing from the International Monetary Fund (IMF)

¹¹ UNDP regional center Colombo Rapid Poverty/Economic Assessment of the Maldives, technical Report, Millennium Development Goals Initiative, January 2009

3.1.1 Rise in Unemployment

According to the Household Income and Expenditure Survey (HIES) the rate of unemployment in Maldives in 2012 stood at 24 % in the capital, Male', and 31% in the atolls¹². The survey report shows that 43% of unemployment exists between the age groups of 15-19 and 20-24 years, which amounts to 17,083 young persons¹³. Among the total unemployed, 51% reported of not having suitable employment opportunities available for them¹⁴. Other reasons for not being employed include; currently engaged in schooling, not healthy enough to work and due to objection by family¹⁵. One of the possible reasons for the high unemployment in the country is the government's policy on reducing the number of civil servants.

Figure 1.2 Economically Non Active Population, HIES 2012

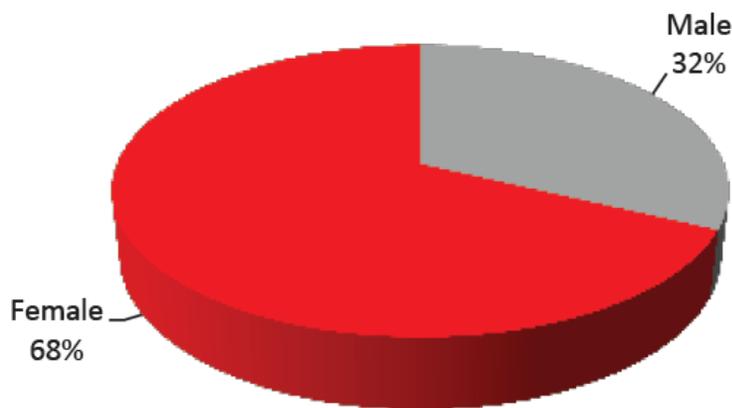


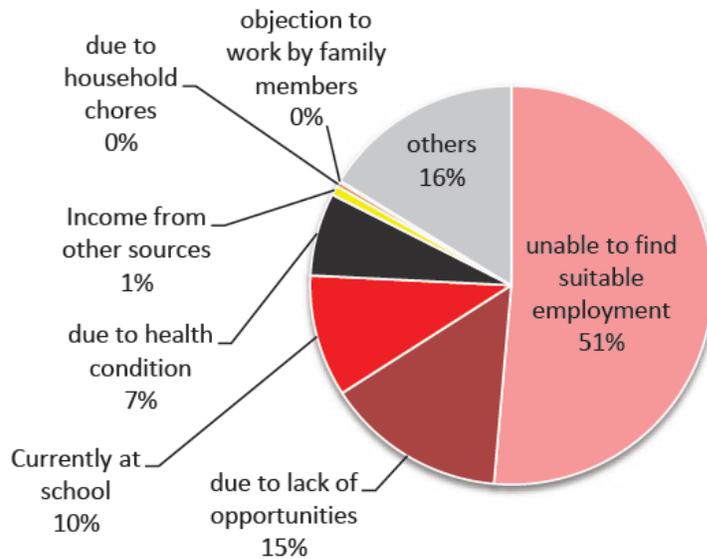
Figure 1.1 Reasons for being unemployed Males, HIES 2012

¹² House Hold Income Expenditure Survey, 2012 Maldives by Department of Planning

¹³ ibid

¹⁴ ibid

¹⁵ ibid



In order to reduce the government wage bill, civil servants were offered redundancy packages in 2011 by the Maldives government¹⁶. According to the Civil Service Commission (CSC) of Maldives, within the first 6 months of 2011, 143 civil servants were made redundant. Furthermore, 3,398 civil servants were made non-civil, 410 persons retired and 2,338 persons were terminated¹⁷. A majority of the terminations and made non-civil, are due to the IMF recommendations and the redundancies are directly from the government campaign to adhere to IMF concerns.

The recipients of the redundancy package could have depleted their funds on material things rather than being productive or contributing to the economy. The authorities need to evaluate how the funds were utilized.

3.1.2 Taxation

The first tax policy to directly affect the citizens of Maldives was the Business Profit Tax (BPT) which was implemented from January 2011, (Act Number 5/2011). This is the first time in Maldives that a tax will be levied on the business. The Goods and Services Tax (GST), was levied on the public from October 2011 (Law10/2011). The Act implies that GST at rate of 3.5% from 2nd October 2011 to 31st December 2011 and an increase to 6% from 1st January 2012 to 31st December 2012 will be effective. The GST rate on tourism goods and services (TGST) is to be increased to 8% from the 1st of January 2013. The tourism tax (bed tax of US \$ 8 per bed) is implemented through the tourism tax act (Act Number 2/99) since 1999.

¹⁶ Action Plan for PFM reform based on PEFA Assessment, November 2009, IMF, World Bank and MMA <http://www.finance.gov.mv/v1/uploadedcontent/posts/Post131-10138.pdf>

¹⁷ Half Yearly Statistical Bulletin, June 2011, CSCM [<http://en.csc.gov.mv/media/Half-Yearly-2011-STATISTICAL-BULLETIN.pdf>]

The tourism tax had little or no impact on the general public but the newly established GST and the BPT affected market prices of goods and service drastically. A lot of the consumers, retailers and wholesalers had little or no knowledge on taxes; hence the government had to spend a lot more on information dissemination. The introduction of GST contributed to a significant raise in the inflation of the country. According to the Department of National Planning, in 2011, inflation (excluding food prices) reached 7.1%¹⁸.

3.1.3 Flotation of US Dollar Rate

The US dollar is the single most important currency for Maldivians at present. As a nation dependent on imports we require US dollar to purchase our goods. In April 2011 the government decided to unpeg the dollar against the Maldivian Rufiyaa and let it float. This significantly depreciated the value of the rufiyaa. The exchange rate at present is such that US \$ 1 is equivalent to MVR 15.42.

With the dollar rate being floated and a lack of a dollars in the market for purchase, has created great difficulty for the business as well as students studying broad. The National Bank, Bank of Maldives (BML), is not able to provide adequate amounts of dollars. Each individual can buy only US \$ 200 per month and a very limited amount of individuals per day are served from the Bank of Maldives. Black market dollar surges have created bigger problems as now the standardized rate of 1 US\$ being 15.42 MVR, in the black market it is at 17 MVR (according to media reports¹⁹).

The fluctuation of the dollar rate made the prices of goods to be raised significantly. According to DNP Consumer Price Index monthly survey, some of the imported goods such as milk, the prices had almost increased by 9%²⁰. When the basic food item's prices go up it has a drastic impact on the lives of the vulnerable and those on and below the poverty line.

3.1.4 Borrowing from the International Monetary Fund (IMF)

Maldives has been borrowing from the IMF since 2005 (after the Indian Ocean Tsunami 2004). Though the IMF loans are more often under the Stand-By (SBA), agreement, it still is a burden on the government. While in the short run it elevates the governments financial difficulties, US\$ 39,979,877²¹ IMF related liabilities in 2011 alone, will contribute significantly to the economic deprivation of the country in the long run. One of the main demands for fiscal consolidation by

¹⁸ Consumer Price Index, March 2012, Department of National Planning
<http://planning.gov.mv/publications/CPI%20for%20WEB/Monthly/2012/National/March%202012%20national-writeup.pdf>

¹⁹ Miadhu News Daily, 2011
<http://www.miadhu.com/2012/03/local-news/dollar-rate-goes-down-in-black-market/>

²⁰ Consumer Price Index, March 2012, Department of Planning
<http://planning.gov.mv/publications/CPI%20for%20WEB/Monthly/2012/National/March%202012%20national-writeup.pdf>

²¹ Annual Report and Financial Statement, Foreign Currency liabilities, 2011, Maldives Monetary Authority
<http://www.mma.gov.mv/ar/AnnualReportandFinancialStatements2011.pdf>

the IMF was to reduce the civil service and in turn reduce the wage bill and expenditure of the government as a whole. This has contributed to rise in unemployment and hence affected poverty level especially amongst the vulnerable groups. The floatation of the US dollar rate had significant impact on prices and can be assumed to have contributed to increase levels of poverty throughout the atolls.

4. Assessment on Ramification and Impact of Crisis

The various policies of the government and also the natural disasters and global crises have drastic effect on the vulnerable groups of the society. The government's present decision to discontinue (November 2012) the subsidy program it has carried out for the past two and half years will affect lives of thousands. We shall look at the situation of the vulnerable and how they were helped by the subsidies and financial assistance from the government.

4.1 Vulnerable groups, Poverty and Civil Society

Women legally have equal rights, opportunities and receive public services as men, but it is not the reality in social terms. The Maldives study on Women's Health and Life Experiences conducted in 2006 showed that every 1 in 3 Maldivian women aged 15-45 reported that they had experienced physical and/or sexual abuse at some point in their lives.²² Woman's domestic tasks are also quite high as most households accommodate at average 8 persons²³. Till recently as 2011, women are evidently less outspoken in the political arena (as few as 5 members of parliament out of 77 are women) and majority of the councilors of Atolls and Islands are men²⁴. The result is that with men not being as empathetic and encouraging on promoting the rights of women within the political system the new regulations, policies, acts and constitutional articles are not designed in the best interest of the female gender.

RECCOMENDATION: More educated and empowered women need to take leadership roles outside of the households. More women need to fill in positions of power and authority such as island and atoll councils and the parliament. This will ensure policies and decisions are implemented in the uttermost interest of the women.

The redundant or retired population used to be a burden on the rest of the family, especially when most houses accommodate a large number of family members²⁵. With the introduction of old person's allowance, persons with disability allowance and retirement allowances by the government, since 2010, a lot of the families are now experiencing higher net income within households. The older population now are more independent with their newly generated monthly allowance amounting to about 120 \$ US (2,000 MVR). The government also

²² The Maldives Study on Women's Health and Life Experiences, 2006, Ministry of Gender and Family; <http://minivannews.com/files/2010/10/Maldives-Study-on-Womens-Health-and-Life-Experiences-2007.pdf>

²³ Census 2006

²⁴ Seventh National Development Plan 2006-2010 – Maldives
[\[http://www.planning.gov.mv/en/images/stories/ndp/seventh_ndp.pdf\]](http://www.planning.gov.mv/en/images/stories/ndp/seventh_ndp.pdf)

²⁵ Seventh NDP, 2006-2010, Department of National Planning, Maldives

experimented with a redundancy package on condition by the IMF to reduce the wage bill, whereby civil servants were encouraged to quit government service with a financial package of on average 12,970 \$ US (2,00,000 MVR) or more if they wish to start a small scale business.

RECOMMENDATION: Since these are new policies that have had direct impact on the lives of many, they need to be studied and understood; the actual results of the schemes need to be evaluated.

Persons with disabilities upon registering with the National Social Protection Agency (NSPA), since January 2009, they receive a 120 \$ US worth monthly allowance. The government also started provides free medication such as psychotropic drugs Persons with Disabilities. Since 1976, a home for People with Special Needs has provided shelter and health care in one of the inhabited islands. Though the new building code of Maldives provides for special design of buildings to assist persons with disabilities, it is not strictly followed or monitored. Positively, the social outlook on persons with disabilities (mental or physical) is slowly changing to a more accepting position.

RECOMMENDATION: Families with persons with disabilities now receive a financial assistance of around US\$120. With rising rental costs and inflation and raised food prices, they would require additional assistance. The chances of them falling below the poverty line are greater than any other groups. It is recommended that the government strengthens its policies and assistance schemes and greatly involves the private sector.

Single mothers allowance is another positive increment that the newly elected president (Mohammed Nasheed 2008-2012) has established under the National Social Protection Agency (NSAP) since 2010. Now single mothers with children receive a minimum of 120 \$ US from the government on top of the child support payments.

RECOMMENDATION: Further analysis and study of the number of single mothers and the quality of life they and their children enjoy needs to be understood. This will enable further action to ensure that they do not fall below poverty lines.

The children of Maldives receive free education up to secondary education. However, only qualified students are fortunate to join the public higher secondary schools in the country. Further higher education opportunities are limited The National University of Maldives is a very young university with limited courses and curriculum is quite often only accepted locally. Able students and high achievers who win government scholarships go abroad for further studies.

Job opportunities are scarce and quite minimal in diversity. Tourism and fisheries industry employs the largest amount of workers.

RECOMMENDATION: Employment is one of the key contributors to arise from poverty. To be employed education is mandatory. Hence providing greater educational and vocational training to the children and reduction in school drop-outs will have a significant impact on fighting poverty. With such high unemployment within the Maldives, the government and private

sector needs to focus on training the young and harnessing them for the jobs that foreign workers now hold.

5. Assessment on the Effects of Globalization on Informal Economy with Special Focus on Women Workers

With the rapid changes in global economy and fluctuation of the United States dollar rates, the Maldivian economy is directly and indirectly impacted. The currents of change are more severely felt by the small scale businesses and the average families. This will create further burden on the government as more and more citizens will seek assistance. Globalization has had positive and negative effects on the economy of Maldives.

5.1 Globalization and its effects on economy

Globalization has brought direct foreign investments to the country and has allowed expanding into the free market to allow development at an international stage. Maldives has had very little foreign investment in sectors other than tourism, due to un-savvy government policies. Today, globalization has made its way into the Maldivian economy and has had drastic impact on the lives of thousands with its benefits.

5.2 In relation to the Female Population

In the islands the women contribute to the household income through certain informal income generating activities such as thatch weaving, sweeping the beaches of resorts, providing ornamental items for resort shops and handling small retail shops on their islands. However, a lot of the resorts prefer to import ornamental items that are made abroad for lower costs. Furthermore, a lot of the resorts prefer resident cleaners and sweepers (quite often foreign workers), instead of hiring nearby island women. When resorts opt for such choices it often results in income loss for the households and female populations in the islands. This affects their financial independence from their spouses as well.

RECCOMENDATION: Government policies or just mere understanding and good relationship with the resorts, can address this issue. If the resorts choose to accept the services of the female population in resident islands nearby to them, they will be contributing to the overall development of the people and islands. It can be their corporate social responsibility act; to facilitate female empowered small business and services.

5.3 Foreign Workers

With globalization in progress the big companies (like tourist resort owners) would prefer to find a cheaper labor force from neighboring countries such as (India and Sri Lanka) rather than employ locals. Often, big business quote reasons of incompetency of locals, but the locals claim it's rather to do with cheaper foreign labor. According to the Department of Planning, the

foreign workers in the tourism and hotel industry amounts to 16,068 persons, and the total number of foreign workers in the country is 73,840 persons in 2010²⁶. As a result of this, hundreds of thousands of dollars per month are transferred out of the country as remittance.

RECCOMENDATIONS: There is an immediate need to train locals, and fill in as many jobs within all industries so as income generated will revolve within the Maldivian economy. Increasing local labor force and reducing foreign labor force will help accumulate more US dollars as well. It is recommended that greater focus is emphasized on educating and getting the younger population ready for work as soon as they finish their higher level studies.

6. Militarization and Its Effect on Democratization

Quite contrary to most of the neighboring countries, Maldives has been considered lucky to not have had an increasing militarization in its history. Maldives evolved from a monarch to a republic comparatively smoothly and held its first multi-party democratic election in 2008. The transition of power and the rule of law have been comparatively well maintained. Even with the happenings of February 2012, when the democratically elected president was over thrown by movement which had an alarmingly strong backing by the military, at present the Maldives has a constitutionally inherited presidency though the opposition of today contends the issue harshly.

6.1 Militarization, hindrance to Democracy and impact on vulnerable groups

The first presidential election, through a multi-party system was held in September 2008. The Maldivian Democratic Party presidential candidate, Mohammed Nasheed took office and immediately began work on a social protection programs that included health insurance, allowances for the vulnerable groups and also subsidies on basic utilities. These were quite new and direct policies that impacted lives of thousands of people. The next biggest issue he tackled was the implementation of a tax system, when a lot of the private businesses were saying that Maldivian economy was not ready for it.

The tax issue was a big blow for president Nasheed as his international image was growing with his campaign against climate change; his local image was tarnished with accusations and political arguments. The parliament was locked in political debate and socially important bills were rarely discussed but rather disruptions prevailed throughout the last 2 years. The success or failure of president Nasheeds's social protection programs, or the claims of the businesses that taxation would destroy the economy, were never given a chance to be proven.

On 7th February 2012, president Nasheed resigned on live television, amidst questionable circumstances. Upon president Nasheed's resignation the vice president Dr.Mohammed Hassan

²⁶ Year Book 2011, Employment, Department of Planning, Maldives
<http://planning.gov.mv/YearBook2011/yearbook/Employment/5.2.htm>

Manik took over the office of the president. President Nasheed a day later claimed that he was forced to step down by the military and president Waheed counter claimed it was a legal resignation with no foul play. The military did play a key role, in ensuring that the mutinying police stayed in a condoned area. On the morning of the 7th February, president Nasheed with his key ministers went to the military headquarters, it was the military that announced that he would be resigning soon. An ex-army official was the key figure who lead president Nasheed back to the president's office and took his letter of resignation to the parliament, and a week later, he was appointed as the Minister of defense.

The biggest political party of Maldives, the Maldivian Democratic Party (MDP), led by ex-president Nasheed, is now continuously protesting and claiming with international authorities, that the change of government on the 7th of February 2012 was not legal. MDP claims that the current government is an illegal government that took power with a coup d'état, and that president Waheed is a puppet and that the military and ex-president Maumoon Abdul Gayoom (who ruled Maldives for 30 years) were in power.

The status of the present government of Maldives is in question as international communities took their time accepting the current government. The Commonwealth and the European Union have called on for an early elections but president Waheed argues that the constitution gives no levy for an early election. MDP's continuous protest with their huge support of members, weighed against a lot of the businessmen who were against president Nasheed's tax policies, now supporting the current president; the Maldives is in political turmoil. Democratic values of good governance and peaceful protest and freedom of expression are being tested and overturned by all sides. The next presidential election, as per the constitution is set for middle of 2013.

The impact of the political turmoil on the vulnerable groups are more in such that the social protection policies provided by NSPA, such as health insurance and allowances for the single mothers were being challenged by the new government. They claim that the government does not have enough finances to carry on the schemes. Government's Public Medical Insurance scheme, (started by previous government) has to be stopped, as it will run out of money end of 2012. When the vulnerable groups have already adjusted to life with subsidies to utilities, allowances and medical insurance, again having to readjust will have dire consequences on their lives. It is too early to see if the new government will follow through with its claims or if the government will change once more. The continuous changes in policies will cause harm within the system for the vulnerable populations.

7. Case Studies on Vulnerability and Poverty and Civil Society Movement

Compared to its neighbors the Maldivian civil society is quite weak and considerably new. Popular movements within the civil society are more focused on democracy and rights issues rather than development and economy. The Maldivian National Chamber of Commerce is the most recognized organization that promotes entrepreneurship and economic development. Food security was first highlighted as a national issue in the National Adaptation Plan of Action

(NAPA 2007²⁷) of Maldives. NAPA highlighted that there were few food storage facilities set up by government or private within the atolls and islands of Maldives hence in a time of crisis it can be devastating. There are few case studies that we can look at within Maldives. The mentioned few are at times successful but also questionable scenarios.

7.2 Case Studies: Policies that protect against poverty and food security

- Alms Giving or *Zakaai*
- National Social Protection Agency (NSPA)
- Scholarships
- Loans for small businesses

7.2.1 Alms Giving or Zakaai

As a Muslim society, the Maldives ministry of Islamic Affairs is the collector of alms (that all able Muslims and Muslim business have to give). This fund is now utilized in a multitude of ways including:

- Grants for education in Maldives and abroad (these grants needn't be paid back but implies the receiver will have to serve a minimal amount of time in the Maldives upon return from studies)
- Helping the poor (the registered persons who are listed as “poor” with the Ministry, will receive basic food items during the fasting holy month of Ramadan)
- The fund is also utilized for the development and maintenance of Mosques throughout the country
- Setting up religious awareness programs

It has to be noted that as education provides employment opportunities, in supporting the youth achieve higher education, the Zakaai fund, helps relieve the people from a state of poverty. While the other uses of the funds might not directly contribute to elevating poverty, they all have indirect links.

Though there are few beggars on the streets of the capital of Maldives, Male', there are those families who some days go without food. These poor families are registered with the Ministry so the data can be used to conduct selected programs or evaluations. When generous donors wish to contribute anonymously they can go through the ministry to find random persons to help out.

7.2.2 National Social Protection Agency (NSPA)

The national social protection agency or NSPA, was established in 2009. The authority currently provides the following services:

²⁷ National Adaptation Plan of Action, NAPA, 2007, UNDP and Ministry of Environment of Maldives

- Health Insurance for all citizens of Maldives
- Single mothers allowance (Around 120 US \$ per month)
- Allowance for foster parents (32 US \$ per month per kid to the foster parents and 64 US\$ per child per month)
- Elderly benefits (Around 120 US \$ per person per month)
- Persons with disabilities (Around 120 US\$ plus some aid necessities such as hearing aid and wheel chair and crutches)

The NSPA services have a direct impact on elevating poverty within the Maldives. Prior to the health insurance scheme, a lot of the poor families were not able to afford basic health care. With the new health insurance scheme called, *Aasaandha*²⁸, now they can afford to use the money for other purposes such as food and education. The insurance also covers specialist services sought at selected hospitals in India and Sri Lanka as well. This scheme provides free medical care for all citizens of Maldives.

The allowances for the persons with disabilities and foster parents and single mothers will also have a significant positive impact on the recipient's lives. While previously the persons with disabilities were rendered immobile and not independent as finding work is nearly impossible, now they would have even a little financial assistance. Single mothers can afford better life style for themselves and the children especially when concurrently assisted with the health insurance scheme.

7.2.3 Scholarships and Educational Opportunities

The Maldivian government along with assistance from international universities, organizations and institutions provide thousands of educational scholarships per year. Till today, children receive public schooling up to secondary education. Higher secondary education is also available for free; however, students who achieve certain level of results from the secondary level are accepted to the higher secondary schools. Furthermore, only few larger islands and the capital, Male', are among those that provide higher secondary schooling.

The Maldives National University officially inaugurated in 2011, currently offers only very limited courses to a limited number of students. Since 2009, private sector has also ventured into this level of education. A few private companies now provide higher secondary education as well as other levels of higher education up to Bachelor's Degree programs.

Within the last few years, with the higher education loans provided by the Maldives government, the number of young person who are studying abroad is estimated to have risen. In a speech in 2012, the president of Maldives, Dr. Waheed Hassan Manik, stated that since 2002, the number of students completing higher secondary education has ten folded. He also said in a year about 1,000 Maldivian students enroll in first degree level courses.²⁹

²⁸ Aasaandha-Medical Insurance scheme Maldives [<http://www.aasandha.mv/>]

²⁹ <http://www.presidencymaldives.gov.mv/Index.aspx?lid=13&dcid=6321>

The national bank, Bank of Maldives Plc., also provides a student study loan scheme. Though, it is not popular, as a huge mortgage is required for the application.³⁰

Most of the top ten scoring, O 'Level and A 'Level students, receive scholarships from the government as well as private sector such as the *Alifulhu thuhthu Foundation*³¹. There is no official figure on the number of students pursuing education abroad. It can be roughly estimated that in a year about 50% percent of the amount of locally studying degree students, will go abroad (500 students).

7.2.3 Financial Loans for Small Businesses

With support from organizations such as ADB³² and also the government's own budget, small businesses are facilitated with small loans. This ideally would help reduce the disparity between the small the rich and the poor. Small enterprises such as the women making thatch, or farming and retail shops are some of the more popular small businesses.

The Maldives National Chamber of Commerce and Industry, MNCCI³³, is also another body facilitating and especially focusing on empowering female entrepreneurs. Their projects have helped small communities start new businesses that have expanded gradually. In this area as well there is a lack of research and study on the effectiveness of the SME loans. These loans are said to have helped communities turn around and become more financially affluent. Such success stories need to be brought to for front and used to encourage future entrepreneurs.

8. Specific Suggestion and recommendations

There are few policies and programs from the government that are successful in negating poverty and some that are aggravating poverty. The address the government's policies that give way to poverty we must address the issues at hand with each policy in clarity before implementing.

The identified issues and recommendations:

- *Huge reduction in the number of civil servants leading to high rates of unemployment*

Unemployment situation needs to be further understood by listening to the youth who choose to be unemployed. If the reasons are that there is lack of training or proper education, the government should tackle to address the issue within the education system. If it is vocational training that is lacking that can be easily tackled with assistance from international donors as well as local private sector. The government needs to study how the package funds for those who accepted the redundancies were being utilized and what percentage of the redundant and

³⁰ <http://www.bankofmaldives.com.mv/SiteCollectionDocuments/kiyavaa%20leaflet%20booklet.pdf>

³¹ <http://www.aftfoundation.org/wp-content/uploads/2011/08/AFTF-Annual-Report-2009-FINAL1.pdf>

³² <http://www.adb.org/news/maldives/adb-help-maldives-cut-rising-inequality-expanding-small-business-sector>

³³ <http://www.mncci.org.mv/index.php/about-us/functions-of-mncci>

the terminated staff, sought re-employment within the private sector. If the main reason was to reduce the wage bill, ultimately to reduce the government's expenditure, it would be quite absurd if the unemployed become dependent on government and a newer burden, due to their loss of employment.

- *Taxation policies impacting the vulnerable*

As the private sector was not ready for such a big change in tax policies (which lead to an increase in living costs- food costs), the government can help reduce the difficulties by reducing the GST tax rate and increasing the TGST gradually. It would help reduce cost of living and depreciate the risk of poverty.

- *Flotation of US Dollar*

Detail study needs to be carried out on how the vulnerable groups such as single mothers and retired persons, lives were affected with the change in the price and availability of US dollars. This is relevant in order to understand and address the issue of poverty in general. The National Bank needs to design policies to make sure the US dollars that enter through tourism and other sectors are exchanged within the local banking system so that there is a surplus of dollars within the economy. Reducing foreign workers will reduce the out flow of US\$ from the country.

- *Borrowing from the International Monetary Fund (IMF)*

The Maldivian economy has to be strengthened with increased participation from the private sector. Creating more and attractive job opportunities within the private sector would help reduce the demand on civil service jobs. This would lessen the burden on the government's wage bill. Furthermore, the government should also consider reducing borrowing from institutions such as IMF.

- *Strengthening the Social Security and Justice System*

The proper establishment of rule of law is the basis for keeping the peace in any society. The government can address the social security program in parallel to strengthen the rule of law in the country. While the social issues such as drugs and religious extremism are on the rise, the basis of the reasons for the issues need to be understood and addressed. Proper and adequate housing and decentralization policies are key to such. At the same time, the law enforcement agency needs further training and capacity building to ensure that rule of law is ensured. The justice system is in dire state with the newly established Supreme Courts and Judicial Service Commission, there is a lack of trained and experienced judges and law makers. It will take time and patience and lot of educated young persons to fill in the gap. A recommendation could be to hire international judges to fill in while local capacity is built. The young democracy needs space to breathe and time to grow and this cannot be provided with a volatile political situation

where politicians fight over power. While most democracies such as India and the United Kingdom took hundreds of years to establish certain basic values that are properly understood by society and encrypted within the justice system, Maldives is trying to establish such values overnight via a written constitution alone. The general public needs time to understand, believe and accept the new laws and regulations that govern them. If the public loses its trust in the judiciary and the law makers, the country will allow room for extremist's views from all sides to prevail.

The government needs to understand that the civil society is key to the development of the nation. There are many things such as grass root movements within the island communities that the government does not have the capacity to understand and address and interact with that civil society can. Government needs to empower and support the development of a focused and strengthened civil society so as to reduce the burden on the state itself. As the government is already moving towards a new liberal view of economic development, with guidance from IMF, it also needs to be strong enough to handle what comes with such policies. The free market economy can only work within the Maldives if the government is strong itself. More technical capacity to deal within the economic aspects of the government and its decision is essential to ensure the government and the people are protected in situations arising from moving towards neo-liberalistic views. All in all the Maldivian government and the people of Maldives are gearing towards a more democratic and new-liberal democracy with hope of bearing fruit from open and free market economy and increasing its fraction of trade within the region and far. The goals are massive and there need to be patience and dissemination of information to ensure the public is aware and in support of the decisions of the government.