



ANTI-CORRUPTION COMMISSION

Integrity in the Financial Management of Political Parties

(English Translation)

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1. Introduction

The Anti-Corruption Commission is mandated to promote the values of honesty and integrity in the operations of the state and create awareness on the dangers of corruption under the law 13/2008 (Anti-Corruption Commission Act) article 21.d. The Act mandates the Commission to carry out research and provide recommendations to reduce the risk of corruption. The aim of this whitepaper is to identify measures to monitor and strengthen the accountability mechanism of political parties with regards to their financial expenditure. This paper will further review laws and regulations to understand the mechanisms behind political financing and propose recommendations to increase transparency and integrity in this process.

2. Issues identified in Financial Management of Political Parties and their respective Recommendations

2.1 Lack of limitation in obtaining funds and other items by political parties

The Political Party Act (Act 4/2013) states that in addition to funds received from the government budget, parties can obtain funds from their members, donors, loans and through fundraising activities¹. The law also states that political parties have to get a written permission from the Elections Commission before accepting funds incoming from international donors, anonymous donors and organizations².

The Political Party Act states that every year, 0.1-0.2 percent of the government budget should be allocated to political parties³. This act also mandates the government to give 1000 square feet building to registered political parties that have 20,000 members and above to carry out their administrative works and other activities⁴.

It is noted that the Political Party does not define a limit of funding that parties can receive from other sources except the government. However, it is stated in the Elections Act (Act No. 11/2008) that the maximum allowable amount of funds a political party can accept is MVR 2000⁵ multiplied by the total amount of members in the party.

Without any legal limit to the amount of funding that can be obtained by political parties, they are able to raise unlimited amount of funding, which in turn would decrease the fair competition between parties and potentially increases the risk of corruption. Therefore, even though there is a defined maximum obtainable limit of money

¹ Article 34 of Act 4/2013 (Political Party Act)

² Article 38 of Act 4/2013 (Political Party Act)

³ Article 35 of Act 4/2013 (Political Party Act)

⁴ Article 38 of Act 4/2013 (Political Party Act)

⁵ (1st revision to Act 11/2018, Elections Act) Act 04/2018

for parties in the Elections Act, the lack of this limit in the Political Party Act enables candidates to make huge expenditures through their party.

Recommendations for the highlighted issue

(a) Establish a defined maximum limit, under article 35 (a) of the Political Party Act (Act No. 4/2013), to the amount of money that a political party can obtain through its members, in-kind donations and business revenues

(b) Establish a defined maximum limit under article 38 (a) of the Political Party Act (Act No. 4/2013), to the amount of money a political party can obtain from international donors, international organizations and anonymous donors

(c) Prohibition of political parties to obtain financial aid from anonymous donors, government, state owned enterprises and international donors

2.2 Spending by State Institutions and SOEs on Political Parties and extending state resources for political party use

During every election period, Anti-Corruption Commission receives and investigates cases regarding the misuse of state funds and resources by the ruling party for campaign activities. In the past 5 years (2015-2019), the Anti-Corruption Commission has received 37 cases regarding government institutions and State-Owned Enterprises (SOE) spending and releasing money to political parties and their candidates⁶.

The Commission has looked into several complaints alleging political parties of misusing money and resources of state institutions. In the Presidential Election of 2018, leaders of a political party were provided with tickets and canvases and fabrics for use in the campaign were disseminated to islands through the budget of a ministry. An issue regarding promotion of a presidential candidate in projects carried out by a governmental office and the use of 950 chairs of a ministry in a campaign ceremony of a political party, was reported to the Commission. Furthermore, a political party using possessions of an atoll council without the relevant permission is also one of the many cases that had been filed at the Commission. The Commission has recommended the ministries to adhere to Public Finance Act (Act No. 3/2016) in releasing properties of the government to political parties⁷.

Even though, Elections Act states that political candidates must not use any financial aid provided by SOEs, the Political Party Act does not state the same. As a result, there is a chance that such financial aid will be used for campaigning purposes. Several cases that accused SOEs of spending for certain candidates have been lodged

⁶ Case 2015-2019, Anti-Corruption Commission,

⁷ Recommendation No. 123-C4/24/2019/7 and Recommendation No. 123-C3/142/2018/24, Anti-Corruption Commission

at the Commission. This includes, the case of Housing Development Corporation using employees, properties and resources including land from Hulhumale' to provide unlawful benefits to a candidate running for the Presidential Election of 2018. Due to the uprising concerns, in 2019 Public Finance Committee of the Majlis started to investigate the degree and amount of financial aid provided to political parties by SOEs⁸.

Furthermore, there have been allegations that some political parties obtained services of SOEs as a loan and had not paid them back. Some of these incidents include a political party obtaining tickets worth 4.8 million rufiyaa⁹ from Island Aviation for a campaign trip and the allegation that 1.1 million worth of services were obtained from MTCC in the Presidential Election of 2008¹⁰.

One of the main reasons for ruling party to have considerable influence over SOEs is due to the phrasing of the Privatization and Corporatization Act (Act No. 3/2013) which fails to detail the standards of a person who should be appointed by the government as a board member of a SOE. In addition to this, there is no defined criteria for the process of appointing a board member in this Act. Consequently, this creates opportunity to gain unfair benefits from SOEs and reduces fair competition between political parties.

Recommendations for the highlighted issue

(a) Just as the Elections Act (Act No. 11/2008) states that the political candidates should not use financial aid given by SOEs, the Political Party Act (Act No. 4/2013) should also clearly state that SOEs cannot spend money on political parties

(b) Under Article 35 of Political Party Act (Act No. 4/2013), Clause (A5) should state and define the ways in which political parties can take loans and state the members of the party that are responsible for matters regarding these loans. Furthermore, the annual report of the political party should state the amount of loans taken and which companies granted these loans. These details should also be regularly published.

(c) In the circumstance that the amount of loan taken by the political party is greater than the amount the party could obtain by selling all their assets, the Political Party Act should state clearly who is responsible for the loan¹¹,

(d) Establishment of a regulation regarding provision of government properties and services to others and a written permission to be obtained to access the properties and services.

⁸ <https://sun.mv/123199>

⁹ <https://mihaaru.com/news/44700>

¹⁰ <https://vnews.mv/071809>

¹¹ Revisions recommended at 2020 for Act No. 4/2013 (Political Party Act), Anti-Corruption Commission

(e) Government properties and services should be used or released only after completion of the procedures stated as per article 11.7, 11.8 & 11.10 of the Public Financial Regulation (2017/R-20)

(f) Establishment of a regulation on appointment of board members for SOEs by the government. The appointee should meet a set of standards and the government should follow the criteria in the regulation in appointing board members.

(g) Prohibition of promotion of a specific political agenda in activities carried out by state institutions and state-owned enterprises.

2.3 No standard system established to maintain members’ registry, which is used to allocate government funds to political parties.

Government grants financial aid in accordance with the number of registered members in the political party¹². After consideration of the number of members, this grant is given to parties which have more than 10,000 members. According to the Political Party Act, Elections Commission is obligated to keep the records of the members’ registry of political parties and are responsible to check and verify the members registry of all parties once every 6 months¹³.

The issue of people being registered to political parties without their consent has been a great concern of the public and due to this issue, the Elections Commission has arranged for the public to check their registered political party via SMS¹⁴. The table below shows the number of forms submitted to register people to political parties without their consent¹⁵.

Table 2: The number of forms submitted to register individuals to political parties without the individual’s consent

Year	Political Party	Number of forms submitted
2019	1. Progressive Party of Maldives (PPM)	57
	2. Maldives Third way Democrats (MTD)	16
	3. Maldives Labor and Social Democratic Party (MLS DP)	16
	4. Maldivian Democratic Party (MDP)	15

¹² Article 36 of Act 4/2013 (Political Party Act)

¹³ Article 28 of Act 4/2013 (Political Party Act)

¹⁴ Letter no. 38-DB/123/2020/7

¹⁵ Letter no. 38-DB/123/2020/7

	5. Jumhooree Party (JP)	11
	6. Maldivian Democratic Party (MDP)	7
	7. Maldives Reform Movement (MRM)	3
	8. People's National Congress (PNC)	3
	9. Adhaalath Party	2
	10. Dhivehi Rayyithunge Party (DRP)	2
2020	1. Maldives Labor and Social Democratic Party (MLSDP)	35
(Until the end of March)	2. Progressive Party of Maldives (PPM)	31
	3. Maldives Third way Democrats (MTD)	12
	4. Jumhooree Party (JP)	11
	5. Maldivian Democratic Party (MDP)	11
	6. Maldivian Democratic Party (MDP)	10
	7. Maldives Reform Movement (MRM)	5
	8. Dhivehi Rayyithunge Party (DRP)	3

The Elections Commission does not have a fingerprint scan mechanism to verify the legitimacy of the forms submitted by political parties. Current method to confirm the legitimacy of the forms is the process of verification of ID card information and the clarity of fingerprint in the submitted forms. Elections Commission highlighted that they have requested for the help of Maldives Police Service due to the verification issues in these forms.

Therefore, this paper confirms the challenges of the Elections Commission on the verification of the political party registry. Since, the political party registry is one of the most important documents to establish and authenticate the party as well as for financing by the government, it is essential that this registry is maintained and verified properly as a means to foster integrity and transparency in this system.

Recommendations for the highlighted issue

(a) In accordance with article 28 of the Political Party Act (Act No. 4/2013), the Elections Commission should maintain and verify the members' registry of political parties once every six months.

(b) As stated in the Political Party Act (Act No.4/2013) under article 49, if an individual's party membership is submitted without their consent, the person who did it should be fined and actions should be taken against the person accordingly.

(c) As registry of the party is an important component taken into account when government assigns budgets to political parties, the maintenance and monitoring of the registry of political parties should be standardized and the transparency of the process should be increased.

(d) Party membership forms should be thoroughly verified and a system should be established to check the status of forms and complaints submitted to Elections Commission

2.4 Lack of Established Standard Regulations on Financial Management of Political Parties

The law does not define how political parties should plan their expenditure and does not define any limitation to their spending¹⁶. This obstructs political parties from utilizing their budget in the most efficient way for the development of the party, and poses the threat of being spent on activities outside of the party mandate, such as vote buying. Even though the Political Party Act does not state the ways in which parties can spend their finances, the upper limit that a political candidate can spend is stated in the Elections Act, which is an amount not more than MVR 2000 for each individual citizen in the candidate's jurisdiction.

The Elections Act also states that accepting gifts and doing favors for any individual or organizations which will enable a party to gain any unfair elections related benefit is considered as a bribe under Elections Act¹⁷. Commonwealth Observers' Group's Report on 2019 regarding the presidential election held in Maldives recommended the state to compile a list of well-defined ways in which political parties are prohibited to spend their money and to state that buying and selling of votes are prohibited under the Elections Act.

Recommendations for the highlighted issue

(a) Establishment of well-defined ways in which the political parties can spend their money and setting a limit on the maximum amount to be spent

¹⁶ Act no. 4/2013 (Political Party Act)

¹⁷ Act No. 04/2018 (1st revision of Elections Act No. 11/2018)

(b) The Political Party Act (Act No. 4/2013) to define the prohibited types of spending by parties and prohibit political parties from spending money obtained through illegal means

(c) Establishment of a maximum limit that a political party can spend for the purpose of an election, similar to the established maximum limit a political candidate can spend

(d) Monitoring agencies of government, the media and other non-governmental organizations to supervise the activities of political parties and to report to the relevant authorities if political parties are spending on things that are not in their mandate or for illegal activities

(e) Establishment of user-friendly systems and mechanisms for the public to file complaints regarding the financial background of political candidates and political parties and to investigate these complaints

2.5 Failure to submit financial reports and lack of transparency in financial reporting by political parties

Political parties are legally obliged to maintain transparency in their operations through the use of media and other platforms and keep the public informed on their activities. They are also to maintain the money and assets of the party according to the regulations set by the Auditor General and to maintain proper paperwork regarding the works of the party¹⁸.

Details of the money and other aids received by the party has to be recorded and maintained. Furthermore, an audit report carried out by an audit company recognized by the Auditor General’s Office has to be presented to Elections Commission as well as Auditor General’s Office within 90 days of starting a new year¹⁹. According to the law, prior to receiving government budgets to the political parties, they are obligated to submit their audit report and annual report to Elections Commission²⁰. However, some parties have failed to submit the reports to the relevant authorities in a timely manner and have been fined accordingly. The details of which are presented in Table 3.

Table 3: Warnings and fines given due to parties failing to submit audit report

2011	1. Islamic Democratic Party
	2. Dhivehi Rayyithunge Social Democratic Party

¹⁸ Article 6 of Act no. 4/2013 (Political Party Act)
¹⁹ Article 43 of Act no. 4/2013 (Political Party Act)
²⁰ Article 36(c) of Act no. 4/2013 (Political Party Act)

	3. Maldivian Labor Party
	4. Social Liberal Party
2012	1. Islamic Democratic Party
	2. Dhivehi Rayyithunge Social Democratic Party
	3. Maldivian Labor Party
	4. Social Liberal Party
	5. People's Party
	6. Maldives Reform Movement
2013	1. Dhivehi Rayyithunge Social Democratic Party
	2. Maldivian Labor Party
	3. People's Party
	4. Maldives Reform Movement
	5. Maldivian National Congress
	6. People's Alliance
2014	1. Islamic Democratic Party
2016	1. Dhivehi Rayyithunge Party
2018	1. Dhivehi Rayyithunge Party
2019	1. Dhivehi Rayyithunge Party

This research has found that the political parties have failed to submit their financial reports and that the Elections Commission has not been publishing the reports submitted to them on their website. Moreover, research by Transparency Maldives in 2011 showed that political parties and the Elections Commission do not publish financial reports of parties for public consumption²¹.

²¹ The International Foundation of Electoral Systems, Transparency in Political Financing in Maldives 2011

Profits and spending of political parties has to be shared with the general members of the party²². However, it is found that information regarding the finances of the party is not regularly disclosed to its members.

Political parties were questioned about the ways and frequencies in which they report information to their members as well as the constraints they face in doing so. The following table shows the data we received accordingly from Jumhooree Party, Adhaalath Party and Maldivian Democratic Party.

Table 4: Reporting the profit and spending of the Party

		JP	Adhaalath Party	MDP
People reporting/method	Council of Party	✓	✓	
	Heads of Jurisdiction/Committees leading Jurisdiction			✓
	General Meeting		✓	
Reporting Frequency	Once a year	✓		
Constraints	Reluctant to give financial aid due to information being published		✓	

Due to the lack of disclosure of information regarding spending of political parties during elections, the media and public have expressed concern over the motives behind individual funding for political parties during elections.

Though the Elections Act states that political parties have to submit their financial documents regarding electoral activities to the Elections Commission within 21 days from the elections date, this is not being followed through by the parties.

Furthermore, in the research “Money and Elections in the Maldives Perception and Reality” carried out by International Foundation for Electoral Systems in 2014, it was found that there is lack of disclosure and transparency about the amount of money received by candidates and the amount spent by the candidates during elections²³.

²² Act No. 4/2013 (Political Party Act)

²³ International Foundation of Electoral Systems (AIFES) 2014 Money and Elections in the Maldives Perception and Reality 2011 [file:///F:/political %20financing/Maldives_Money_Politics_Survey.pdf](file:///F:/political%20financing/Maldives_Money_Politics_Survey.pdf) 2011

The Political Party Act (Act No. 4/2013) under article 4a states that political parties' audit report and annual report has to be published on their website. In addition to this, article 4b of the Act states that an updated list of new members registered and members who have left the party along with details of activities carried out by different branches of the party should be available in the website of the party and should be made accessible to all party members and the public²⁴. The Political Party Act states that the aforementioned information and statistics should be updated once every three months and be made available in the website along with the audit report of the elapsed year. This research however has found that political parties are not following the actions stated in the above-mentioned articles.

Table 5: Degree of information published on websites by Political Parties

	MDP	JP	PPM	MTD	Adhaalath Party
Audit Report (from previous 3 years)	✓	X	X	X	X
Annual Report (from previous 3 years)	X	X	X	X	X
List of Members		X	X	X	
Details of activities carried out branches of Political Parties	✓	✓	✓	✓	✓

Maldivian Democratic Party and Adhaalath Party has made it possible for public to enter their ID card number and check if they are a member of the party via their respective websites despite not having the members list published. Even though some parties have published their financial reports on their website, these reports do not include the details of people who have given financial aid to the party and their details. Therefore, the sources of funds received to the parties during elections are not made available. Furthermore, it is noted that the website of some of the political parties registered under Elections Commissions are not accessible and the relevant information are not uploaded on their websites.

²⁴ Article 32 of Regulation No. R-110/2019 (Political Party Regulation)

Recommendations for the highlighted issue

- (a) It should be made compulsory for political parties, their candidates and the management to publish their financial standing and declare their assets²⁵
- (b) Increase efficiency of the governance of political parties, through proper maintenance of financial records and regulate how candidates can raise and utilize funds for elections
- (c) Establish and maintain a standard template in financial reporting and keep records of how loans and aid are obtained while also reporting how these funds are utilized
- (d) Political Party Act (Act No. 4/2013) to be revised to make it compulsory for candidates to publish financial reports during elections
- (e) Establish a portal to make financial reports, audit reports and financial statistics of political parties and candidates accessible to public
- (f) Increase the role of media and NGOs in monitoring the finances of political parties²⁶

2.6 Constraints in establishing a punishment

The law permits Elections Commission to fine political parties if any negligence is found in handling transactions regarding party's money and assets²⁷.

The Political Party Act states that a party can be fined if they have illegally submitted a person's name for party membership. Furthermore, as per the information from the Elections Commission, responsibility regarding submission of an illegal membership form should be taken by that particular political party. If a political party fails to pay a fine, the Political Party Act permits Elections Commission to deduct a fine from the government fund assigned to the political party²⁸. The table below shows the details of fines subjected to political parties for submitting illegal membership forms.

²⁵ Asset Declaration System – 2019 Maldives, Anti-Corruption Commission

²⁶ Transparency in Political Financing in Maldives: CRINIS Research Project (2011), Transparency Maldives

²⁷ Article 49(a) of Act No. 4/2013 (Political Party Act)

²⁸ Article 49(b) of Act No. 4/2013 (Political Party Act)

Table 6: Details of fines subjected to political parties on submitting illegal membership forms.

Political Party	Date	Amount	Reason	More Details
Jumhooree Party	12/12/2013	5,000	Submission of form of an individual who has died	The budget given to the party by government is subjected to deductions of the fine
	30/12/2013	6,000		Fine paid
	27/02/2014	7,000		The financial aid given to the party from government budget is subjected to deductions of the fine
	01/04/2014	8,000		
	08/04/2014	9,000		
	16/04/2014	10,000		
	21/05/2014	10,000		
	28/05/2014	10,000		
	03/09/2014	10,000		
Progressive Party of Maldives	22/01/2014	5,000	Submission of form of an individual who has died	The financial aid given to the party from government budget is subjected to deductions of the fine
	04/03/2014	6,000		The financial aid given to the party from government budget is subjected to deductions of the fine
	01/04/2014	7,000		The financial aid given to the party from government budget is subjected to deductions of the fine
Maldivian Democratic Party	04/02/2014	7,000		The financial aid given to the party from government budget is subjected to deductions of the fine
Adhaalath Party	05/02/2014	5,000		The financial aid given to the party from government budget is subjected to deductions of the fine
Maldivian Democratic Party	16/04/2014	10,000		The financial aid given to the party from government budget is subjected to deductions of the fine

Recommendations for the highlighted issue

- (a) To confirm that actions will be taken against parties who fail to submit reports and statistics obligated to them by law
- (b) To address issues in the financial management of political parties and discuss solutions with the relevant authorities regarding implementation of administrative actions.

3. Conclusion

To increase the integrity of financial management of political parties, it is crucial to address the issues focused on this research and to follow through with the recommendations brought forward in this research.

The Commission thereby deems it important to monitor the ways in which money and property of the government and SOEs are being used for political activities under guise of CSR. In order to strengthen the financial systems pertaining to political parties, it is crucial that the legal structure surrounding political parties and elections be revised and corrected accordingly. Moreover, it is of the utmost importance that relevant authorities and monitoring bodies ensure that political parties and related institutions publish the documents for the public, in order to uphold transparency and accountability. It is our hope that this research helps build integrity within the political party system and creates efficiency in their governance and financial management.

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