CHAPTER-IV

NATIONAL INSTITUTIONS FOR GOVERNANCE
This chapter deals with National Institutions for Governance in Maldives. In this chapter, the focus is on political and economic institutions, which govern the country. There are many national institutions; it may be political or economic institutions, nevertheless, which function for the government. This chapter analyses the functions of some of the key political institutions such as Ministry of Home and Environment, Ministry of Defence and National Security, Ministry of Foreign Affairs, Ministry of Finance and Treasury and Ministry of Atolls Development. This chapter makes a profile of certain economic institutions such as the Maldives Monetary Authority (MMA), Bank of Maldives (BML), Maldives National Chamber of Commerce and Industry (MNCCI), State Trading Center (STC), and the National Security Service (NSS). Finally, it highlights how these institutions function for the development of the nation.

The Ministry of Home Affairs and Environment of Maldives

The Minister of Home Affairs and Environment is appointed by the President. The President may dismiss the Minister, if, in his (President) opinion, he is unable to discharge effectively the functions assigned to him by the President. Earlier in 1978, this Ministry was not assigned the powers to function separately because it was functioning under the President himself. However, the Ministry of Home Affairs has a separate department. The Home Ministry has been functioning single-handedly. This is a very important portfolio in the Maldives political institutions now.¹

The Powers and Functions of the Minister of Home Affairs

The main functions are to maintain law and order in the Maldives. How to maintain law and order in the country and how to maintain internal peace and security of the people, public property, and territory of the island-state and sea

¹. Maldives, Ministry of Home Affairs and Environment, Male, 2005
water of Maldives have been the functions of the Ministry of Home Affairs. This Ministry looks after important national and international matters and issues on the advice and direction of the President. The Ministry looks after problems of the whole country through Atoll-Chief and Island-Chief. The Minister of Home Affairs and Environment gives directions to the Island-Chief and Atoll-Chief for the welfare of the people.\(^2\)

Therefore, there are several departments, which come directly under the purview of the President at the centre. As a result, the Ministry of Home and Environment also comes under the control of the President. The Ministry of Atolls Development also plays a great role in the Home Affairs. It is the Atoll-Administration that controls the islands and atolls of the country, but the Ministry of Home Affairs is accredited for it. The national institution like Home Affairs has also been playing an important role since independence. There are very few historical records about the Sultanate periods. It does not certify the prevalence of such a system in the history of Maldives. The Ministry of Home Affairs has been functioning in Maldives very well since 1968. But due to three coup attempts by foreign mercenaries the nation has been facing problems since 1986. The coup was basically an external threat, like military invasion, to besiege the country. Despite the fact that there is no external threat today, Maldives still faces problems of good governance.

The Home Affairs Ministry has been working jointly along with the Housing and Environment for one decade. Such type of Ministry has a big role in the developmental fields. In fact, better governance of a country relies on the government’s policies and programmes. But functions of the Home Ministry is not considered good in the country because of the centralization of political system, with the Ministries not getting opportunities to play their autonomous role. Whatever, guidance and directions that come from the President have to be complied with by the various Ministries.

The Ministry of Defence and National Security

The President of Maldives appoints the Minister of Defence and National Security; but the Minister can be equally dismissed or removed by the President. The Ministry of Defence and National Security is a very important Ministry in the country. Hence, the Maldives Police Service, which was previously administered by the Ministry of Defence and National Security as a paramilitary unit, has become a civil authority and is now administered by the Ministry of Home Affairs. This was announced at a ceremonial function on September 1, 2004.

Interestingly, there is no specific legislation in Maldives, such as the Police and Criminal Evidence Act 1984 (UK), the Police Act 1958 (NZ), the Australian Federal Police Act 1979, or the Canadian Mounted Police Act, that gives the Maldives Police Service the power to arrest, search, and seize. Such a legislation would give the Ministry of Defence and National Security the power to arrest anywhere in the country; while the jurisdiction of Ministry of Home Affairs and Ministry of Atoll- Development is restricted to the capital, Male, and atolls respectively.3

When the Ministry of Defence and National Security administers the Police Service, police officers act as delegates of the Minister of Defence and National Security and therefore have the power to arrest anywhere in the Maldives. The Ministry of Defence has a great role to play in the country. This national institution has been working in the country since 1968. This type of institution existed even during the Sultanate period.4

However, during the Sultanate period when the country became a British protectorate, the colonial powers bid for supremacy and control over naval routes made significant target points. Because of a large number of

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islands, with small population, remote from each other, there were problems in its own planning for the provisions of welfare services and infrastructure for defence development. Despite everything, the National Security Service and police have been doing their duties to protect the independence and sovereignty of the country. The Defence Ministry functions according to the President's order, protecting the government property, buildings, and the people's security in the islands.\(^5\)

Maldivian leadership maintained that international obligation to provide security to small states would not prevent them from seeking bilateral assistance. President Gayoom made it clear that he would not hesitate to ask India or any other countries for military help; this indicates the foreign interferences in the internal affairs of the country.\(^6\) The proper maintenance and arrangements are expected to be in order in the defence system. Strategically, Maldives has to devise its own system so that it can safeguard its national security from external threats.

Political institutions like Ministry of Defence and National Security is gradually fortifying itself in defence matter. For this purpose, the Maldivian leadership is spending more money on defence and national security. If the country does not spend more Budgets on defence then it will face security problems.

**The Ministry of Foreign Affairs**

The Ministry of Foreign Affairs is a key department of Maldives government. This department has a separate status and the President takes personal interests in how it can function well. The President appoints the Minister of Foreign Affairs and the Ministry functions under the guidance and advice of the President. It functions for the national interest of the country, with a focus on how to make good relationships with the neighbouring countries in particular.

\(^5\) Ibid.

\(^6\) Ibid.
and the world in general. The Ministry of External Affairs has to evolve good foreign policy through diplomacy and has to make it successful. Within the framework of SAARC, it has to maintain good relationship with the countries of South Asia.7

It is the President of Maldives who takes the initiative to strengthen good relations with other countries in the world because Maldives is a small island-state in South Asia. The Ministry makes policy on important international matters and issues. The People’s Majlis (Parliament) has been giving advice to the President from the very beginning on the matter of ratification of international treaties and agreements.

Maldives follows a nonaligned policy and is committed to maintain friendly relations with other countries. It has a UN Mission in New York, with the permanent Representative to the UN in New York also accredited as Ambassador to the United States; it has embassies in Sri Lanka and in the United Kingdom; it also has a trade representative in Singapore and a Tourist Information Bureau in Germany. India, Pakistan, Bangladesh, and Sri Lanka maintain resident embassies in Male. Denmark, Norway, the U.K., Germany, Turkey, and Sweden have consular agencies in Male under the supervision of their embassies in Sri Lanka and India. The UNDP has a representative resident in Male. So is the case with the UN Children’s Fund (UNICEF) and the World Health Organization (WHO). Like the United States, many countries have nonresident ambassadors accredited to the Maldives, most of them based in Sri Lanka or India. Maldives is a member of the Organization of the Islamic Conference (OIC) and the Non-Aligned Movement (NAM). So, Ministry of External Affairs and Foreign Secretary are committed to maintain friendly relations with all these countries.

Therefore, President Gayoom said during the NAM summit that being a small country, Maldives has been trying to send representations from time to time but today it has become positive. Even he said that a country like Maldives may lack in technological advancement, material wealth, and in fact it may lack in many of the material criteria by which progress is measured in the present day world, but his country does not lack the courage to speak out freely according to its own convictions.

Therefore, Maldives and its commitment to a Non-Aligned policy is a result of a small states' desire to retain its autonomy and independent status. The issues of national security are interlined with the issues of governance. The government of the country has been working positively for international peace and cooperation with major countries. The Ministry of External Affairs looks at the broad aspect on how to make developmental work in a constructive manner with the world community. This is the ultimate goal of the government of this country. Maldives has also been gaining political, economic, and cultural benefits from the world community. It is trying hard to play a major role in South Asia.

The Ministry of Finance and Treasury of Maldives

The President of Maldives appoints a Minister of Finance and Treasury who looks after the financial matters of the country. The President can even keep this financial portfolio under him because it is an important portfolio. Whenever the President keeps the financial department under him, the other Ministries assist the President in the formulation of government policy on important national and international matters and issues. The Ministries advise the President on the development of the country's economy policy. The Cabinet Ministers assist the President in the formulation of the annual budget.

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and government bills to be submitted to the People’s Majlis. However, the Finance Minister presents in the People’s Majlis an annual budget. The Finance Ministry of the country estimates the annual budget and the members of the People’s Majlis of Maldives pass the budget. For passing the budget, 51 per cent of its members are required. The Finance Minister and other Ministers are responsible for passing the annual budget in the Majlis. Maldives’ Foreign Economic Policy emphasizes on the creation of favourable conditions for effective use of trade and aid. The country’s economy is dependent upon various sources. Owing to its tourism industry, the Island is in good position. This is a very important source of income for the Maldivian economy. Trade and commerce, and aids from international Banks likes ADB, World Bank, IMF and other countries have been main aids to the country.

In its aid programme, apart from the country donors, there have been important international bodies like the Colombo Plan and the UN. Since Maldives’ independence, the various UN agencies have prepared invaluable studies on various facts of its economy. By 1980, there were 24 such projects and programmes in operation in Maldives. Now it has been doubled in number. Efforts have been made to develop infrastructure, education, health, transport and also agriculture of the country. Maldives has joined hands with several global and regional bodies like the World Bank, International Development Association, International Monetary Fund, Islamic Development Bank; and Asian Development Bank, and it has been able to seek assistance from these bodies.


11. In June 1982, the World Bank conducted a survey on Maldives economic performance with a view to consider the grant of loans for some development project. Earlier, the Bank had done a similar survey in 1980 entitled, The Maldives: An Introductory Economic Report.
Apart from these agencies, grants and loans have also come from several West Asian countries like Libya, Kuwait, Saudi Arabia, and Iran for the development of the country's economic position. Countries like UK, Soviet Union, and China have been providing aid for educational and technical training through various agreements over the years. India and Sri Lanka are now providing aid for educational and technical training to the Maldivians. Japan and Singapore have also provided aid to Maldives. Its neighbours had significant economic dealings in the form of trade transactions and also aid commitments. Aid from neighbouring countries has largely been in the form of machinery, equipment, technical knowledge, and training.

The Maldivian economy is largely based on tourism and fishing industry. Development of Maldives has been dependent on the tourism, industry, and its complementary service sectors, transport, distribution, real estate, construction, and government. Taxes on the tourist industry have been ploughed into infrastructure and used to improve technology in the agricultural sectors.

GDP in 2002 totalled to $640 million or about $2,200 per capita. Maldives has experienced relatively low inflation in recent years. Real GDP growth averaged about 10% in the 1980s. It increased by an exceptional 16.2% in 1990, declined to 4% in 1993, rose to 10% in 1998 and has since levelled to 5% to 7% range.\(^1\)

Maldives has been running a merchandise trade deficit in the range of $200 to $260 million since 1997. The trade deficit declined to 208 million in 2002 from $233 million in 2001.

International shipping to and from Maldives is mainly operated by the private sector, with only a small fraction of the cargo carried on vessels operated by the national carrier, Maldives Shipping Management Ltd. Over the years, Maldives has received economic assistance from multilateral

\(^{12}\) U.S. Department of State, *Bureau of South Asia Affairs*, February 2005
development organizations, including the UN Development Program (UNDP), Asian Development Bank, and World Bank; it has also received economic aid from individual donors Japan, India, Australia, and European and Arab Countries.\textsuperscript{13}

Maldives is one of the poorest and weakest states in the world, which are categorized by the UN as least developed countries (LDCS).\textsuperscript{14} Needing special assistance from the world community, it is bracketed within the UNDP’s most seriously affected countries. Five basic criteria determine the economic status of a country.

(1) Subsistence in agriculture,

(2) Weakness of administration,

(3) An acute shortage of trained manpower at all levels,

(4) Inadequate inter-atoll and intra-atoll transport and communication, and

(5) A narrow industrial base

To these could be added a low per capita income, a high population growth rate, poor health and sanitary conditions, and a traditionally unfavorable balance of trade.

Shortage of qualified manpower, poor health conditions, rapidly changing structure of the fishing industry, past neglect of the agricultural sector, and severe regional imbalance in economic development are the major problems besetting the Island Republic of Maldives. These problems are a major setback to good governance in Maldives. However, Maldives has been

\textsuperscript{13} Ibid

\textsuperscript{14} The World Bank, South Asia Programmes Department, \textit{The Economy of the Maldives: Introductory Economic Report}, 1980.
working up its way towards covering the low resource and industry gap in the economy; and tourism industry is a major contributor in it. 15

Tourism industry actually emerged late in 1972. And it is an important concern to understand how the government benefits from the tourism industry. All the land is government-owned and leased out on tourists per head. Such type of resorts per bed has been the revenue of the government. Till recently, constructions of resorts were financed private sources, with some leading bank and with advance tour-bookings by tourist agencies. Even the Maldivian Government (Ministry of Finance and Treasury) has been providing short-term loans to resort owners for their progress in the tourism industry.

Tourism industry is a very important political and economical institution for governance in the Republic of Maldives. It will a major source of revenue for alleviating the financial crises in Maldives. Hence, the Ministry of Finance and Treasury is dependent on the development of the national institutions.

The Ministry of Atolls Development

The Ministry of Atolls Development is a key portfolio in Maldives. The Ministry of Atolls Development was initially established as the Ministry of Provincial Affairs in the late 1970s. The Ministry was then renamed the Ministry of Atolls Administration (MOAA) because of its central role in the administration of the rural atolls. By November 2003, the Ministry of Atolls Development had a greater role to play in the socio-economic development of the atolls.

The President appoints the Ministry of the Atolls Development. The Ministry has many important powers and functions to play in the country. The mission of Atolls Development is the sustainable development of the atolls. It

provides them with sustainable development to further enhance their livelihood through modern methodology, and technology capable workforce.\textsuperscript{16}

The Ministry has established the Atoll Development Committee. The aim of the Committee is to organize developmental activities in the atoll and to advice and assist the Atoll-Chief and cooperate with him or her in various matters of the atoll. The main functions of the Atoll Development Committee are: to assist the activities conducted by the government or supported by the government; to work to improve the living conditions of the people of the atoll; and to foster good-will harmony and cooperation among the people. This Committee generates income for people. It mobilizes the Island Development Committees and Women's Development Committees. Finally, Atoll Development Committee monitors the activities of Island Development Committees and advises the committees on favourable changes.\textsuperscript{17}

The present government has taken special notice of the social and economic implications of the regional imbalance and the programmes for widespread development of atolls the Ministry of Atolls Development has put into operation. The programmes were implemented by training people from various atolls. Besides these, community and youth centres have been operating in various atolls. Centres have been opened for integrated rural developmental programmes.

An analysis of the atoll-development activities in the Maldives showed that Male and the tourist islands are heavily favoured with facilities. Though Male requires special attention because of population concentration, dissemination of goods and services to islands further afield may help to reduce pressure on Male. Except for Male and other tourists' islands, no other islands have electricity, and it can be practically said of every other available service. Not only this, majority of development funds stop at Male; trade and exchange of goods is also largely restricted to Male.

\textsuperscript{16} \url{http://en.wikipedia.org/wiki/maldives}  
\textsuperscript{17} \url{www.maldives.info.gov.mv/info/include/gov_list}
The present government has taken into consideration of the social and economic implication of this regional imbalance. The present President Maumoon Abdul Gayoom has been simultaneously alongside planning operations made on the spot study of the outlying atolls. Soon after taking those operations into consideration in 1978, he (Gayoom) began his tour of various atolls. By October 1981, he had visited 145 out of 200 inhabited islands in the country. From 1978 onwards the President and the Minister of Atoll Administration have been giving importance on atolls. “The President has set new style of open leadership which is in stark contrast to that of his first President Ibrahim Nasir. Gayoom’s obvious attempt has been to help neglected areas develop and integrate with the rest of the country.”

In his address to the Atoll Chiefs’ Conference in December 1980, he emphasized their importance saying that they were the strongest chains linking the government and people of the islands. On one side there is the administration, the unit with a responsibility to be aware of the people’s difficulties and to find solutions to these difficulties. On the other side, are the people who must activate the schemes designed for their progress. This target achieved. In this effort the atoll-chief functions as the coordinator.

Apart from the tours by the President and several other officials, the government has initiated programmes for administrative training of atoll and island chiefs. Under the aegis of the National Women’s Committee, for the first time, a plan for leadership training for women from various atolls was launched in June 1981. One representative woman from each atoll attended a three-month course under the plan. The objective of this programme was to train women to find ways and means to overcome problems which women encounter in daily life; to help their fellow women in the islands and atolls to do likewise; to take initiative in activities having direct bearing on their lives; and finally to improve their living standards.

Correspondingly, the numbers of educational institutions and community and health centre in Maldives have increased. There are 272 educational institutions in Maldives, out of which 63 are government institutions. The government is spending more on health and social welfare sectors. A council of youth welfare and recreation has also been established. Community centres as well as school farms have been established in many atolls, with a view to improved community spirit. Help encourages the youth to cultivate easily available and several cultivable vegetables like pumpkin gourds, cucumbers, green chilies etc. In order to give a further impetus to developmental activities in the south, the government has established an Addu Development Authority in 1981.

Apart from the road service, which links the neighboring islands on the national level, the government has launched an integrated rural development programme for each atoll for greater educational facilities. Better health and sanitation facilities have also been started. The Ministry of Atolls Development has given major emphasis on improving transportation and communication between Male and other atolls, as well as among islands within atolls. The growing dependence of Maldivian exports on international market has not only become obvious but has also become beyond its control. Fish industry, which is a major industry, was dependent on export and things still have not changed. Tourist and shipping enterprises rely mostly on foreign demand and domestic demand, which affects the price. Pricing within Maldives is affected in the process to acquire the extent of prices in the countries of export. Between 1974 and 1977, prices rose by more than 35 per cent despite the controlled rate at which the State Trading Organization disbursed essential commodities.

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20. As much as 48 percent of fish is exported, International Monetary Fund, *The Monetary and Banking System of Maldives*, 1987, pp. 7-16.
The Ministry of Atolls Development has given priorities on atoll development on certain sectors like:

1. Atoll Electricity Supply;
2. Electricity Supply Seenu Atoll;
3. Inter-Atoll Communication Network;
4. Inter-Island Transportation;
5. Integrated Rural Development;
6. Industrial Feasibility Studies;
7. Technical Assistance Gan Development Authority;
8. Aerial Photography; and
9. Deepening Island Harbours.\textsuperscript{21}

The government is concerned with how to utilize properly the developmental work going on in every atoll and inhabited Islands in the country. Even present activities give an integral rural development programmes in the country; for instance the relocation of people from Firubaidhoo atoll to Funadhoo atoll, and also relocation of people from Maakandoodhoo to Milandhoo and Funadhoo; construction of harbours and reclamation of land; and establishment of health centres in every atoll in the country. The Government of the Maldives has also given importance on education and on how to increase the capacity of schools. Such types of integrated programmes are implemented in most atolls for development. The first phase of the project is to relocate people from one atoll to another atoll. The Atoll Administration launched this project on June 6, 1996. Twenty-six houses planned for this phase were completed and handed over to their owners on December 1, 1997. The second and third phases have also been completed. The work on the fourth and final phase is now in

progress. The construction of 36 houses planned for this phase was completed and handed over on August 15, 2003. The end of work of the fourth phase would conclude the project to relocate the people from Firudhoo to Funadhoo atolls.\(^{22}\)

The Ministry of Atolls Development has also simultaneously started various projects on the sustainability of the development of the atolls. These are short-term ongoing developmental projects. The projects are: (a) IT Development project, (b) Atoll Development for sustainable livelihood (ADSL) II, (c) Southern Atolls Development project, (d) Outer Islands Electrification project and (e) Regional Development project (phase II).\(^{23}\)

Apart from the developmental projects, the Maldivian Government has been giving importance on economic matters. For the purpose, Maldivian Government has established key national economic institutions, which are of national relevance. Such certain economic institutions have been functioning since 1968. These institutions are Maldivian Monetary Authority (MMA), Bank of Maldives (BML), Maldives National Chamber of Commerce and Industry (MNCCI), State Trading Centre (STC), and the National Security Service (NSS) of the Maldives.

The new sectors in Maldives have come as a natural and oblivious consequence to increase foreign contacts. Such exploration of the obvious potential in the Maldivian economy has, however, not come about as a part of any integrated planning.

The planned economic development of the Maldives is a relatively recent phenomenon. The National Planning Agency and the National Statistical Agency, established in 1978 (when President Gayoom became the Head of the government) have been saddled with the simultaneous tasks of

\(^{22}\) The World Bank Population Project Department, "The Demographic Brief of Maldives", World Bank, Supplied by the National Planning Agency, Male, April 1988.
There is a very close relationship between economic developments and the political development of the country. Without economic stability, political stability is not possible in present era. Political stability is absent because of the intensity of economic problems facing the country. However, taking into account some of the economic institutions, the country could now make the analysis of this situation.

**Maldives Monetary Authority (MMA)**

The Maldives Monetary Authority was established in 1981. This is the only central bank in Maldives. In 1982, the first commercial bank, the Bank of Maldives Ltd was opened as a joint venture between the government and the International Finance Investment and Credit Bank of Bangladesh. The principal purposes of the Maldives Monetary Authority are: (a) to issue currency and to regulate the availability and international value of the Maldivian Rufiyaa; (b) to provide advisory services to the Government on banking and monetary matters; (c) to supervise and regulate banking so as to promote a sound financial structure; and (d) to promote in and outside the country the stability of Maldivian Currency and to foster financial conditions conducive to the orderly and balanced economic development of Maldives.

However, there is a Board of Directors of the Maldives Monetary Authority, responsible for the policy-making and affairs of the MMA. The Board consists of: (a) the Ministry-in-charge of finance as ex-officio Governor of the MMA; (b) senior-most official of the Department of finance as ex-officio Vice-Governor of the MMA; (c) three members appointed by the President of the Maldives from amongst Heads of Government offices.

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responsible for economic subject; and (d) two members from the private sector appointed by the President of Maldives.\textsuperscript{26}

\textbf{Functions and Financial Provisions of the MMA}

The Maldives Monetary Authority issues currency note in the country and also deals with the banking functions and reserves management functions, together with the appropriate staff and such property. The MMA maintains an External Reserve of internationally accepted reserve assets consisting of all the MMA reserve position of Maldives in the General Department of the International Monetary Fund, and holds special drawing rights in International Monetary Fund. MMA brings treasury bills issued by foreign government. It also brings securities issued by foreign governments or international financial institutions.

The Authority also opens accounts for and accepts deposits for banks and other financial institutions in Maldives. The Authority acts as correspondent, banker, agent or depository for any monetary authority, central bank, or international financial institutions. The Authority may buy, sell and determine dealing rates for gold and foreign exchange. The MMA may also determine and make public the rates at which gold and foreign currencies may be brought, sold, or dealt with by banks and other persons authorized to do so in Maldives.

\textbf{Relations with Banks and Other Financial Institutions}

No bank or other financial institutions are allowed to conducts on banking business in Maldives unless if holds a license granted by the MMA for the purpose. The MMA has the power to revoke license it a bank or other financial institution fails to comply with the conditions specified in the license. The bank or financial institution is entitled to appeal to the President against the decision of the MMA. The appeal should be made within 30 days of being

\textsuperscript{26} Maldives Monetary Authority (\url{http://www.mma.gov.mv/})
informed of the decision; and the decision of the President will be final and conclusive.

**Miscellaneous Provisions of the MMA**

At the end of every month, the Authority prepares a report of the statement of the MMA and publishes it. At the end of each calendar year, the MMA prepares and submits to the President a report on its operations during the past year, together with a copy of its annual accounts certified by the auditor, and, finally, the accounts of the MMA audited by the Government Auditor of the Maldives.⁷⁷ “This is a view to streamlining and coordinating its transactions even with the outside world.”²⁸

**The Bank of Maldives (BML)**

The Bank of Maldives was established in November 1882. It has 17 branches across the Country, of which 5 are in Male and 12 branches in outer atolls now. It is the only bank having branches outside Male, the Capital of the country, and the only national bank operating in Maldives. It has the largest customer base, which is equal to one-fourth of the country’s population. With its mobile banking services to islands far-off from branches, it is providing basic banking services to all the inhabited islands of the country. The Bank of Maldives introduced the services of Automated Teller Machines and Point of Sales terminals to the country and has taken great initiatives to provide modern banking services at technologically advanced speeds. As the national bank, the Bank of Maldives has drawn up plans to expand its branch network to all the atolls of the country within the next 5 years.²⁹

The main function of this bank is the banking services that benefit the country. It also streamlines and coordinates its transactions both nationally and internationally. This bank has been working on the government’s

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²⁷. Ibid.
²⁸. *The Monetary and Banking of Maldives and International Monetary Fund*, 1978, p.4
guidance and order since 1996. The Bank of Maldives comes second after the Maldives Monetary Authority, which is central bank of the country. The Bank of Maldives has limited deals with limited matters, unlike the MMA. However, this bank deals with commercial matters like industrial and trade, how to invest money to facilitate and promote trade and on and tourism etc. The profile is the main goal for the bank of the country.\textsuperscript{30}

**Maldives National Chamber of Commerce and Industry (MNCCI)**

MNCCI was established in 1994. Later on, it merged with the Maldivian Traders Association in 2000. Being an island-state, tourism is the most dependable economic source. MNCCI facilitates and promotes trade and tourism investment and services, especially with the neighbouring countries like Sri-Lanka and India. MNCCI functions under the Ministry of Trade and Industry.\textsuperscript{31} The Ministry of Trade and Industry controls economic institutions, which focus on trade and tourism. The Ministry of Trade and Industry has been trying to provide better facilities to the people in this sector. The ancient trade in cowry shells was a monopoly of the Maldives, where the money shells were cultivated for export. Today, Maldives National Chamber of Commerce and Industry has given important destinations of export including South East Asia, Europe, and the United States. Hence, such type of economic institution is vital in the development of the country.

**State Trading Organization**

The State Trading Organization Ltd. was first established in 1964 and was later renamed in 1976 and became a trading account. It is an important public institution of Maldives. The STO is a state-owned commercial organization, that comes under the administration of independent Board of Directors. \textsuperscript{31}

\textsuperscript{29}  Bank of Maldives (http://www. bank of maldives. Com. mv/)

\textsuperscript{30}  Ibid

primarily deals with the import and distribution of sample of foods, fuels, pharmaceuticals, and general consumer items. The State Trading Organization takes the role of purchaser for the requirements of the country. The development of the state trade industry has effected long-term development projects in Maldives.

The role of the State Trading Organization (STO), which has a virtual monopoly on the fishing industry, has also not been very encouraging. In effect, it has amounted to the government levying a tax 30 to 55 per cent of gross earning.32

There is no mechanism by which a collective approach to the problems of the fishermen and the industry as a whole can be made. For instance, collective bargaining of the price of fish in the market cannot be done in the absence of an organization. Considering the numerous problems in the fishery, a gradual expansion of local participation and its central control over fish collection, storage, and processing facility in Maldives are needed.33 There are the government-encouraged investments by multinational corporations and international business houses. It has assured foreign investor of tax and duty concessions, unrestricted repatriation of profits, and non-interference in banking and other incentives. The Maldivian Government also hopes to develop other developed states’ banking and trade, and insurance system. The government has invited foreign investors to establish industries and other commercial ventures in Maldives.34 Other international agencies are helping Maldives in economic sectors, and even the Asian Development Bank (ADB) approved a loan of US $ 5 billion to strengthen the public accounting in the Maldives.

The Asian Development Bank has approved a loan US $ 5 billion for promoting good governance in Maldives in September 2002. The question in concern is how good governance can be brought in Maldives by the loan. The loan will promote good governance by making the system more efficient, accountable, and transparent. It will help improve public sector management and develop effective fiscal operations and the macroeconomic policy. Therefore, the project will make a critical contribution to the effective use of public funds to promote development and reduce poverty. “It will help prevent corruption, fraud and will reduce the vulnerability of the economy to external shocks”.

**National Security Service of the Maldives**

The National Security Service of Maldives was founded in 1978 after President Maumoon Abdul Goyoom came to power. Its predecessor the National Security Guard was founded as the State’s primary Paramilitary Organization during the term of the country’s second President, Ibrahim Nasir. The NSS retained most of its functions until recently when a separate police force was established to differentiate the military duties and domestic law enforcement duties.

With the lack of security problems in the country for decades, a strong military establishment was not needed. Therefore, the NSS continued to function as a paramilitary organization. The NSS performs army and maritime duties as well as intelligence gathering. It also preserves internal security of the country. The NSS patrols through the territorial waters and fishermen for illegal activities. The NSS performs the functions of paramilitary police, defence, presidential bodyguard, immigration and immigration documentation, border control, intelligence espionage, and civil defence organ

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of the Maldives. It also maintains the Indian Ocean, a zone of peace in keeping with a United Nations resolution.\footnote{http://www.Maldivesroyalfamily.Com/maldives_nss/.htm/}

The NSS was a small force numbering some 1000 personnel during the 1980s. After the attempted foreign coup of 1988, the NSS was expanded and strengthened with the help of India, the US, and the UK. Now the Maldives government has expanded the NSS to more than 5,000 personnel in 2005.

The NSS is further divided into sections rather than the regular military formations. Although it has the equivalent personnel of a full brigade or 4 infantry battalions, the operational capabilities and the fusion of support troops to that of combat troops make are difficult to achieve. The ranking system of the NSS is based on the traditional British military system, though with some minor modifications.

The Indian Government has given at least a dozen-armoured vehicle to help the expansion of the NSS. The NSS has also acquired a number of Cobra Light Armoured Vehicles from Turkey and 2 Modified Dovra class fast Attack Crafts from Israel. The CIA World fact book states that Maldives spends approximately \$41,100,000 or 5.5\% of the GDP on military on military purpose. \footnote{http://www.Maldivesculture.Com/news/maldives_nss_police03.htm.} Now the NSS has unfortunately been used a tool by President Gayoom to spread fear and intimidation and to crack down on democratic activities who are critical of his rule.\footnote{http://www.Maldivesroyalfamily.Com/maldives_nss/.htm/} This NSS requires to function more for the national interest. It should be in terms of all levels, from national level to atoll and island levels. Otherwise, the country’s security can be threatened from two sources internal and external sources.

It is a fact that President Gayoom, his family Ministers, and NSS, who together rule Maldives, have done very less to protect their fellow Maldivians. They have systematically violated the human rights of their country’s men and
women. Gayoom’s promises of investigations and reforms, after the murder of Evaan Naseem, and mass shootings in Maafushi prison in September 2003, have all come to nothing.39

Conclusion

The national institutions, be it political or economic institutions, have great role to play in Maldives. The national institutions of Maldives work for good governance in the Maldives. The political institutions play positive roles for the stability of the political system. In the past, Maldives had made serious efforts for security assistance from India and other countries. However, Maldives requires to promote its defence system and spend more on defence. Hence, national institutions, both political and economic have to support the government’s developmental policies and issues, considering that they are vital for in the smooth functioning of the Maldives’ government. There should therefore be proper co-operation and efforts on the part of the government and the national institutions. Maldives has to insist upon a meaningful co-operation at the regional and national level and work towards tackling the problems coming in the way of good governance.

38. Ibid.