



## **India-Maldives Development Cooperation: Opportunities and Challenges**

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### **Introduction**

Ethnic, linguistic, cultural, religious and commercial links have been binding India and Maldives bilateral relations for long. India was among the first country to recognise Maldives after its independence in 1965. It established its mission in Male in 1972. Since then, bilateral relations have been ‘nurtured and strengthened by regular contacts at all levels’. The geo-political factor and strategic location of Maldives are the driving forces for mutual collaboration and respect for each other’s sovereignty.

Bilateral cooperation between India and Maldives is guided by a set of principles based on the framework of South-South cooperation, and building solidarity and partnership between developing nations in the post colonial phase. India’s development assistance, though small in amount, ‘helped in building soft power leverage amongst its neighbours’.

In contrast to western development assistance, India’s development cooperation is provided without any conditionality. It is coordinated through the Ministry of External Affairs (MEA) and the Development Partnership Administration (DPA). The Indian Technical and Economic Cooperation (ITEC) programme (Training) and Exim Bank (Lines of Credit) structures have also been playing a significant role in implementing development projects in Less Developed Countries (LDCs).

## **Development Scenario in Maldives**

The geo-strategic location of Maldives in the Indian Ocean has been an important factor for extra regional powers' keen interest in this smallest and less developed country of Asia. The population 'of Maldives is 0.3 million and the land area is less than 300 square kilometres'. However, there are a few developmental challenges, such as climate change, internal migration, resource deficit economy and dispersed population that have been hampering the growth of its economy. For instance, according to the Human Development Report (HDR) 2014, Maldives' annual average growth rate during 2000-2005 stood at 1.7 per cent, while it expected a slight increase to 1.9 per cent during 2010-2015.

Even though overall income levels have been increasing, income inequalities between Male' and the Atolls are not decreasing correspondingly. More recent data on Maldives' Human Development Index (HDI) has pointed out that the overall HDI value of its capital, Male (0.734) is above the cumulative HDI value of all Atolls (0.627), excluding the capital.

The present scenario of urbanisation in Maldives is not conducive to equal development. For instance, 'one third of the population lives in Male' urban region and out of this, nearly 58 per cent are migrants creating many social issues'. Internal migration is taking place due to 'discrepancies in the availability of physical and social infrastructures, such as schools, health care facilities and job opportunities outside Male'. For instance, '37.5 per cent of population in Maldives are suffering from multi dimensional poverty based on factors, such as education, health and living standards'. Thus, internal migration is increasing pressure on the already strained infrastructure in Male, along with restricted housing capacities and limited employment opportunities.

Therefore, demographic transformation is a challenge to deal with in future along with geographical constraints, such as the lack of arable and cultivable land, which hinder economic diversification. The World Bank estimated that the annual Gross Domestic Product (GDP) growth of Maldives would be at 4.5 per cent in 2014, which is below the estimated annual GDP growth of South Asia that stands at 5.3 per cent in 2014.

Other developmental challenges include rising sea levels, natural disasters, and access to sustainable health care, coastal infrastructure and employment for dispersed, small communities. In Maldives, around 4,500 people (per million) were affected by natural disasters during 2005-2012. The Tsunami in 2004 caused US \$470 million damage to the economy, which was equivalent to 64 per cent of its GDP, and 14 per cent (in 2009) of its total population are homeless.

In addition to the above mentioned challenges to development in Maldives, lack of human resources in the health sector is an important concern. According to the World Health Organisation (WHO), in the year 2000, there were 226 doctors (8.4/10,000 population) in Maldives. Since most of them were expatriates, it created communication difficulties at the community level. Even though the availability of human resources in health sector has improved slightly in recent years, the number of specialists in 2010 still remains low at 6/10,000 population (according to Maldives Health Profile 2014, Ministry of Health and Gender, Maldives), indicating the need for more specialised doctors in the country. The existence of regional disparities in the health sector is also a concern. For instance, in the Central and South Central regions, infant mortality rates are double in comparison to those in the South – and also substantially higher than those in the North and North Central regions.

The main boost for the country's economy was the introduction of tourism in the 1970s. The tourism industry accounts for almost 34 per cent of the direct GDP, 'while other industries, such as fish processing, shipping, boat building, coconut processing, garments, woven mats, rope, handicrafts, coral and sand mining', etc. are providing employment opportunities to the youth. However, according to the HDR 2014, the youth unemployment rate is high at 40 per cent (age group 15-24, 2009/2010). This high unemployment rate has led to incremental radicalisation of a section of society. India has been doing its bit for promoting skill based employment and development for the youth.

Despite political instability and disturbances, the successive Governments of Maldives since 2000 have tried to create conditions for inclusive growth in the country. To address developmental issues, the government adopted a new approach to development, the Regional

Development Programme. Maldives' Ministry of Planning and Development initiated this programme in mid 2000. Population Development Consolidation was a key concept that marked a change in the focus from Atoll development to regional development because the former programme could not be sustained due to budgetary limitations. This was reflected in the 2007 Government budget, where '45 per cent of the Public Sector Investment Programme (PSIP) budget was directly dedicated to promoting regional development'. Another notable initiative taken by the Government of Maldives was the Decentralisation Act, which was passed in 2010. In this regard, the provision of Primary Health care for all is the first function to be decentralised.

### **India's Development Cooperation**

India's development assistance to Maldives covers a wide range of areas, such as health, education, transport, skill and capacity building, waste management and management of natural disasters. At present, bilateral cooperation is marked by "pragmatic and mutually beneficial initiatives and projects". According to the Ministry of External Affairs, India, some of the important development cooperation initiatives taken by the Indian government over the years are:

- Setting up a Tuna fish Canning Plant at Felivaru in Maldives with a capacity of 10,000 cans per day.
- In 2002, the Indian Prime Minister announced increase in training slots from 10 to 20 under the ITEC programme.
- The Indian government's development assistance was also helpful in supporting Maldives to deal with natural disasters. India provided a budgetary support of Rs. 100 million to Maldives after the Tsunami struck in 2004 and in May 2007, India again provided assistance of Rs. 100 million following tidal surges.
- During Mohamed Nasheed's Visit to India in 2007-8, both the governments signed an agreement on Standby Credit Facility of US\$100 million to Maldives.
- Both the countries also signed a "Framework Agreement on Cooperation for Development" in November 2011, covering areas, such as 'trade and investment, food security, fisheries development, tourism, transportation, information technology, new and renewable energy, communications and connectivity'.

- In 2011, the Government of India extended a \$100 million Standby Credit Facility to Maldives to stabilise its fiscal position.
- In 2011, an Indian Cultural Centre was established in Male.
- The Government of India established the Indira Gandhi Memorial Hospital at Male. The Faculty of Engineering Technology (FET) and Faculty of Hospitality and Tourism Studies (IMFFHTS) established at the cost of 69.65 crores are other institutions supported by India.
- India released an instalment of US\$ 20 million from the Standby Credit Facility in February 2012 and decided to roll over US\$ 50 million SBI Treasury Bonds by a year.
- Maldivian diplomats have also received training in India under the Indian Foreign Service Institute's Professional Course for Foreign Diplomats (PCFD) programme. In January 2014, the Government of India promised to construct the Composite Training Centre for Maldives' National Defence Force (MNDF).
- To promote infrastructure development, the Overseas Infrastructure Alliance (OIA) of India has been given a contract to construct 485 housing units.

Despite development assistance in various areas, during 2012-13, India and Maldives relations were on a rough path. The Maldivian government's decision to terminate the contract of GMR India to develop the Ibrahim Nasir International Airport, and subsequent internal political developments in Maldives led to strain in their relations.

However, there was no set back to development cooperation between India and Maldives. During President Mr. Abdulla Yameen's visit to India in January 2014, he asked for India's assistance in skill building and training of personnel. So, capacity building and skill development being another key component of Indian assistance, in 2014, India provided 74 scholarships to Maldivian students to pursue higher studies in Indian institutions of learning. In addition, a total of '5,530 Maldivian students have completed courses launched in 2011, under the \$5.3 million Technology Adoption Project funded by the Indian government, which also includes 3,053 teaching certifications, 1,674 certifications in the field of IT and 803 certifications in ICT related vocational courses'.

Apart from the above initiatives, India and Maldives need to explore possibilities for more diversification, and identification of new development projects in Maldives. According to the Standing Committee Report on External Affairs, the Budget Estimate (BE) of Aid and Loans to Maldives for 2012-13 was Rs. 286 crores, which reduced to 30 crores in 2013-2014 due to various reasons. Both the countries need to explore other avenues for promoting internal development and work on the proposal for the establishment of a Development Finance Institution and for the import of diesel, petrol and aviation fuel from India. The development of marine connectivity between India and Maldives also needs to be explored.

### **Challenges and Opportunities for Cooperation**

- Complex geographical conditions coupled with high costs of service delivery and lack of funds to develop connectivity and infrastructure are some of the factors leading to unequal development among Atolls and in initiating various development projects in the region.
- Maldives' vulnerability to climate change was evident when Tsunami hit the Island in 2004. The Government of Maldives' development plan of relocating and consolidating population on the larger islands is a risky and complex process and needs funds for the construction of houses. Moreover, dwelling units in these Atolls need better expertise in construction, so that these can withstand tidal surges and sudden environmental changes.
- Since the consolidation of democracy and democratic institutions is the key to sustainable development, there is a need to provide financial resources to institutions working for decentralisation, which can address effectively the question of economic inequality and poverty by providing skill development training at the local level.
- Key components of India's development assistance, such as disaster relief fund and provision of credit facility has to be linked with Maldives government's policy of linking consolidation programme to tourism development, so that the relocation of communities would not cause damage to the fragile democratic structure of Maldives.

## **Recommendations**

1. Explore the possibilities of implementing projects in Atolls on a smaller scale. In this regard, India and Maldives can explore the possibility of studying the Blue Economy model for sustainable coastal development.
2. Encourage small scale industries and Indian investment in this sector. In this regard, small grant project based initiatives could be used to boost Maldives' entrepreneurship.
3. Expansion of skill development institutions in Atolls, such as English language courses and vocational training centres.
4. Promotion of decentralisation of health care and services. Exploring possibilities of development of health facilities, primary health centres and institutions outside Male since imbalances in the health sector are a concern.
5. Encourage the Maldivian government to develop appropriate social and economic projects in consultation with concerned communities and international institutions, such as the Asian Development Bank (ADB).
6. Monitoring and evaluation of existing projects and its impact on regional development.

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