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MALDIVES ECONOMIC REVIEW

IT'S TIME TO TAKE A PAUSE AND REFLECT ABOUT LEASING ADDITIONAL TOURIST RESORTS TO BRIDGE THE FISCAL DEFICIT

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EDITORIAL

This issue marks the beginning of the third year of publication of Maldives Economic Review, and we thank our readers and our contributors for their support.

This issue breaks new ground with the start of ‚Letters to the Editors' and we want to encourage all, to please offer us your thoughts on articles published, and areas where you think it will be of public interest for MER to look into.

We also have another new feature, an opinion editorial (op-ed). We are honoured to have the first op-ed in MER by the Honourable Minister of Economic Development, Mr Fayyaz Ismail. The Minister writes on the very relevant and timely topic of ‚Building an inclusive ecosystem for SMEs'. We thank the Minister for his contribution and indeed his good wishes.

In the cover story of this issue, Athif scans the very important issues surrounding the long-term lease of properties for tourism development and suggests that we pause and reflect on the model that has been the default for more than 20 years now.

Ali Naseer Mohamed's ‚Catalysing development: the early years of Maldives partnership with the UN system' is a timely historical insight into the development partnership formed between the Maldives and the UN as we reached the 56th anniversary of the country's membership at the UN on 21 September this year.

As the country looks forward to starting the golden jubilee of tourism development in 2022, Ibrahim Zuhuree looks at the evolution of tourism industry in the Maldives, an in-depth, elaborate read for tourism industry enthusiasts.

Fazeel, as usual, provides the last read. With higher education institutions abound, but attracting viable numbers of students a heightening hurdle, he writes that this has led to what the government's Strategic Action Plan 2019-20223 describes as "lack of quality higher education". Fazeel proposes a policy that could address this issue in a way that bears great economic potential for the country at the same time.

OP-ED

FAYYAZ ISMAIL

MINISTER FOR ECONOMIC DEVELOPMENT

BUILDING AN INCLUSIVE ECOSYSTEM FOR SMEs

The government recognises the potential of Small and Medium Enterprises (SMEs) development and the importance of building a more resilient and diversified economy. Against this backdrop, and in line with the ministry's mandate in enacting policies pertaining to SME developments, the current policies are geared towards bridging the gaps and reshaping our business ecosystem, to create a more hospitable environment for small businesses.

SMEs form the backbone of the Maldivian economy, with around 80% of the registered businesses in each atoll being SMEs. It also plays a crucial role in channelling the country towards inclusive growth by creating employment opportunities and improving the livelihood of small island communities. Despite their huge contribution and importance, SMEs have long been under-served. It has not been easy for small businesses to grind through their daily business operations and thrive in a fragmented business environment.

Lack of access to finance is one of the main constraints hindering the growth of SMEs in the Maldives. Although the financial system in the country has improved in the past decade, there exists a financing gap when it comes to SME funding, mostly because of the risk aversion factor. Apart from the high cost of finance, financing options do not serve slow growth, high risk and moderate-return businesses.

To re-tune the financial system and bring new models to cater to SME financing needs, we established the SME Development Finance Corporation (SDFC) in 2019. As a specialized financial institution providing targeted financial products and ancillary services to small businesses and start-ups, it has been offering products to key developmental areas such as local tourism, fisheries and agriculture, manufacturing, information communication and technology (ICT), construction and transport at affordable interest rates. Over the past two years, the institution has provided over MVR 900 million financing to a total of 715 SMEs in the country. When we provide loans, we give priority to young entrepreneurs and those businesses owned by women or jointly owned by men and women. Most prominently, it has played an instrumental role in assisting and supporting small businesses that struggled during the pandemic.

> “SMEs form the backbone of the Maldivian economy, with around 80% of the registered businesses in each atoll being SMEs. It also plays a crucial role in channelling the country towards inclusive growth by creating employment opportunities and improving the livelihood of small island communities.”

Higher operational and administrative costs faced by small businesses is another factor that is hampering SME growth, but the issue has always been marginalised in our business ecosystem. With the formation of the Business Center Corporation (BCC), small businesses are now able to obtain a wide range of professional business development services such as preparing business start-up proposals and business planning, free of charge. Currently, BCC operates and manages 12 business centers across the country.

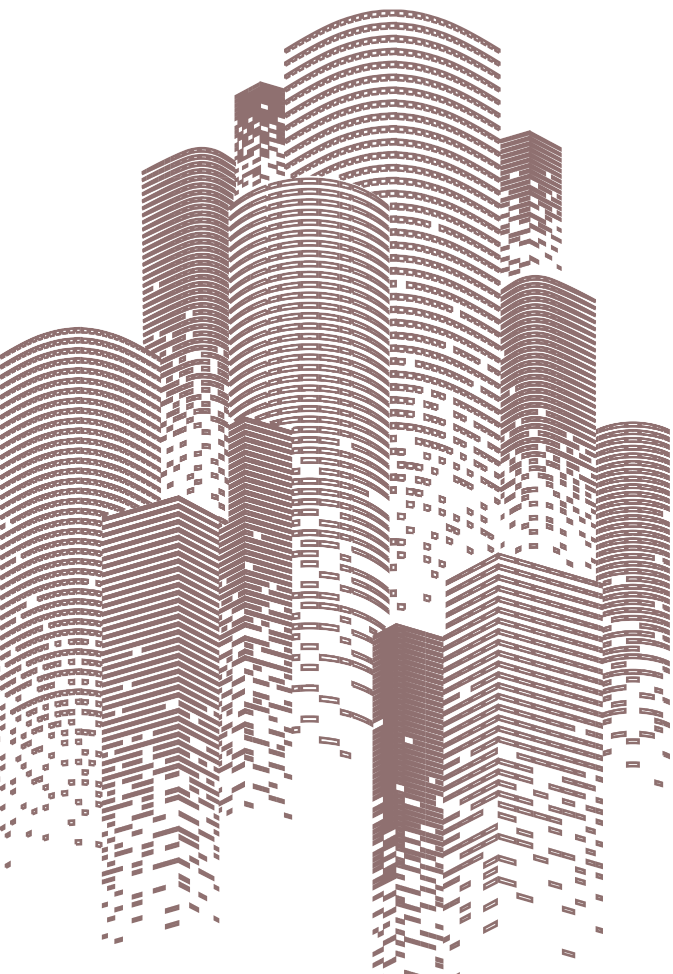
Moreover, the potential capacity of SMEs is often not fully realized due to their small-scale nature. For many SMEs, lack of resources such as technology, market access, networking as well as lack of economies of scale has been a challenge. To mitigate this, BCC has been introducing new ventures such as co-workspace (SEEDS by BCC) and co-shared kitchen facility, curated to cater SME needs. For instance, co-shared kitchen will be a great opportunity for home-based workers looking to scale up their production but are financially unable to expand their business as they may not be able to rent large spaces and acquire commercial-grade equipment.

Digitalization is another powerful engine that will unleash opportunities for small businesses to scale up their production, reduce costs and increase productivity. The advent of the internet is creating a more enabling environment for SMEs to cut the marketing barriers that prevented them from broadening their customer base and entering to large markets all these years. There has been an impressive growth in the use of e-commerce by small businesses over the past few years in the Maldives. By reducing the internet charges, we have made a great stride towards making broadband and internet more affordable to everyone. Small businesses will now be able to gradually calibrate their business for the digital age and leverage the benefits of information technology.

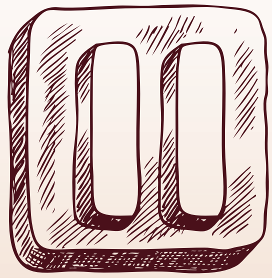
An effective regulatory framework is another area that will provide encouragements for the proliferation of start-ups and SMEs as it will provide confidence in the system. With the amendment brought to the SME Act in July 2021, the SME categorization criteria has been revised to make it more reflective to the local context. Along with the reforms brought to the public procurement regulation, it will create a fairer environment for SMEs to compete and will also make public bidding opportunities more accessible to small businesses.

> **“ Digitalization is another powerful engine that will unleash opportunities for small businesses to scale up their production, reduce costs and increase productivity. The advent of the internet is creating a more enabling environment for SMEs to cut the marketing barriers that prevented them from broadening their customer base and entering to large markets all these years. ”**

As the COVID-19 pandemic has also shed renewed light on the importance of building resilience in the Maldivian economy, there is an utmost requirement for bridging these gaps in our business ecosystem. Therefore, our policy priorities are re-oriented towards building a more holistic approach in addressing these challenges, including easier access to finance, promoting productivity and technology through ICT training, and strengthening the regulatory and institutional framework that will build a more favourable business environment for SMEs to emerge and flourish.



IT'S TIME TO TAKE A PAUSE AND REFLECT ABOUT LEASING ADDITIONAL TOURIST RESORTS TO BRIDGE THE FISCAL DEFICIT

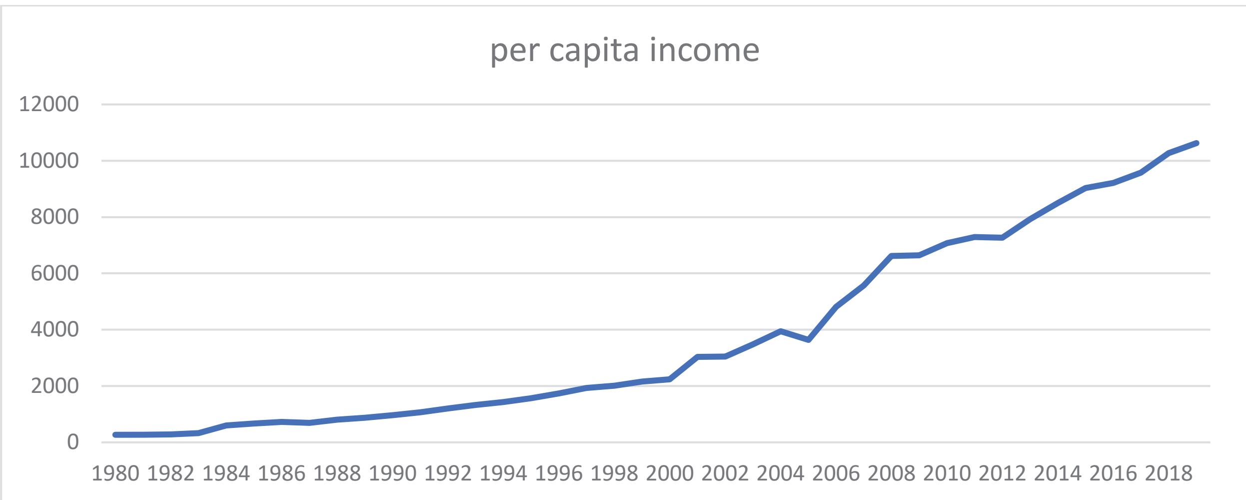


Ibrahim Athif Shakoor

Background

A half century of tourism development has brought prosperity to the nation, accelerating the country to the rank of 'developing nations' with impressive development statistics. World Bank estimates that our per capita income had risen from 268.29 US $ in 1980 to 10,6626.51 US $ in 2019, an increase of over 3,800%.

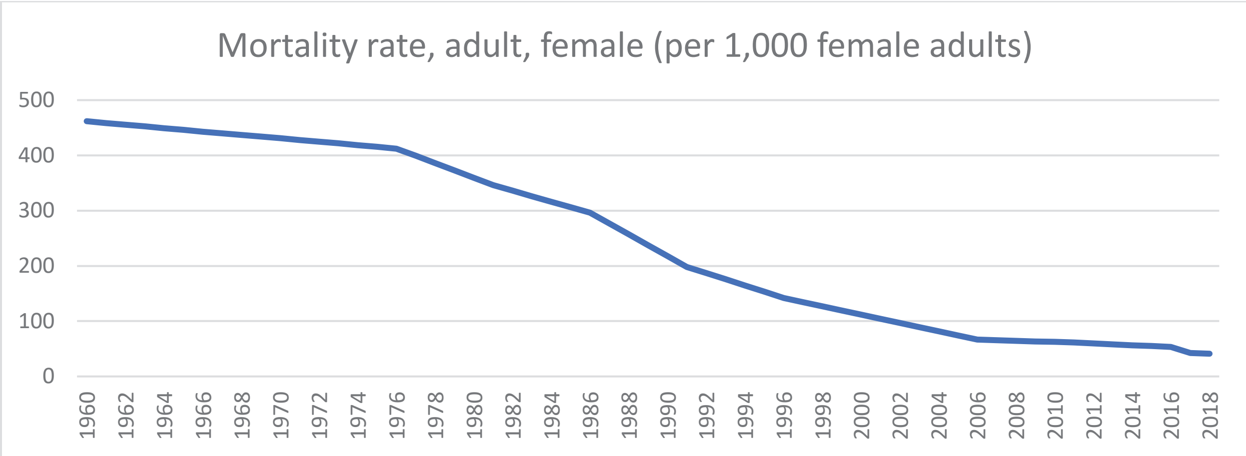
Chart 1. Improvement in per-capita income 1980-2018



Data: World Bank,

Infant mortality for females have fallen from 461/thousand in 1960 to 41/thousand in 2018 and life expectancy at birth for females have risen to 80 years from a low 37 years during the period. Educational achievements including literacy rates, improvements in transport and communication indicators, pervasiveness of essential vaccines- even including the Covid 19 vaccine, we have exceeded regional targets on all such fronts.

Chart 2. Decline in adult female mortality rate 1960-2018



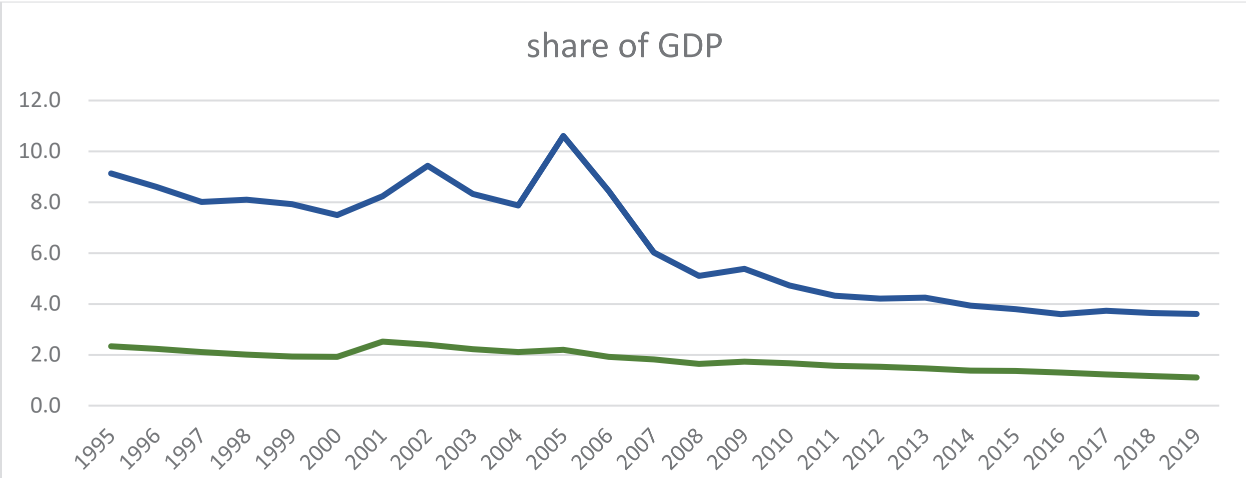
Data: World Bank,

However, it is also evident that the prosperity and accomplishments of the past 50 years have by-passed a majority of the population. Despite a steep, almost straight line upward sloping curve of the per capita income graph (chart1), the latest income distribution estimates by the World Bank (2016) show that the highest 10% income earners account for 25.2% of national income and the highest 20% account for 39.8% of national income. Meanwhile the lowest 10% of the population account for only 3.4% of national income.

> **“Despite a steep, almost straight line upward sloping curve of the per capita income graph the latest income distribution estimates by the World Bank (2016) show that the highest 10% income earners account for 25.2% national income and the highest 20% account for 39.8 of national income. Meanwhile lowest 10% of the population account for only 3.4% of national income.”**

The nation has also shied away from diversifying the economy and single sector dependency has continued to grow with steep decline in the contribution of the primary sector. The fisheries sector alone, used to account for 11.80% share in GDP numbers in 1984, but have decreased to 4.7% in 2019, when the primary industries of fisheries and agriculture are combined. Chart 3

Chart 3. Decline of primary industries 1995-2018



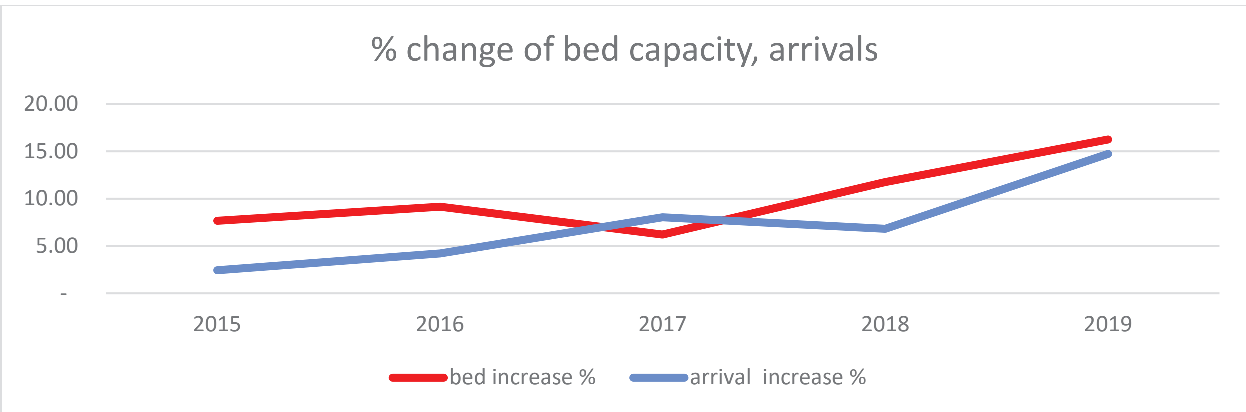
Data: National Bureau of Statistics.

Meanwhile, the dominance of the tourism industry has slowly increased and the strength of the industry in the larger political sphere, are increasingly felt with evoking shades of state capture by the industry.

Have we been expanding the industry too fast?

Even before the pandemic there was growing evidence that the increase in bed capacity was outperforming the increase in arrivals, and that resort occupancy was suffering. Chart 4

Chart 4. % change in bed capacity vs % change in arrivals 2015-2019



Data: Ministry of Tourism

Haleem (2021) in an article published in Issue 2 Vol. 2 of MER titled 'Tourism Occupancy Trends and Impact' analysed the occupancy rate of resorts and concluded that

> '…the data also points to the fact that low occupancy incidences are becoming more frequent…., the model … also highlights a very pronounced declining occupancy trend in Maldives. This declining overall occupancy coupled with the fact that 4/12 months the actual occupancy is expected to be below the trend as shown in the seasonality index are important signals to consider in formulating tourism policy as well as firm-level decision making'. Haleem 2021.

Post-pandemic investment potential

The pandemic, while it resulted in heart-breaking consequences especially to the poor, has been a boon to specific kinds of businesses like Amazon and the share market have broken records during this period. However, it is important to note that it is some very selected industries and companies that have benefited from the pandemic and that the overall economic recovery remains muted with employment numbers remaining low across the world

While 98 parties expressed interest, and 65 parties participated in the information session, 7 parties bought the bid documents, and only 1 party submitted a bid for the 23 new tourism properties that were opened for bidding in December 2019

An article published by Zurab Pololikashvili, the Secretary General of the World Tourism Organization (WTO), on 05 Feb 2021 (and updated 29 Mar 2021) stated that global foreign direct investment fell by 42% and cited UNCTAD estimates that 'global FDI will remain weak in 2021, experiencing a further decline of 5–10%.'

WTO's Secretary General's article titled 'The top five trends that will drive tourism's recovery' went on to conclude that

> Considering the 73.2% decline in tourism greenfield investments experienced in the first half of 2020, and the potential drops expected for 2021, any new global FDI opportunities will be related to the increase coming from cross-border mergers and acquisitions rather than traditional greenfield investments.'

Despite the low interest from investors, and the advice to pend attempts for greenfield investments, government had offered another 16 properties for resort development on 14th April 2021 with a minimum LAC (Least Acquisition Cost) and went further to reduce the LAC by 30% on 20th May, stating that 'The Lease Acquisition Cost (LAC) … of the proposed islands are …. revised to boost investor interest and confidence, considering the current investment climate.'

The reduced LAC of 20th May, effectively mean that tourist properties could be leased at an average of 130,000 $ per hectare/year (3,180 dollars per bed / year) for 50 years.

It is interesting here to make the comparison to the effective lease rates achieved through the wholesale auction during the MMPRC scandal. The report published by the Anti-Corruption Commission in 2016 show that the average MMPRC rate for more than 45 islands, is also 130,000 $/hectare. However, it is important to note that the calculations of per hectare earnings of the report only consider the payments made to the state and evident in official documents. As also repeatedly emphasised in the report, this figure does not take into account the many bribes and commissions that were part and parcel of the MMPRC scandal and paid into to private accounts or made in cash in person.

Development Model

As the tourism industry blossomed and its success became evident; from the 1990's onwards, the default model for development, for all governments, have been to leverage budgetary outlay on income derived from the tourism industry- tax revenue from operating properties and payments from the sale of ever more islands for tourism development. This default mode has gained strength since the advent of multi-party democracy, with politicians offering ever more grander and expansive visions to the populace, pausing to figure out how many more islands need to be leased off to finance the pledges, only when they are elected.

> “ As the tourism industry blossomed ... the default model for development, for all governments, have been to leverage budgetary outlay on income from tax the tourism industry- tax revenue and payments from the sale of ever more islands for tourism development. This default mode has gained strength since the advent of multi-party democracy ... ”

However, the heyday of tourism development and investment in the Maldives have been in decline for some 15 years now. ROI's have increased from around 3 years to 10 years plus on borrowed capital. There are a total of 118 sites listed as 'under development' as at 1st September including some properties without a stable investor for 10 years- and therefore earning no revenue to the state, to the lease holder or any benefit to the country.

Meanwhile, the default development model is cast in stone, with the SAP of this government stating to '... introduce at least 35,000 new tourist beds' during its term. Despite the evident low investor interest, in September 2021, Finance Ministry has announced that the government plan to raise 100m in 2021, 350m in 2022 and 550m in 2023 through fresh developments in the tourism industry.

Changing local dynamics

Once upon a time, the people of the country saw the tourism industry, as a boon to the nation and as the salve of the problems of the many. However, after 50 years of tourism development, the people of the country are slowly beginning to realise that the tourism industry, as it is structured today, have not offered the solutions that the many were hoping for.

“ Once upon a time, the people of the country saw … the tourism industry, as a boon to the nation and as the salve of the problems of the many. However, after 50 years of tourism development, … are slowly beginning to realise that the tourism industry, as it is structured today, have not offered the solutions that the many were hoping for. ”

With 160 resorts in operation presently, 118 properties that are under development, together with the new ones being presently offered to the market, more than 300 resorts may start to operate in a nation where the population resides on 198 islands.

The unhappiness of local communities as even more islands in their atolls are being sold off for resort development- with their overarching denial of access to the fisherfolk and other entrepreneurs to the natural riches of the islands, the reefs and the surrounding marine wealth- continue to manifest themselves in a myriad of ways in the society.

There is also growing resentment arising out of loss of space for family and social life in the atolls, as space for life and livelihoods for families, are ever so gradually disappearing.

The % of local employment at the resorts continue to decline, especially post-covid, and the degree of impunity with which resort management dealt with local employees have fuelled additional discontent and despair. Meanwhile, the in-country retention of the earnings of the industry remain meagre and the state have failed so far in announcing measures to ensure greater circulation of the foreign currency earnings from the industry into the economy.

Conclusion

Our politicians, for more than 3 decades now, have built visions of grandeur and the public has consistently, ignored the obvious and elected those who promised the largest and the grandest of would-be visions. When in government, all governments, have defaulted to figure out how many new resort properties need to be sold out to generate the necessary revenue.

However, today, Fitch and Moody's outlook of our economy remain bleak and the investment climate is unsettled at best.

Yet, it is also important to note that bleak economic forecasts in these pandemic days, is not a novel feature for the Maldivian economy alone. Almost all economies, especially one that is single sector dependent on one industry, especially when it is tourism, are facing headwinds.

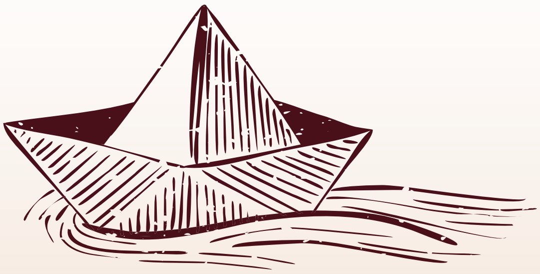
> "The limited natural resources with which we are blessed should not be viewed as 'money in the bank' for this generation alone. They are the assets our children would need to leverage their future... Maybe, its time now to take a pause and reflect on the default model of selling out any more of our natural wealth and take time to ponder the default development model."

This is a very special moment in history. The results of offering ever more islands and lagoons for tourism development need to be questioned today. Bed capacity increase outpaces arrival statistics, occupancy rates have started to fall pre-pandemic, investor confidence in muted and the public's unhappiness of the model of tourism development in felt everyday especially by front-line politicians.

We are a country with very limited economic resources. Investor confidence in the economy can only be re-generated over-time with mature, courageous fiscal and monetary measures.

The limited natural resources with which we are blessed should not be viewed as 'money in the bank' for this generation alone. They are the assets our children would need to leverage their future. It is imperative that they remain available to them instead of being mortgaged today to satisfy the unquenching thirst of successive governments.

It's time now, to take a pause and reflect on the default model of selling out any more of our natural wealth and take time to ponder the default development model.



CATALYSING DEVELOPMENT: THE EARLY YEARS OF MALDIVES PARTNERSHIP WITH THE UN SYSTEM

Ali Naseer Mohamed

The Report of a Mission to the Maldive Islands that the United Nations Development Programme (UNDP) submitted to the Government of Maldives in 1966 was not, by any measure, a blueprint for socio-economic development. But it laid the groundwork for establishing an enduring partnership between the Maldives and the United Nations development system that has helped the country achieve phenomenal growth in social and economic sectors. To get a basic idea of the speed with which growth was achieved, compare just two indicators. In 1977 the Maldives per capita income was USD 77, which by 2019 reached a whopping USD 18,340 (in PPP terms). In 1977, life expectancy was just over 46 years, and by 2019, the figure reached to 78 years. As the Maldives mark 56 years of its membership at the UN on 21 September this year, it is useful to review the formative years (1965-1980) of the partnership that it has established with the UN development system, which, in many ways, helped shape and propel the extraordinary growth.

Leap of faith

The 1966 Report and the process that led to its preparation illustrate the extraordinary faith that the Maldives leadership placed on the UN system. The Maldives applied for membership of the UN on 26 August 1965, exactly a month after the country gained external independence from Britain. The Maldives became a member of the United Nations on 21 September and the Prime Minister made a request to the UN in December that year—less than three months after gaining independence—to undertake "a general survey of the economic and social conditions in the country [to determine] the overall development requirement of the country, recommend ways and means of meeting these requirements, . . . and indicate the types of assistance that could be sought from the aid programmes of the United Nations family" (United Nations Development Programme Report of a Mission to the Maldive Islands (United Nations: New York, 1966), p. 1.).

> "The Mission appears to have been shocked by the level of under-development observed"

The UN's response to the Maldives Prime Minister's request was rapid. The UNDP mobilised a team comprising officials from its headquarters in New York and the Colombo Office, as well as an official from the FAO. The UNDP Resident Representative in Colombo led the Mission, which visited the Maldives in April 1966 and spent about three weeks in the country, travelling to a number of islands from the south to north. The Maldives Ambassador to the United Nations was the Government's focal point and accompanied the Mission in the travels to the islands.

The Mission appears to have been shocked by the level of under-development observed in the Maldives, and the country's economic vulnerability (although the concept did not appear in that specific term), and the extremely weak public administration system in the country. The Maldives had a just a single export product—Maldive fish—for a single market—Sri Lanka—the price of which was determined unilaterally by the buyer. The Mission found that the Maldives did not have a single university graduate in the country (Report of a Mission, p. 64.) and even advised the UN agencies not to send highly technical documents to the country because "there is nobody in the country who could make use of them"(Report of a Mission, p. 51.). The Mission could not, however, place the country at any specific position in the global development hierarchy. For the Maldives did not have even the basic economic and social indicators calculated, such as per capita income, life expectancy, or mortality rates. The Maldives Government just did not collect such

> "The Mission felt that the country will not be an attractive destination for tourists"

data. (The United Nations Conference on Trade and Development—UNCTAD, when compiling the list of least developed island countries in 1971, placed the Maldives among the three poorest countries (United Nations Conference on Trade and Development, Developing Island Countries: Report of the Panel of Experts (United Nations, New York, 1974), p 4.). The International Monetary Fund, in its very first review of the Maldives in 1977, estimated per capita income at USD 77 (Quoted in the World Bank's Report on the Maldives (number NoP-2527-MAL), dated 7 May 1979).

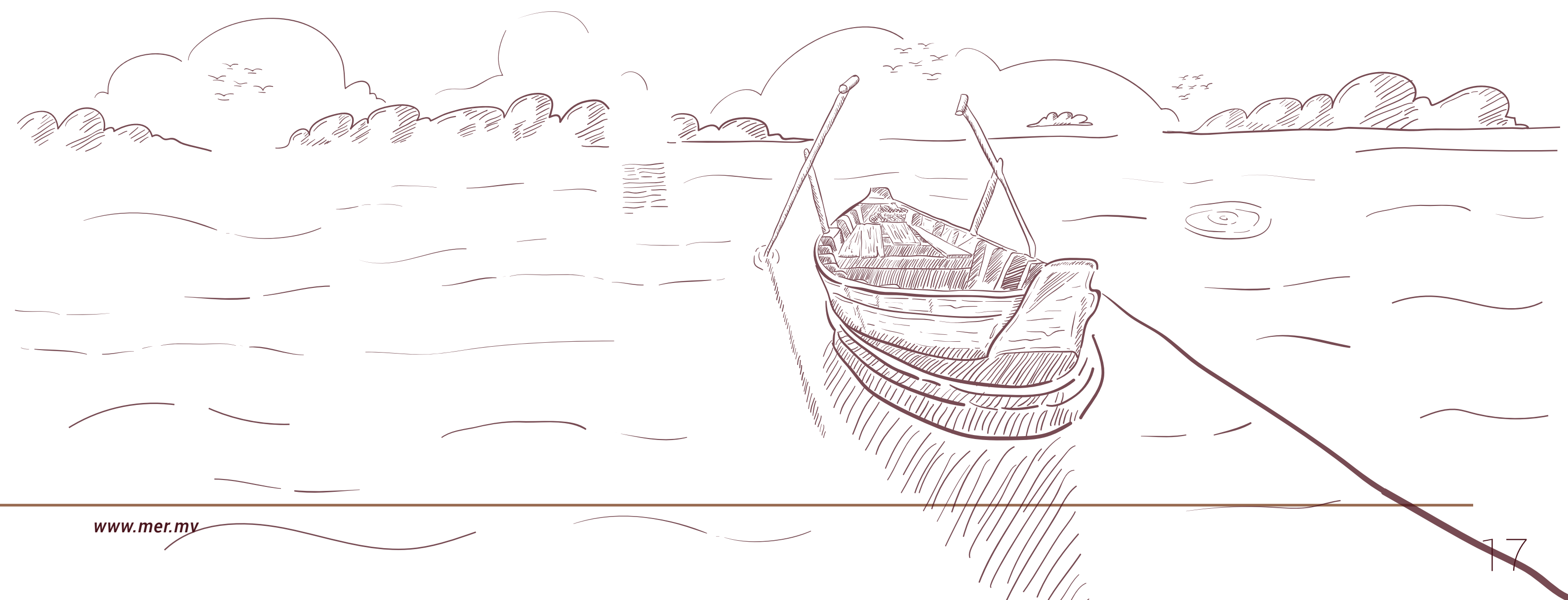
With such a low base for starting social and economic development in the country, the Mission placed more emphasis on evolution, not revolution. That is despite the fact that the Mission seems to have received quite revolutionary ideas from the Maldives Government, including the construction of a bridge connecting Malé to Hulhulé and "one or more of the nearby islands", and connecting the islands in the proximity of Malé with "solid barrages that would serve as a break-water and thereby also provide an all-weather harbour for Malé" (Report of a Mission, p. 73.) The Mission felt that these ideas "present some difficult engineering problems", and that they can be examined only with the help of detailed feasibility studies (Report of a Mission, p. 73).

Another out-of-the-box idea that the Maldives Government suggested to the Mission was the possibility of introducing tourism as an industry in the country. The Mission was not too convinced about this possibility either, noting that since "Malé is not on the main sea or air routes of the world" it would be difficult to develop such transportation services (Report of a Mission, p. 78). The Mission felt that the country will not be an attractive destination for tourists because the main attractions for tourists will be "boating and fishing", and these activities will not be viable because the "climate for most of the year is not pleasant" (Report of a Mission, p. 78). The Mission therefore recommended not to make any investments in tourism for another five years.

It would be easy, with the benefit of hindsight, to criticise the Mission for its lack of imagination in the

> **"... the partnership between the Maldives and the UN development system was the backbone of the country's extraordinary growth ..."**

assessment of potential for tourism in the Maldives. But the key actions that it recommended the Government take in facilitating social and economic development and growth were spot on. The first was a set of strategies to modernise and diversify economic activities and increase foreign currency earnings; second, developing and expanding the education sector; third, modernising the health sector; and fourth, improving the public administration in the country. The first three recommendations were implemented,



and the results catalysed extraordinary speed of growth in almost every other socio-economic sector in the country.

Although the Mission's preferred approach to economic development in the Maldives was more evolutionary, the key recommendation of the Report, in fact, was revolutionary—mechanization of the fishing vessel, dhoni—that has changed skipjack fishing industry in the Maldives forever. Even here, caution was the guiding principle in shaping policy and interventions. The Mission's suggestion to the Government and other interested international partners was to take a "step by step" approach: remodel a sail-powered dhoni to accommodate an engine, a bait keeping device, and a single water spray system.

The UN's approach in designing and implementing the programme for mechanization of the dhoni helped catalyse industrialization of the fisheries sector and brought more inclusivity to the Maldives economy. It was the first major programme that was designed and implemented in the Maldives with the support of the UN development system. And it shows why the partnership between the Maldives and the UN development system was the backbone of the country's extraordinary growth.

The UNDP's financial contribution to the programme was quite modest. But its commitment to the programme, its ability to mobilise support from foreign governments, other UN agencies, and international financial institutions ensured that the programme not just takes off, but take a steep upward trajectory. On 20 November 1974, the first mechanised fishing dhoni "Ummeedh" (hope) was undocked in Malé. The UNDP also mobilised support from other UN agencies in providing the necessary training to the skippers and crew in improved bait-fishing techniques, vessel and engine handling during fishing, and fishing tactics, too. It also deputed experts who provided technical support in the development of improved fishing vessels and in the preparation of a feasibility study for a follow up investment in the sector.

The UN development system also provided technical support to the Government in forging partnerships with other external actors including other governments and international organizations. In 1970 for instance, the UNDP and FAO provided technical support to the Government in its efforts to obtain marine engines under the assistance of Government of Japan. Around the same time the UN also supported the Government with the formulation of policies for inviting private investors from Japan to invest in the Maldives fisheries sector. (Japan's Marubeni Cooperation was the first to invest in the sector in 1972.)

In the mid-1970, the Government collaborated with the UNDP Office in Colombo (the UNDP did not open an office in Malé until 1978), in exploring ways in which the country could get membership of the World Bank and the IMF, and in preparing the necessary documentation for membership, which the country gained in early 1978. Immediately after that, the Maldives submitted an ambitious proposal to the International Development Association (IDA) for a USD 3.2 million loan for mechanization of over 500 dhonis. The UNDP was again the Government's preferred partner in obtaining technical support in the negotiations for the loan and in designing the administrative and procedural mechanism for implementing the programme.

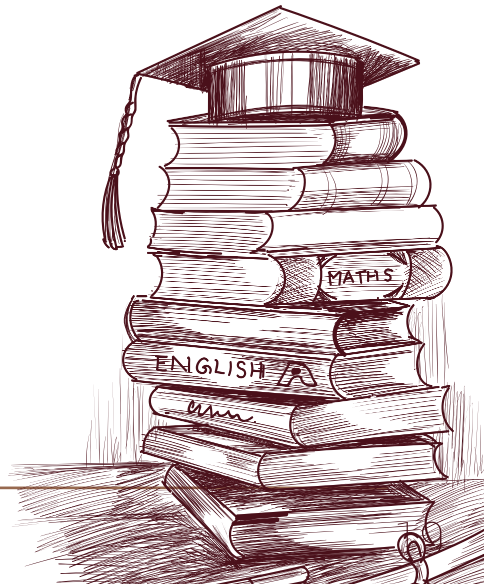
> “Modernization of the education sector and expanding it to the atolls was the second key recommendation”

By the beginning of 1980, the Maldives had over 800 mechanised fishing dhonis, a fish canning factory in Felivaru, and the Maldives tuna were being exported to new markets, such as Japan and Singapore. By the end of the decade, UN's involvement and indeed interest in the fisheries sector started to decline. As a result of the industrialization of the fisheries sector, it attracted interests of international financial institutions, such as the World Bank, Asian Development Bank, and bilateral lenders, such as the Kuwait Fund, which all became quite active in further expansion and modernization of the sector.

Expanding education to the atolls

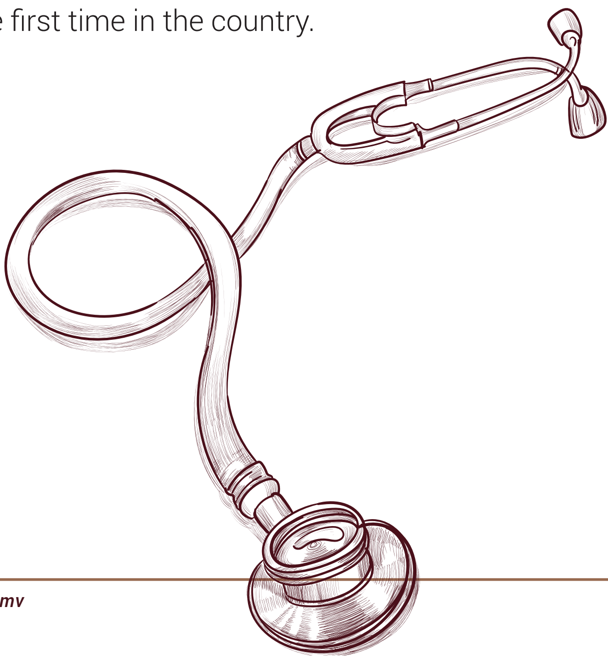
Modernization of the education sector and expanding it to the atolls was the second key recommendation that the 1966 Report made to the Maldives Government. Similar to the fisheries sector, UNDP's support to education in the early years of the partnership was quite modest in terms of capital investment. But the technical and policy support that the Government received during this period, first from the UNDP and later from UNICEF and UNESCO, had significant catalysing effect in the emergence of modern education system throughout the Maldives, and in enabling Maldivians to get qualifications required to have access to jobs in different sectors.

The Government started working with the UNDP in the early 1970s in developing a technically competent institutional architecture for developing and implementing education management policies in the country, the institutional expression of which was the establishment of the project management unit in the Education Ministry, which eventually was developed



into the Education Development Centre (EDC). The UNDP provided the vital technical knowledge in establishing the Centre, its organization, and in its development of curriculum for schools in the country. In addition to the development of curriculum and textbooks for lower grades, the EDC, with technical support from the UNDP and UNICEF, experimented with an entirely new education project in the country, training of teachers. In February 1977, the EDC began the first batch of teacher training, and within a few years, it was able to train a large number of teachers both in Dhivehi and English mediums who were deployed at schools throughout the Maldives.

Around the same time, the partnership for expanding and advancing education in the country reached a key milestone: the inauguration of the Community School in Baa Eydhafushi in February 1978. This was the first time in the history of the Maldives, that a fully government funded school at any level was established outside the national capital, Malé. A year later, the Science Education Centre (SEC) was opened in Malé to offer higher secondary education for the first time in the country.



Advances in the health sector

At the time the Mission visited the Maldives in April 1966, the 40-bed hospital in Malé (later named "Central Hospital") was being constructed with a grant from Britain. The recommendation of the Report, therefore, was more about expanding health facilities and services in the atolls. It was of the view that training of healthcare professionals should be an immediate priority. Another key proposal contained in the Report was establishing small hospitals and out-patient clinics in the larger atolls.

> "It was of the view that training of healthcare professionals should be an immediate priority"

Both recommendations were later incorporated and mainstreamed in the broader partnership between the Government and the UN development system, which, just like in the fisheries and education sectors, helped catalyse extraordinary growth. In addition to the phenomenal growth in life expectancy, a similar rate of gains was achieved in reducing infant mortality rate (per every 1,000 live births), which reduced from 129 in 1977, to 7 in 2019. Such a remarkable transformation was made possible due to, among other things, two modest investments that the Government made in collaboration with the UN. The first was establishing a health centre in each atoll, and the second was the setting up of the Allied Health Services Training Centre (which later became the Faculty of Health Sciences of the Maldives National University) in Malé in 1973 to train health workers and later healthcare professionals.

These two developments helped control different types of communicable diseases (including malaria, filarial, dysentery and tuberculosis) that were the major causes of death in the Maldives even up to the late 1970s. Furthermore, towards the end of 1970s, the Government partnered with UNICEF in constructing regional hospitals in the atolls, the first of which was opened in Haa Dhaalu Kulhudhuffushi in 1982.

Take a bold leap forward in the partnership

The UN development system should, and most likely would, remain the most valued partner for the Maldives in taking the country to the next level of socio-economic development; where it is sufficiently resilient in addressing systemic shocks; where it is better equipped to cope with its inherent vulnerabilities; and where it has greater capacity to guarantee political, economic, and social rights of the people. This might sound a tall order. But with a more imaginative and clearly articulated set of goals with implementing strategies that have razor-sharp focus, such a level of development is within reach.

There are two areas that require that kind of razor-sharp focus to enable the Maldives reach the next level of development. The first is expanding space for more inclusive and climate friendly economic growth on the principle of "leaving no-one behind" (among the key ideas of the UN's 2030 Agenda) by integrating regional development with more clearly articulated objectives. Both the UNDP's Report of 1966 and the World Bank's Report of 1980 (The World Bank, The Maldives: An Introductory Economic Report (The World Bank, Washington DC, 1980)) identified the exclusive focus on Malé as a major hindrance to advancing inclusive growth in socio-economic sectors. To be sure, some of the key programmes that the UN helped design and implement in the country in 1970s catalysed developments in the atolls, especially in sectors such as fisheries, education, and health, and increased quality of life in the islands. However, an overwhelming proportion of the country's wealth, its best schools and hospitals, and the most sought-after jobs are still located in or around the national capital. That is because the population of Malé is sufficiently large to achieve economies of scale for the emergence of these services and facilities. Until there is another region or an island with sufficiently

> **"The UN development system should, and most likely would, remain the most valued partner for the Maldives"**

large population, Malé will continue to remain the center of gravity for socio-economic development and migration. And as long as this remains the case, inclusive development based on the principle of "leaving no-one behind" will remain elusive.

The solution, then, is developing other centers with stronger gravitational power that can pull even larger population towards it and catalyse the emergence of more vibrant markets for innovation, opportunities, and jobs. In fact, the World Development Report 2009: Reshaping Economic Geography argues that

> **"Until there is another region or an island with sufficiently large population, Malé will continue to remain the center of gravity"**

countries achieve faster level of growth and sustain it over time when they promote developments in "3Ds": densities (higher densities achieve scale), distance (shorter distance for workers and businesses migrate closer to density), and divisions, fewer divisions as countries lower economic borders to achieve deeper integration (The World Bank, World Development Report 2009: Reshaping Economic Geography, (The World Bank, Washington DC, 2009). The emergence of Malé as the center of economic activity in the Maldives since the early 1960s suggests that developing other island(s) and transforming that along the first two of the World Banks's 3Ds will indeed be possible, and with bold and innovative policies, will be probable, too.

The second area that the future partnership should consider investing more significantly is building the strength of the State that is capable of managing and sustaining the extraordinary progress that the Maldives has achieved in the last fifty-six years. This in fact is the fourth key recommendation that the 1966 Report made, but the implementation has not produced the desired outcome expected.

The Report observed that the "system of administration is not adequate to meet the needs of a developing country, . . . there is no system of training of those recruited to the government service, . . . and [the lack of coordination is such that] officials in one division is not aware of the work being done in another division in the same department" (Report of a Mission, p 15). The Report's recommendation to the Government was to establish, as a matter of urgency, "a scheme to train [the existing government] officials and new recruits and [organise] the public service into

a proper service with incentives for advancement and avenues for occupying responsible positions" (Report of a Mission, p 15, emphasis added).

About fifteen years later, the World Bank found the situation of public administration not radically different from what UNDP observed in 1966. According to the World Bank's report of 1980, "fragmentation of departments (at least 60) with overlapping functions and the excessive compartmentalization" in the public administration in the Maldives was not only hindering coordination and achieving the desired outcomes in service delivery, it was also preventing the civil service staff from "receiving training as part of a clearly perceived career structure . . . or developing expertise in particular fields", which are essential for managing and sustaining socio-economic development in the country (Introductory Economic Report, p. 32).

Just over forty years since the World Bank's Report, similar observations could be made in describing public administration in the country. Both the UNDP and the World Bank were observing symptoms of a much deeper underlying structural deficiency that has not been properly diagnosed, which is the absence of State strength, or what the political scientist Francis Fukuyama calls "stateness" (Francis Fukuyama, State-Building: Governance and World Order in the 21st Century (Cornell University Press: New York, 2004); the building blocks of state structure, without which managing a complex political environment will be extremely difficult, if not impossible to achieve. Neither the UN expert, who undertook the first

> **“ the building blocks of state structure, without which managing a complex political environment will be extremely difficult ”**

detailed study on the public administration in 1974 (UN Economic and Social Commission for Asia and the Pacific, H.S. Wanasinghe: Report on an Advisory Mission on Administrative Improvement in the Republic of Maldives, June 1974), nor by the various systemic and policy interventions made to improve the quality of governance in the country, especially in the last twenty years, have acknowledged the absence of the building blocks of state structure in the Maldives.

The World Development Report 1997: The State in a Changing World argues that for any country to continue achieving social and economic growth and sustains the gains that it makes, it must have the essential building blocks of a State (The World Bank, World Development Report 1997: The State in a Changing World, (The World Bank, Washington DC, 1997), the first of which is a strong central authority for formulating and coordinating public policy. In a functioning and effective State, that authority is exercised by set of institutions—the rules, norms, and decision-making procedures—whose defining character is the specialised knowledge and skills they accumulate over time. The World Bank calls it the “brain of the system”, for they translate the visions and goals into strategic priorities and produce outcomes that the politicians desire.

The second is an effective and efficient delivery system. In other words, having adequate number of administrative units, with no overlapping mandates or duplication of functions and deliver services to the people throughout the country that ensures no-one is left behind.

The third building block of the State is motivated and capable staff, which the World Bank calls, the “lifeblood” of the system. This “motivated and capable staff” are the Civil Servants whose defining features are recruitment through merit-based competitive exams, clearly defined career path with merit-based promotions, and sector specific specialised knowledge and skills given through systematic in-house training or by institutions specifically set up for that purpose.

The good governance programmes that the Maldives has implemented in collaboration with the UN especially since the late 1990s have resulted in an increased space for exercising fundamental rights of individuals, but they have not always amplified the capacity of the State to ensure that space is continuously expanded. The future shape of the partnership between the Maldives and the UN development system would be instrumental in making the required bold leap forward for putting firmly in place the essential building blocks of the State that is capable in managing and sustaining gains that the Maldives has achieved. Without such a partnership, the risk of derailing the progress that the country makes in governance and socio-economic development will be ever present.

ABOUT THE AUTHOR

Ali Naseer Mohamed holds PhD in Diplomatic Studies from the Australian National University and Master of Arts in Diplomatic Studies (with Distinction) from the University of Leicester in the UK. He had been in the Maldives Foreign Service since 1985, and held a number of senior leadership positions including Foreign Secretary of the Maldives, Ambassador to the United Nations, Ambassador to the United States, and Director-General (Political Affairs). The views expressed in the article are that of his own and not the views or opinions of the Maldives Government.

EVOLUTION OF TOURISM INDUSTRY IN THE MALDIVES

Ibrahim Zuhuree

Introduction

In 1972, only 1000 tourists visited the Maldives when two tourist resorts with 280 beds became operational. As seen in Figure 1, by the year 2019, Maldives celebrated the arrival of more than 1.7 million tourists, three times the country's population. The underlying characteristics that give the Maldives a comparative advantage in tourism have always been the sun, sea, and sand. Without the entrepreneurship of the pioneering entrepreneurs, however, tourism would not get started in the country. Without considerable technology transfers, human resource development, and physical investment, the significant transformation of tourism in terms of quality and quantities would not occur. Using the tourist area life cycle (TALC) model developed by Butler (1980), this article examines the evolution of the tourism industry in the Maldives.

Tourist area life cycle (TALC) model

As illustrated in Figure 2, the TALC model goes through six key phases: exploration, involvement, development, consolidation, stagnation, and decline and/or rejuvenation. There are no facilities for tourists at the initial exploration phase. Afterwards, the locals provide tourists with low-quality essential services using domestic resources whereby the government provides basic transport infrastructure. Local involvement and control, however, decline in the development phase when foreign firms start investing in transport and accommodation infrastructure and marketing. At the consolidation stage, the destination reaches maturity with capital-intensive investment and new technologies primarily available through foreign direct investment (FDI), even though the rate of tourist flow starts to decrease at this phase. Finally, the stagnation stage represents a gradual decline.

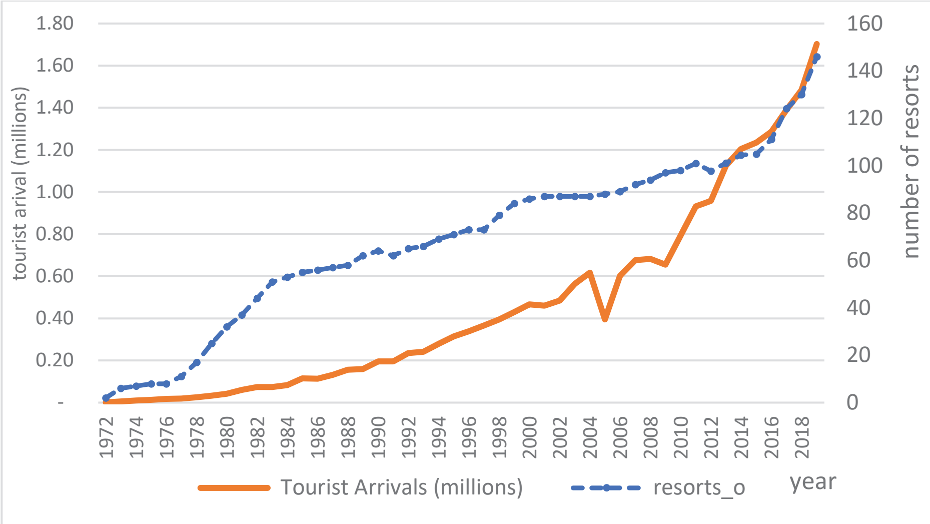
Exploration phase, 1965 - 1972

During the 1970s, the economic situation in the Maldives was deteriorating. The United Kingdom was reducing its defence commitments in Asia and started negotiation to close RAF Gan. The relations between the Maldives and Sri Lanka became strained, and the market for Maldives' main export of dried fish collapsed. As such, the government actively pursued the diversification of its economy. But a government-commissioned study, with the assistance of UNDP,

> "... the three entrepreneurs convinced the ... Maldivian government to ... charter a flight"

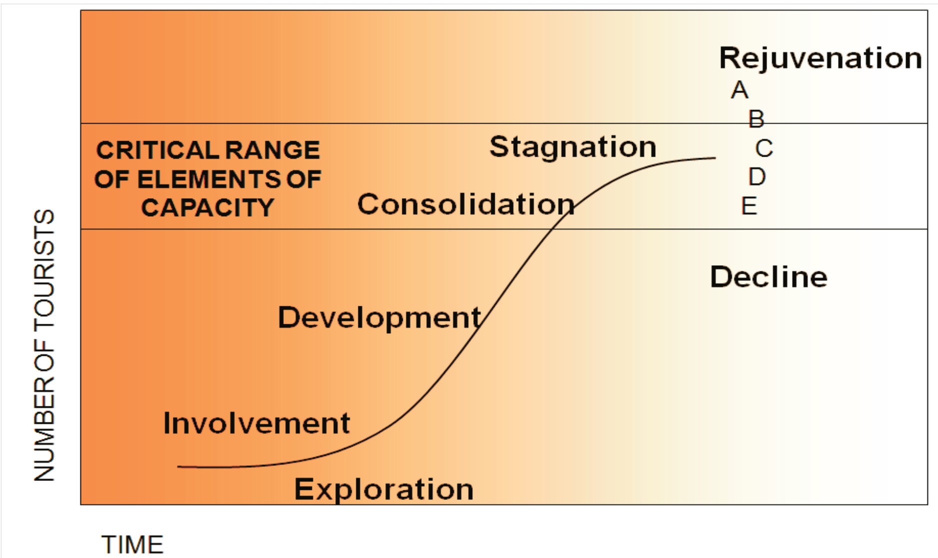
found that tourism was not feasible in the Maldives predominantly due to limited infrastructure. In 1971 Ahmed Naseem, then a junior diplomat with the Maldives Embassy in Colombo, convinced an Italian travel enthusiast, George Corbin, to visit the Maldives in a cargo ship. Frenchesco Benini, a travel photographer, also joined the trip. In the Maldives, Naseem met the young entrepreneur Mohamed Umar Mainku, a college graduate. They took the two visitors to nearby islands, including Kurumba Maldives. As a guide, Hussain Afeef joined them. Consequently, the three entrepreneurs convinced the Maldivian government to make arrangements to charter a flight of Air Ceylon. On 16 February 1972, twenty-two tourists, primarily writers and photographers, landed at the tiny airstrip on the Hulhule Island.

Figure 1: Tourist Arrivals and Number of Resorts in Operations, 1972-2018.



Source: Ministry of Tourism, Maldives.

Figure 2: Hypothetical Evolution of a Tourist Area



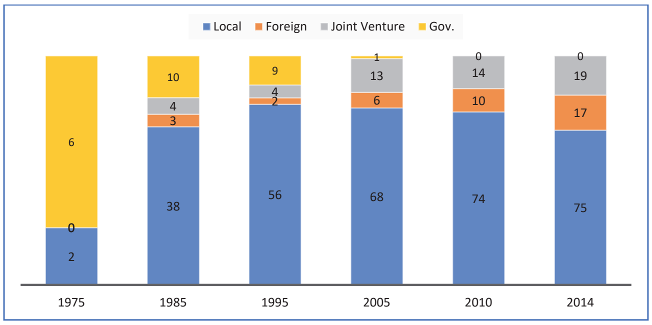
Involvement Phase, 1972 – 1983

Tourism statistics coupled with interviews with industry experts provide crucial facts about the evolution of the tourism sector in the Maldives. At the initial stage, the major constraints for the industry were poor transport and the difficulty in finding skilled workers. So, tourists were provided with basic services by local people who had no formal training. The tourists were mainly European divers attracted to the underwater beauty and less concerned with

> “ tourists were mainly European divers attracted to the underwater beauty ”

the quality of food and other services. As a result, the industry remained underdeveloped until 1976 (see Figure 1 and Figure 3). Data reveals that by 1975 the number of resort investments undertaken by the government was six while the private sector invested in just two resorts. The government-led the nationwide effort to mechanize sea transport vessels using diesel engines imported from Japan.

Figure 3: Number of Resort Leaseholders, 1975-2014.



Source: NBS
Note: The height of the bars indicate the percentage of different leaseholders for a given year, while the numbers inside the bars show the absolute number of different categories of leaseholders

Between 1976 and 1985, however, more than 47 new resorts became operational with 38 private sector investments (see Figure 3). During the same period, annual tourist arrivals increased to 100,000. One of the turning points in 1976 was the British decision to end its military presence in Addu Atoll Gan where about 900 Maldivians from Southern Atolls were employed to support the RAF personnel (https://www.theguardian.com/world/2015/sep/15/gan-maldives-diego-garcia-island-1975). When the British left the country, these employees could supply cheap labour with various levels of training to service Europeans in tourist resorts.

Development Phase, 1983 - 2009

The development stage came in the second half of the 1980s when the quality of service was improved rapidly through establishing institutions, learning from abroad and investing in infrastructure. The Tourism Master Plan was developed in 1983, and the government institutionalized the one-resort one-island (OROI) concept. In the OROI, most tourism production and consumption (e.g. lodging, restaurant, recreation) take place only on selected uninhabited islands leased exclusively for tourism purposes. Thus, tourist accommodation in inhabited islands was banned.

> “... in 1983, and the government institutionalized the one-resort one-island (OROI) concept”

There are two significant consequences of OROI policy. First, the exclusivity of tourism production out of inhabited islands means the sunk cost is very high. To compensate for the high cost, the government placed restrictions on new market entry (see a flattening of slope in Figure 1). Restrictions allowed incumbents to gain market power. Second, the introduction of exclusive resorts enables the internalization of most of the costs associated with negative externalities. The emergence of OROI is also consistent with Butler's observation of well-defined brand to market tourism. This is because OROI creates more incentives to improve quality, and the reputation of providing quality services creates positive externalities.

> "... in the late 1990s the government further liberalized FDI in the industry, improving foreigners' incentives to operate and manage resorts"

The third significant change came in the late 1990s when the government further liberalized FDI in the industry, improving foreigners' incentives to operate and manage resorts (see Figure 3). This includes the low bed tax rate of just 6 USD per bed per night and increased resort lease period to 25-35 years. In addition, the new FDI injected additional capital necessary for the improvement of transport infrastructure (e.g. speed boat and air travel) and the production of innovative and high standard tourism products such as Water Villas. Moreover, new management techniques brought in by foreign participation played a crucial role in improving the standard of service in the industry and opening up additional markets for the Maldives.

In addition, since 2004, at least three events have had significant influences on tourist arrivals in the Maldives. The first event came with the Indian Ocean tsunami that struck the Maldives on 26 December 2004. Following the tsunami, visitors reduced significantly in 2005. Second, since 2004 political instability in the Maldives started, tremendous pressure and political unrest continued to affect the industry. During the same period, Maldives also experienced a wave of religious radicalization and an act of terrorism. On 29 September 2007, in the first attack on the Maldives's tourism industry, 12 tourists were injured in an explosion near the Sultan Park in the capital city. Following the explosion, the news spread fast, and tourist arrivals decreased significantly.

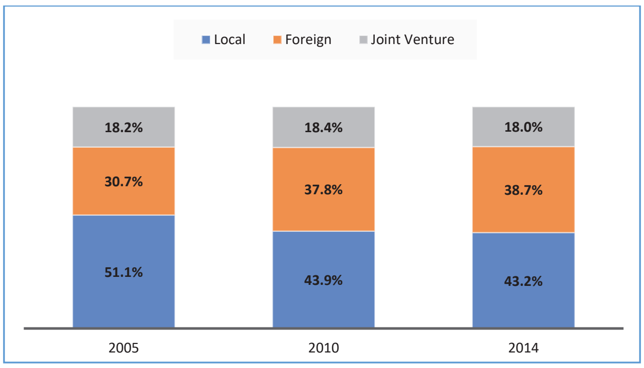
Consolidation Phase, 2010 –

According to Butler, one of the indicators of the consolidation phase is the presence of major international chains in the country. Figure 5 shows the ownership percentage of resort operators in the Maldives. Data shows that by 2005, 30% of resort operators were foreigners, and 18% were joint ventures between foreign and local parties. Indeed, by 2016 more than 35 major international brands had at least one property in the Maldives. Data also shows that although foreign operators increased to 37% in 2010, the percentage remained the same by 2014. The number of resorts in operation rose to 88, 98 and 111, respectively in 2005, 2010 and 2016.

> “But trends over the years suggest rapid improvement in occupancy during off-seasons”

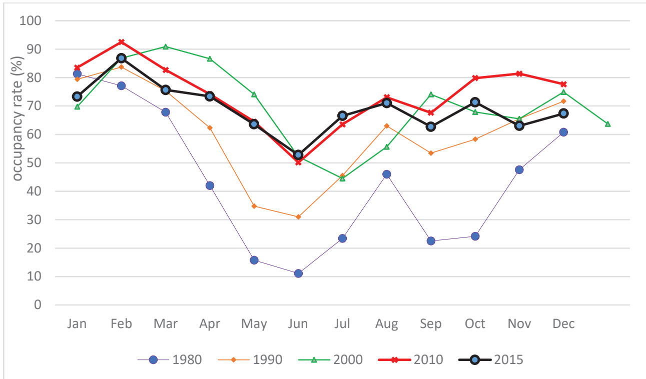
An alternative indicator of the consolidation phase is marketing efforts to extend the visitor season and market area. As seen in Figure 6, Tourist arrivals to the Maldives are seasonal, with a dip from May to July due to Monsoon. Meanwhile, arrival is high from December to March that coincides with winter in Europe. But trends over the years suggest rapid improvement in occupancy during off-seasons too. In 1980, for example, occupancy in June was at just 10%, which was improved to 30% in 1990, and by 2010 percentage was above 50%.

Figure 5: Ownership of Resort Operators in the Maldives, 2005-2014



Source: NBS

Figure 6: Monthly Occupancy Rate (%), 1980-2015



Source: NBS

Guesthouse segment

In 2010 when the government deregulated tourist establishment restrictions on inhabited islands, guesthouses emerged as a new market segment. Compared with the more exclusive resorts, the guesthouse sector is more inclusive as it provides more job opportunities through outsourcing of services. The guesthouse market is also more competitive. Accommodation in a guesthouse can be set up on inhabited islands in local residences. Family members can operate the business, and the marketing only requires registering on one of the online travel agencies (OTAs). In such cases, the associated financial outlays is significantly less. Thus, if the business is not profitable, it is easy to exit the market. Thus, there is a risk of ‘race to the bottom

> “the guesthouse sector is more inclusive as it provides more job opportunities”

as new entrants with low price and low quality enter the market.

Compared to the resorts under OROI, the guesthouse segment has more free-riding due to unpriced public goods bundled into the tourism product. For example, tourists share the public space on inhabited islands, including the beach and marine resources (e.g. reef), with the island population. In other words, the marginal cost of tourists enjoying beach or reef is zero to individual guesthouse owners. Thus, there is a greater possibility of building more hotels to accommodate increasing demand. For example, by 2020, Maafushi Island had more than 50 registered guesthouses and 1445 beds, almost four times the bed capacity of most resorts in the country. However, such mass-tourism models may be unsustainable due to potential pollution (congestion) issues leading to depletion of natural resources.

Conclusion

This article described dynamic changes that have taken place in the Maldives tourism industry and contributed to theoretical insights provided by Butler's TALC framework. It demonstrated that the Maldives tourism industry has undergone considerable changes since the first tourists visited the Maldives almost 50 years ago. The momentum of the growth in total visitor arrivals, foreign investment and occupancy suggests that the Maldives as a tourist destination may be in the consolidation phase since 2010.

Following the consolidation phase, Butler predicts the potential for stagnation due to limits on carrying capacity. Recently, the government expressed interest to further liberlaise the tourism sector and introduce 'homestay' on inhabited islands. Naturally, the question arises on what the consequences of the new policy change are. There is an obvious need to examine the extent of congestion, incentives for preservation, the relationship between service quality and prices, etc.

ABOUT THE AUTHOR

Ibrahim Zuhuree works at the Ministry of Foreign Affairs of the Republic of the Maldives. Currently, he is the Deputy Permanent Representative of the Maldives to the United Nations. Born in Noonu. Holhudhoo in 1976, he graduated from the University of Western Australia in 2004, with B.Sc. in Mathematics and Physics. In 2007, he completed M.Sc. in Public Policy and Management from Carnegie Mellon University, Adelaide. In 2017 he received PhD in advanced policy studies focusing on tourism economics from National Graduate Institute for Policy Studies (GRIPS), Tokyo, Japan. (phd14403@grips.ac.jp)

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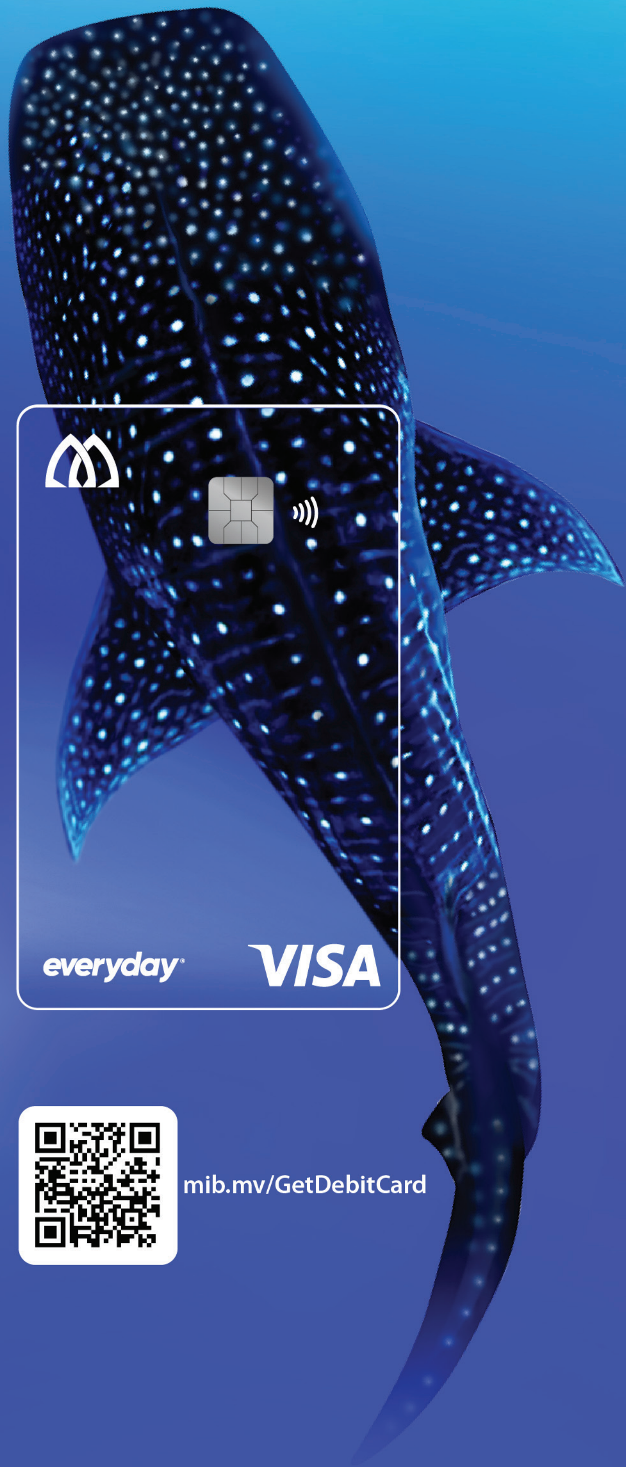

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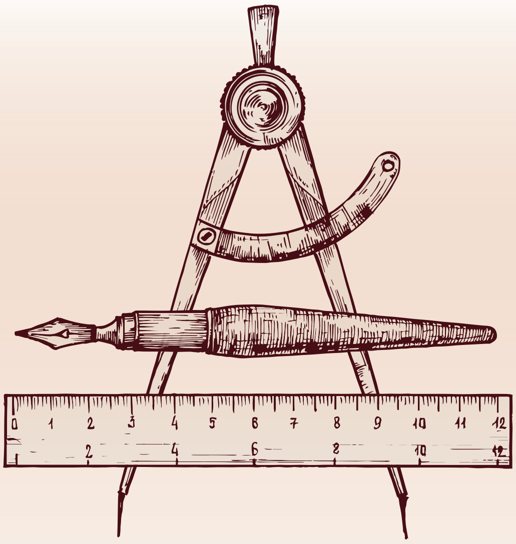

COMPETITION IN HIGHER EDUCATION: IS LIMITED PROSPECTIVE STUDENTS AFFECTING QUALITY?

Fazeel Najeeb

In the Strategic Action Plan (SAP) 2019-2023, the government recognises that increasing and developing "human capital is vital" to attaining two objectives: sustaining growth and improving youth employability. If "growth" here refers to that of the economy, it is reasonable to assume that as growth is sustained, jobs are likely to be created and will need to be filled. The cohort that the SAP aims to target to increase and develop human capital is youth, so that success in doing so would increase their chances of being employed in these jobs.

> "SAP also sees the "lack of quality higher education" as the biggest challenge"

To get there, the government sees developing tertiary education, including technical and vocational education and training (TVET) and higher education avenues as a priority. But SAP also sees the "lack of quality higher education" as the biggest challenge that the sector [higher education] faces, and cites "lack of infrastructure, budgetary constraints, and a lack of skilled professionals to develop the higher education sector as some of the challenges in delivering quality higher education".

Within the above context, SAP lists the following as "some of the policy priorities of the subsector" (i.e. higher education): expanding higher education opportunities, increasing access to student finance, fostering a culture of academic research, facilitating evidence-based policymaking, delivering quality vocational education and aligning such opportunities to the economic sector and industry needs.

Higher education is presented as the second of five "subsectors" [sub-themes] under the second of the main five sectors [themes], "Caring State". The SAP is structured in a way that an issue identified as such in a sector/subsector is addressed under a policy, each policy has a number of targets and strategies, and each strategy has a number of actions. The higher education subsector has the following seven policies and their respective targets that, we must assume, seek to address the issue of lack of quality higher education:

Higher Education Policies and Targets in the Strategic Action Plan 2019-2023
Policy 1: Expand and strengthen the Higher Education sector to ensure equitable Higher Education opportunities nationwide. Policy 1 targets: Target 1.1: By 2023, 60% Gross Enrolment Ratio (GER) in Higher Education Target 1.2: By 2023, 200 scholarship opportunities provided across Maldives, under a public-private partnership arrangement Target 1.3: By 2023, 5 junior colleges in 5 identified regions established and operational Target 1.4: By 2023, 5 Higher Education and Training facilities in 5 different regions established and operational Target 1.5: By 2023, e-learning services are made accessible in all islands
Policy 2: Strengthen Higher Education financing mechanisms to ensure greater accessibility to quality Higher Education for all. Policy 2 Targets: Target 2.1: By 2023, at least 25,000 students given opportunity to study under the free first-degree scheme Target 2.2: By 2023, at least 1000 students awarded HE scholarships Target 2.3: By 2023, at least 2500 students receive loan to pursue HE abroad and in Maldives Target 2.4: By 2021, loan administration fee reduced to 1%
Policy 3: Strengthen the governance of Higher Education sector to bring in efficiency and ensure quality of higher education and enhance the international standing of the Maldivian higher education system. Policy 3 Targets: Target 3.1: By 2020, Higher Education Act enacted Target 3.2: By 2023, MQA governance structure fully implemented as per the Higher Education Act Target 3.3: By 2023, a revised institutional structure with clear roles and mandates of HEIs operationalized Target 3.4: By 2021, all HE data collected, managed and compiled via a Higher Education Management Information System (HEMIS)
Policy 4: Foster a culture of academic research and facilitate evidence-based policymaking. Policy 4 Targets: Target 4.1: By 2020, National Research Council and research fund established Target 4.2: By 2023, up to 30 research projects for national development depending on relevancy and demand, supported by the national research council
Policy 5: Ensure high quality of TVET programmes and curricula focusing on both work-related skills and soft skills through research and innovation. Policy 5 Targets: Target 5.1: By 2022, TVET curriculum revised in line with international industry benchmarks Target 5.2: By 2021, e-platform is functional and up to date with student data Target 5.3: By 2023, 5 state-of-the-art TVET training institutions established in 5 Regional Urban Centres (RUCs)

Policy 6: Ensure employability, retention, and relevance of TVET programmes for the economic and labour sectors. Policy 6 Targets: Target 6.1: By 2023, 6 co-working spaces created and, incubation centres established in Malé and 5 Regional Urban Centres Target 6.2: By 2020, RPL policy developed and implemented Target 6.3: By 2023, career portal is available for anyone looking for training or a job
Policy 7: Strengthen the capacity of the TVET system Policy 7 Targets: Target 7.1: By 2023, 5 partnership agreements signed with international organizations to integrate innovation in TVET provision Target 7.2: By 2021, an ICT management platform established to strengthen and support all RTOs
Source: Strategic Action Plan 2019-2023, The President's Office

Out of these which policies address what SAP describes as the biggest challenge – lack of quality education? Policies 1 and 2 are on equity and funding/financing respectively. Policy 3 speaks expressly of higher education quality, while policy 4 might also be said to contribute to raising quality in some way. Policies 5, 6 and 7 appear focused on TVET. Do the policies also address the other challenges that SAP identifies – lack of infrastructure, budgetary constraints, and a lack of skilled professionals?

> **“ A basic question that arises when discussing higher education quality is about our understanding of a or the definition of quality ”**

It could be argued that all these policies indirectly contribute to raising quality in some way as also could be argued that they do not.

But what is quality in the context of higher education? A basic question that arises when discussing higher education quality is about our understanding of a or the definition of quality. While SAP may not be the place for such a definition, work on a declared objective of raising the quality of higher education must start from a position that sector participants recognise, both private and public higher education institutions (HEIs). Whether we are to understand that a definition has to be worked out domestically or to adapt a foreign definition to domestic context is left ambiguous in SAP.

Nonetheless, we may note that in policy 3, SAP speaks to “enhance the international standing of the Maldivian higher education system.” Here, it could be argued that SAP recognises the need for understanding “quality” in the context of higher education in a way that enables our higher education system can be compared with international counterparts. The definition, therefore, ought to embody aspects of quality that are widely recognised internationally since otherwise a comparison to determine the “international standing” is less likely to be possible. Policy 3 thus points to the necessity of maintenance of a credible quality assurance system that is adhered to by all domestic HEIs, private and public alike without exception.

> "... the proliferation of HEIs earlier has also led to a situation where supply appears to have exceeded demand ..."

While HEIs should collectively contribute to raising quality, an individual HEI must first be able to fund itself or be funded. For public HEIs, their budgets are funded entirely or largely by the government. The same is not true in the case of private HEIs that entirely or largely depend on student fees either paid by students themselves, corporate or private sponsorships or covered by a government scheme that came into effect recently.

But the proliferation of HEIs earlier has also led to a situation where supply appears to have exceeded demand and the consequent competition for students is having an adverse impact on conventional practices of enrollment. This is said to exist most prevalently in private HEIs where compliance on entry criteria is being circumvented or given a blind eye. The consequence, it is believed, is a decline in quality, described as a situation where intake of weak students is leading to a weakening of standards as graduate output is ostensibly maintained.

Another consequence of the demand-supply mismatch is the introduction of the so-called blended (sometimes also referred to by some people as block) mode of instruction. Fulltime employees are allowed to enroll as fulltime students who and lecturers are subjected to long hours of contact on a few number of days each month of the semester. Anecdotes suggest that while the introduction of this mode helps maintain student enrollment, its effect on maintaining quality is not encouraging.

The root of the problem appears to be – or related to – the demand-supply mismatch. In a market-oriented economy it may not be possible to prohibit new entrants (HEIs) to set up shop. The early days of tertiary level education in the country proved so lucrative given the high demand and the lax (or lack of) standards led to a proliferation of HEIs over many years.

Fulltime students on the basis of conventional wisdom that their studies is their fulltime work are now in short supply in the country. Domestic demand for higher education appears saturated. It appears that it is time to look beyond our shores for students.

In my mind I see more students than our capacity coming to Maldives to study – and thereafter, to work – and I see standards of both students and

> "The root of the problem appears to be – or related to – the demand-supply mismatch"

HEIs – the quality of our higher education system – beginning to rise. In my mind I also see, therefore, the higher education sector as a potentially influential, lucrative one – one that would earn foreign currency and could contribute to relieving our over-reliance on tourism. But I do not see this happening automatically.

LETTERS TO THE EDITOR

Ali Naseer Mohamed's article (Commercial Diplomacy, volume 2, issue 4) was an insightful piece. Our neighbor thought nationalizing our assets there, arresting our representative and other actions they took then would diminish us as a nation. On the contrary, it emboldened us, and heightened our resolve to prevail over the hardships thrust on us. Our leaders of the day refused to be intimidated, and took resolute actions to remove dependence on one country. If only those who say they are our leaders today can man up and refuse to be drawn into more and more dependence, refuse to be dominated over, and refuse to be dictated to (even if across the diplomatic desk).

Ahmed Rasheed, Maldives.

SAARC, everybody knows, isn't an organization that anyone is serious about The level of real animosity boiling is too much for anyone to believe that SAARC can do much for the region. Ahmed Saleem (What Next for SAARC? volume 2, issue 4) is just being diplomatic when he says SAARC can change the fate of the region (assuming it is for the good). President's and prime ministers come and go. But SAARC is neither coming nor going. It is stuck. I am an optimist. But I have nothing but pessimism about SAARC. Let's not waste our money and time.

Hassan Adam, Maldives.

With commitment and long-term thinking, the Maldives Stock Exchange can become something significant for the economy. Of course, it will take time. But not if we leave it to be, because it is not growing as it should. Fazeel (volume 2, issue 4) may not be right when he says it is stunted.

Hassan Mohamed, Maldives

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