TRANSPARENCY INTERNATIONAL SRI LANKA
a nation that upholds integrity

ENSURING RESPONSIBLE POLITICAL CAMPAIGN FINANCING IN SRI LANKA

POLICY REFORMS AND BEST PRACTICES

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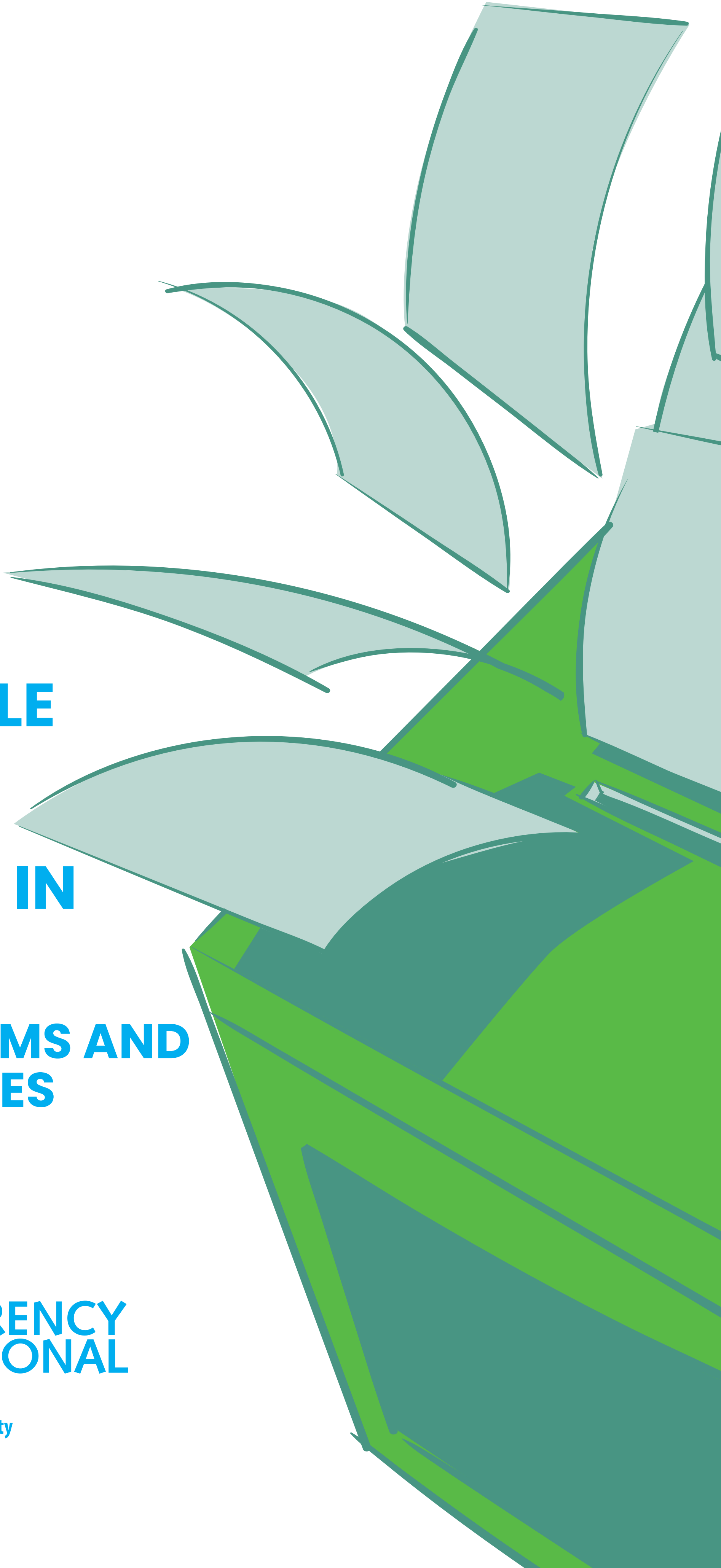

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Contents

List of Abbreviations 3

Part A: Policy Report on Political Campaign Finance Reform in Sri Lanka 4

1.0 Introduction 5
1.1 Background and Purpose of the Report 5
1.2 Scope 5
1.3 Methodology 6

2.0 Context and rationale 7
2.1 Global Context: Political Campaign Finance and International Standards 7
2.2 Sri Lanka's Political Campaign Finance Landscape 7

3.0 Legal and regulatory Landscape 8
3.1 Overview of Existing Laws in Sri Lanka 8

4.0 Risks of unregulated political campaign Financing 9
4.1 Legal and Regulatory Risks 9
4.2 Ethical Risks and Democratic Impact 10
4.3 Reputational Risks 10
4.4 Operational and Business Risks 11
4.5 Long-Term Systemic Risks - Causal Pathways, Indicators and Mitigation Pointers 11

5.0 Comparative Best Practices from other Countries 12

6.0 Key Challenges and Loopholes in Sri Lanka's System 16
6.1. Absence of Donation Limits 16
6.2. Practical Limitations of Spending Caps 16
6.3. Weak Disclosure and Limited Transparency 16
6.4. Absence of Real-time Monitoring Mechanisms 17
6.5. Poor Compliance and Weak Enforcement 17
6.6. Opaque Corporate Donations 17
6.7. Institutional and Cultural Barriers 17
6.8. Party and Third-party Spending Loopholes 17
6.9. Limited Political Will and Public Demand 18

7.0 Policy Recommendations: A Roadmap for Reform 18
7.1 Short-term Actions (within 1 year) 18
7.2 Medium-term Reforms (1–3 years) 20
7.3 Long-term Measures (3+ years) 23
7.4 Roles and Coordination: A Multi-stakeholder Approach 25

8.0 Key Findings and Insights from Primary Research 30
8.1 Overview 30
8.2 Understanding Current Practices 30
8.3 Perceptions of the 2023 Political Finance Act 31
8.4 The Role of Corporate Culture and Reputation 31
8.5 Insights on Monitoring and Enforcement 31
8.6 Divergent Regional and Sectoral Perspectives 31
8.7 Notable proposals 32
8.8 Conclusion 32

Part B: Best practices Guidebook for the Private Sector on Responsible Political Campaign Financing 33

1.0 Introduction 34
1.1 Purpose and Target Audience 34

2.0 Why Responsible Campaign Financing Matters for Companies? 34

3.0 Key Best Practices for Companies in Political Campaign Financing 37
3.1 Transparency and Disclosure 37
3.2 Contribution Caps and Limits 38
3.3 Internal Governance and Controls 41
3.4 Avoiding Third-party Risks 45
3.5 Stakeholder Engagement and Public Commitment 48

4.0 Voluntary Codes of Conduct and ESG Integration 50

5.0 Monitoring and Accountability Tools 53

6.0 Case Studies and Examples 56

7.0 Templates and Practical Tools 59
7.1 Political Contributions Disclosure Form 60
7.2 Internal Policy on Political Engagement (Template Outline) 60
7.3 Compliance Checklist for Political Engagement 62
7.4 Training Exercises and Scenario Planning 63

8.0 Conclusion 64

Annexure 65
Analysis of Public Survey Responses 65

References 68

List of abbreviations

AEC: Australian Electoral Commission

CIABOC: Commission to Investigate Allegations of Bribery or Corruption

CSR: Corporate Social Responsibility

ESG: Environmental, Social, and Governance

ECSL: Election Commission of Sri Lanka

ERP: Enterprise Resource Planning

FGD: Focus Group Discussion

FIU: Financial Intelligence Unit

GRI : Global Reporting Initiative

GRECO: Group of States against Corruption

IDEA: International Institute for Democracy and Electoral Assistance

IDIs: In-Depth Interviews

JSP: Jana Setha Peramuna

KPI: Key Performance Indicator

NDF: New Democratic Front

NPM: National People's Movement

NPP: National People's Power

OECD: Organisation for Economic Co-operation and Development

PACI: Partnering Against Corruption Initiative

PAC: Political Action Committee

REEA: Regulation of Election Expenditure Act, No. 03 of 2023

SLPP: Sri Lanka Podu Jana Peramuna

SLSP: Socialist Party of Sri Lanka

TIN: Taxpayer Identification Number

TISL: Transparency International Sri Lanka

UNCAC: United Nations Convention against Corruption

Part A:
Policy Report on Political Campaign Finance Reform in Sri Lanka

1.0 Introduction

1.1 Background and Purpose of the Report

Sri Lanka's political landscape has long dealt with the influence of money on elections. Until recently, there were no specific laws to regulate campaign spending or donations, leading to ambiguous financing practices and public concern over corruption (Transparency International Sri Lanka TISL, 2023, Organization for Economic Co-operation and Development OECD, 2016).

In January 2023, Sri Lanka enacted its first campaign finance law, the Regulation of Election Expenditure Act, No. 03 of 2023, marking a critical step toward cleaner elections (Government of Sri Lanka, 2023).

This policy report examines the impact of this new law, identifies remaining gaps and risks, and proposes reforms to align Sri Lanka's political campaign finance system with international best practices (International Institute for Democracy and Electoral Assistance IDEA, 2019, United Nations, 2003). The purpose of this initiative is to provide policymakers, stakeholders, and private sector partners with a concise analysis and practical recommendations to strengthen electoral integrity. Through the accompanying research report and guidebook, it aims to foster greater awareness and encourage voluntary adherence to electoral laws and ethical standards across all sectors. By reviewing global standards and local insights, the report aims to inform a roadmap for fair, transparent, and accountable campaign financing.

1.2 Scope

This report examines the legal, institutional and operational dimensions of political campaign finance in Sri Lanka with an emphasis on actionable reforms that are implementable within realistic political and administrative constraints. Specifically, the analysis and recommendations cover:

1. **Legal scope:** Evaluation of the Regulation of Election Expenditure Act, No. 03 of 2023 and related statutes (Election Offences, anti-bribery, anti-money-laundering) to identify gaps, drafting ambiguities and enforcement bottlenecks that impede transparency and accountability.
2. **Institutional scope:** Assessment of the mandates, capacities and coordination potential of the Election Commission of Sri Lanka (ECSL), Auditor General, Commission to Investigate Allegations of Bribery or Corruption (CIABOC), Financial Intelligence Unit (FIU), law enforcement, courts, and the private sector; and how these actors can be re-configured or supported to perform campaign finance oversight effectively.
3. **Policy scope:** A forward-looking roadmap of short, medium and long-term measures, from regulatory clarifications and improved disclosure practice to the design of digital disclosure platforms and possible public financing mechanisms.
4. **Geographic & temporal scope:** The primary focus is national elections and major sub-national contests where systemic risks concentrate; the recommendations are sequenced to be relevant to electoral cycles over a 1–5-year horizon.
5. **Audience & use:** This report is written for policymakers, public sector implementing agencies, including the Election Commission of Sri Lanka (EC) and the Commission to

Investigate Allegations of Bribery or Corruption (CIABOC) as well as parliamentarians, private sector stakeholders (such as management teams and compliance officers), and civil society organisations. International partners may also find it relevant where applicable. It is intended for direct use in drafting regulations, shaping parliamentary amendments, designing capacity-building programmes, and informing corporate political engagement policies.

1.3 Methodology

This report draws on a combination of qualitative and secondary research methods. A comprehensive literature review was undertaken, covering academic studies, policy papers, and international frameworks such as the United Nations Convention against Corruption (UNCAC), and guidelines issued by the Organization for Economic Co-operation and Development (OECD) and International Institute for Democracy and Electoral Assistance (IDEA).

To complement this desk research, a series of multi stakeholder consultations were conducted, including one Focus Group Discussion (FGD) and over 20 In-Depth Interviews (IDIs) with key stakeholders. These comprised representatives from private sector entities, civil society organizations engaged in election monitoring, and government institutions such as the Election Commission of Sri Lanka. In addition, active political journalists, academics, and subject-matter experts were interviewed to inform the final insights and development of the guidebook.

A purposive sampling strategy was used to ensure diversity and relevance of perspectives. Interviewees were selected for their direct experience or institutional role in campaign finance, political engagement, or regulatory oversight such as political party finance officials, anti-corruption regulators, and civil society monitors.

For the private sector, the sample was intentionally broadened to reflect variation in company size (large conglomerates, mid-sized firms, and SMEs), industry sectors (including banking and finance, manufacturing, construction, ICT, and services), and professional roles (such as senior management, public affairs teams, legal and compliance officers, and industry association representatives). This clarification ensures that the findings capture the diverse interests, risk exposures, and compliance concerns within the business community.

FGD participants also included young voters and women stakeholders, allowing both institutional and citizen-level experiences to be represented. Taken together, the sampling approach enabled triangulation of official, practitioner, and public perspectives, strengthening the analytical validity of the findings.

Ethical standards were carefully maintained throughout the research process. All participants provided informed consent prior to participation and were assured of anonymity and confidentiality to encourage open dialogue. No identifying information has been disclosed without explicit permission.

These consultations provided firsthand insights into current practices, challenges, and perceptions surrounding campaign donations. The qualitative data from FGDs and IDIs, combined with secondary evidence, enabled cross-validation of findings. By contextualizing quantitative data within stakeholder experiences, the study presents a nuanced and credible evidence base for its analysis and recommendations. This mixed-method approach ensures both depth and reliability in the findings.

Research Limitations:

While every effort was made to ensure comprehensive coverage, the study faced a few limitations. Time and resource constraints restricted the number of interviews and focus groups that could be conducted, and the sensitivity of political finance topics occasionally limited participants' willingness to share detailed information. Moreover, the study relied primarily on self-reported data and publicly available secondary sources, which may not capture all informal or unrecorded campaign financing practices. Despite these limitations, triangulating diverse sources and perspectives helped mitigate potential biases and ensured robustness in the overall analysis.

2.0 Context and rationale

2.1 Global Context: Political Campaign Finance and International Standards

Around the world, democracies have recognized that unchecked money in politics can undermine governance and public trust (Transparency International, 2020). International frameworks call for transparency and integrity in political financing. Notably, UNCAC Article 7(3) obligates state parties, including Sri Lanka, "to enhance transparency in the funding of candidatures for elected public office and the funding of political parties" (United Nations, 2003).

This makes UNCAC the only globally binding anti-corruption treaty explicitly addressing political finance transparency, underscoring Sri Lanka's commitment to reform. The OECD's 2016 Financing Democracy recommendations similarly outline four pillars of sound political finance regulation: promoting a level playing field, ensuring transparency and accountability, fostering a culture of integrity, and securing compliance through oversight and sanctions (Organization for Economic Co-operation and Development OECD, 2016).

The Council of Europe's GRECO and guidelines from International IDEA echo these principles, advocating for clear donation rules, effective monitoring, and public disclosure of campaign finances (Group of States against Corruption GRECO, 2017, International Institute for Democracy and Electoral Assistance IDEA, 2019).

There is also growing private-sector engagement in this agenda; for example, the World Economic Forum's PACI initiative highlights how opaque political funding harms economies and calls on businesses to be part of the solution (World Economic Forum, 2018). In summary, global standards emphasize that open and fair campaign financing is integral to healthy democracy. Sri Lanka's recent reforms are a response to these international norms and the country's own governance challenges.

2.2 Sri Lanka's Political Campaign Finance Landscape

Historical context: For decades, Sri Lanka lacked specific campaign finance regulations. It was noted that election observers frequently documented problems such as vote-buying, misuse of state resources during campaigns, and dependence on a few wealthy donors (Centre for Monitoring Election Violence CMEV, 2015, Transparency International Sri Lanka TISL, 2019). Notorious cases illustrate these issues. For instance, investigative reports revealed that during the 2015 Presidential election, a Chinese state-linked company transferred about $7.6 million (LKR 1.17 billion) to the campaign of the incumbent President (New York Times, 2018).

At the time, no law prohibited foreign donations, and such funds were spent on campaign materials and gifts to voters. Another example was the "Sil Redi" scandal, where LKR 600 million in public funds was diverted to buy gifts for voters in 2015 (Colombo Telegraph, 2015). Furthermore, the 2015 "Perpetual Treasuries" scandal exposed that a private company implicated in financial fraud had distributed roughly LKR 1.08 billion to politicians across the spectrum; 118 MPs were allegedly funded by this company during the 2015 campaign (Daily FT, 2017, Parliament of Sri Lanka, 2017). These cases underscored how unregulated and opaque campaign financing led to corruption risks, foreign influence, policy capture, and public outrage. Calls grew for a legal framework to rein in election spending and shine a light on political donations (OECD, 2016, IDEA, 2019).

3.0 Legal and Regulatory Landscape

3.1 Overview of Existing Laws in Sri Lanka

Key provisions: As part of Sri Lanka's broader electoral reform agenda and efforts to enhance transparency, the Regulation of Election Expenditure Act, No. 03 of 2023 was enacted as the country's first campaign finance law since 1977. It provides a basic framework for regulating how money is raised and spent in elections. Notable provisions of Regulation of Election Expenditure Act, No. 03 of 2023 include:

1. **Spending limits for candidates:** The Election Commission is now empowered to set an "authorized amount" as the campaign spending cap for candidates, in consultation with political parties and candidates. Candidates are prohibited from exceeding this expenditure limit during their campaign. According to the Regulation of Election Expenditure Act, No. 3 of 2023, the Election Commission of Sri Lanka (EC) sets an "authorized amount" for election campaign expenditure (Section 3), and any candidate who spends more than this amount commits an "illegal practice,"[1] punishable under the relevant electoral law, unless the candidate demonstrates that the overspending occurred without his or her sanction or connivance (Section 4). This is intended to level the playing field so that wealthier candidates cannot vastly outspend others.

2. **Restricted donation sources**[2]**:** The Act bars candidates and their agents from accepting certain types of donations *"for the purpose of promoting or procuring the election"* **of a candidate. Prohibited donors include any government department or state-owned**

1. "illegal practices" under the earlier Parliamentary Elections Act (No. 1 of 1981) were more narrowly defined (e.g. payments for conveyance or advertisement-premises - Section 83).

2. The law does not prohibit campaign donations in general; rather, it restricts donations from specific sources. Certain individuals, entities, or categories are not permitted to contribute, in order to prevent undue influence, conflicts of interest, or foreign interference. All other donations remain allowed, subject to disclosure and reporting requirements.

enterprise, any foreign government or organization, any foreign-incorporated company, and any Sri Lankan company with ≥50% foreign ownership. Anonymous donations are also banned. These bans directly address previous loopholes – for example, under the new law a foreign company's contribution like the 2015 case would be illegal.

For instance, in the lead-up to the January 2015 presidential election, the China Harbour Engineering Company (CHEC) was alleged to have channelled substantial cash contributions via cheques issued in December 2014 and January 2015 to entities connected with the campaign of former President Mahinda Rajapaksa. The funds reportedly financed campaign paraphernalia (e.g. supporter-caps and T-shirts) and included a payment of Rs 5 million to a prominent religious figure. These alleged foreign-corporate contributions attracted investigation by the Financial Crimes Investigations Division (FCID) and the Criminal Investigation Department (CID) on the grounds of "suspicious financial transactions."

This instance illustrates the potential for foreign or foreign-owned entities to exert electoral influence through donations, a risk the new law seeks to eliminate by prohibiting donations from foreign governments, foreign-incorporated companies, or Sri Lankan companies with ≥ 50% foreign ownership.

The goal is to prevent foreign influence, use of public resources, and undisclosed "dark money" in campaigns.

3. **Post-election financial disclosure:** Every candidate must submit a detailed campaign finance report (a "return") to the Election Commission within 21 days of election results. This report must itemize all donations/contributions received (with donor identities) and all expenses incurred by the campaign. The Election Commission is mandated to notify the public that these returns are available for inspection. Knowingly failing to submit a return, or submitting false information, constitutes an illegal practice under the law, carrying potential fines or disqualification. For the first time, candidates are forced to document their campaign finances, theoretically enabling public scrutiny.

   These provisions laid a much-needed foundation for transparency and accountability. However, Regulation of Election Expenditure Act, No. 03 of 2023 has significant gaps and challenges in implementation, as discussed below as noted by election commission and other election monitoring organizations.

4.0 Risks of Unregulated Political Campaign Financing

Without robust controls, campaign financing poses multiple risks to the political system, as well as to donors and other stakeholders:

4.1 Legal and Regulatory Risks

Under the Regulation of Election Expenditure Act, No. 03 of 2023, candidates who exceed spending limits or accept prohibited funds face sanctions such as fines or disqualification. These offences apply only to expenditure and contributions made during the regulated campaign period, which begins after the close of nominations. Sri Lankan law does not permit retrospective criminalisation, and therefore donations made before nominations cannot be treated as offences under this Act.

However, private-sector donors should recognize that campaign-finance reforms globally are moving toward stricter contribution caps, broader disclosure, and heightened public scrutiny. Even where donations remain lawful, large contributions may carry reputational risks as transparency norms strengthen. Internationally, countries such as France, Brazil, and Chile have moved to prohibit corporate political donations entirely (Transparency International UK), indicating a broader policy trend rather than a retroactive legal threat.

While current laws do not apply retrospectively, evolving campaign finance regulations may introduce stricter caps, enhanced disclosure requirements, or even restrictions on private sector donations. Companies should therefore ensure their political engagement practices align with principles of transparency and accountability to avoid future compliance or reputational risks. While political donations are lawful under the current regulatory framework, they can raise legal and ethical concerns if there is evidence that such contributions are made with the intent to secure undue advantages—such as procurement favors, regulatory leniency, or preferential access. In such cases, depending on intent and evidence, such conduct could fall within the scope of Sri Lanka's bribery or anti-corruption laws. Therefore, companies should maintain clear internal documentation and transparency to demonstrate the legitimate nature of their contributions.

4.2 Ethical Risks and Democratic Impact

Unchecked political financing can lead to policy capture – elected officials indebted to big donors may shape public policy to favor private interests over the public good. This undermines the ethical foundation of democracy, where decisions should be made on merit and public interest. Vote-buying and lavish campaign spending also erode the fairness of elections: they distort voter choice and disadvantage candidates who lack wealthy backers. Over time, this fuels cynicism and disengagement among the public. Public trust in Sri Lanka's political institutions has declined significantly in recent years, with surveys showing that perceptions of money-driven and patronage-based politics contribute to this erosion of confidence. According to the Centre for Policy Alternatives' Survey on Democracy and Reconciliation in Sri Lanka (2024), trust in Parliament has fallen to 22.4% and in political parties to just 19%, reflecting widespread public skepticism toward the integrity of the political system. The absence of transparency enables conflicts of interest to flourish, as deals are made in secret. Ethically, a system reliant on patronage violates principles of good governance and equality. These concerns are precisely why UNCAC and other international norms cast political finance transparency as an anti-corruption imperative.

4.3 Reputational risks

Both politicians and corporate donors face severe reputational damage if their funding practices are exposed as unethical or in violation of norms. In the age of social media and investigative journalism, secret deals do not always remain secret. A company found to be bankrolling candidates in expectation of contracts or favors may be subject to public backlash, consumer boycotts, or investor divestment. Globally, many corporations have faced "public retribution for political contributions seemingly at odds with their stated values" (American Bar

Association). Internally, such revelations can harm employee morale and pride in the company. For politicians, being branded as beholden to "special interests" or tainted by illicit funds can end careers. In Sri Lanka, the scandals of the past (such as the foreign funding and bond scam donations) significantly tarnished the individuals and parties involved, with ongoing effects on their public image. Reputational risk is a powerful motivator; many global companies now voluntarily disclose or limit political spending precisely to avoid these dangers.

4.4 Operational and Business Risks

From a private sector standpoint, engagement in non-transparent political financing presents substantial reputational and operational risks. In the event that a supported candidate is not elected or subsequently falls out of political favor, affiliated companies may be exposed to adverse regulatory actions, withdrawal of government contracts, or other forms of institutional reprisal. Such uncertainties undermine market stability and compromise the predictability of the operating environment. Additionally, corruption-fueled political patronage tends to distort markets; honest businesses might lose tenders to less qualified but better-connected competitors, for example. In the long term, the private sector as a whole, benefits from clean politics, as it fosters a level playing field and rule of law. Thus, individual companies that attempt to "buy" influence not only risk legal trouble but also contribute to an unhealthy business climate. As Transparency International UK notes, improper corporate political engagement can lead to "debarment from public contracts, loss of confidence by business partners, and increased vulnerability to bribery demands". All these factors ultimately hurt a company's bottom line and sustainability.

In summary, the risks of weak campaign finance controls are multifaceted – threatening legal integrity, ethical standards, reputations, and economic fairness. These risks underscore why robust regulation and proactive compliance (by both political actors and donors) are essential. The next section looks at how other democracies manage these issues and mitigate risks through various best practices.

4.5 Long-term Systemic Risks - Causal Pathways, Indicators and Mitigation Pointers

Weak campaign finance regulation does not only create immediate scandals; it erodes the very foundations of democracy over time. If unchecked, the following systemic risks may emerge:

A. **Entrenchment of patronage politics:** Political competition becomes dependent on moneyed networks, marginalizing candidates without financial backers.

B. **Institutional corrosion:** Regulators, law enforcement, and even courts at risk capture by political elites who rely on opaque financing.

C. **Democratic disillusionment:** Voters lose faith in elections as a vehicle for change, perceiving outcomes as bought rather than earned.

D. **Economic distortions:** Policy capture leads to regulatory frameworks skewed toward donors, undermining fair competition in markets.

E. **Perpetuation of inequality:** A system dominated by financial clout discourages diverse participation, leaving women, youth, and marginalized groups underrepresented.

These systemic risks highlight why reforms must be continuous and embedded into broader democratic consolidation, rather than seen as one-off legal fixes.

5.0 Comparative Best Practices from other Countries

Many countries have spent decades refining their campaign finance systems. This section highlights key practices and lessons from five jurisdictions; the United Kingdom, Canada, India, Australia, and South Africa – chosen for their relevance to Sri Lanka's context (Westminster heritage, similar corruption concerns, or regional parallels). These examples show a spectrum of approaches, from stringent regulation to cautionary tales of weak enforcement.

United Kingdom - The UK has one of the oldest traditions of campaign finance regulation, dating back to the 19th century (House of Commons Library, 2024). A cornerstone is its strict spending limits for election campaigns. At the constituency (candidate) level, each candidate can spend only on the order of £15,000 (approx. LKR 5.7 million) (plus a small per-voter amount) during the official campaign period (Electoral Commission, 2024a). These limits, in place since 1883, are low by international standards and are rigorously enforced (Institute for Government, 2024).

Candidates must file detailed expense returns, which opponents or the Electoral Commission can scrutinize (Electoral Commission, 2024). On the national level, the Political Parties, Elections and Referendums Act 2000 cap each party's spending (such as £30 million per party in a general election) (UK Parliament, 2000). The UK does not cap private donation size by law; however, it bans foreign or anonymous donations and mandates full disclosure of any large donations (above £7,500 to parties) quarterly (Electoral Commission, 2024). All donations above modest thresholds are published publicly. Importantly, the independent Electoral Commission oversees party finances and can levy fines, and serious breaches (like deliberate overspending or false reporting) can lead to candidates being unseated via court order (Electoral Commission, 2023; House of Commons Library, 2022).

There have been high-profile cases: in 2010 an MP was stripped of his seat for false election statements (BBC News, 2010), and after the 2015 election, the ruling party was fined a record £70,000 for misreporting campaign expenses (Electoral Commission, 2017). In one notable case, a party official was convicted for hiding local campaign costs as national spending to evade limits (CPS, 2018). The UK experience shows the value of strict limits combined with real consequences. Even governing parties have been penalized, demonstrating that no one is above the law. Culturally, because candidates know that overspending could void their victory, they are extremely cautious (Electoral Commission, 2023).

Transparency is also ingrained: candidates' expense returns and parties' donor lists are open for public inspection (increasingly posted online) (Electoral Commission, 2024). Media and civil society actively analyze these disclosures, adding another layer of accountability (Transparency International UK, 2023). The result is that UK campaigns, by comparative standards, run on relatively modest budgets, focusing on grassroots canvassing and free media coverage rather than expensive advertising (House of Commons Library, 2022; Electoral Commission, 2023).

Lesson for Sri Lanka: Enforceable spending caps can dramatically curb the arms race of campaign expenditure. But they require strong oversight and a transparency culture (Transparency International UK, 2023; IDEA, 2021). The UK model also illustrates that transparency of donations plus the credible threat of punishment (fines or loss of seat) creates a compliance mindset among political actors (Electoral Commission, 2023; House of Commons Library, 2022).

Canada - Canada is often cited for its holistic campaign finance regime. It tightly controls both donations and spending, and supplements these with public funding mechanisms (Elections

Canada, 2023). Since the early 2000s, Canada has imposed low donation caps – currently on the order of CAD $1,700 per year per donor to a party or candidate (only individuals can donate; corporate and union donations to federal candidates or parties are banned) (Canada Elections Act, 2000, s.367; Elections Canada, 2023).

This prevents any single donor from having outsize influence. On the spending side, Canada sets spending limits for candidates and parties based on electorate size and number of constituencies contested (Elections Canada, 2023). These limits, while higher than the UK's, are still strict enough to force moderation. Public financing is a key pillar: major expenses are reimbursed by the state. For example, a substantial percentage of candidates' eligible campaign expenses are reimbursed if they surpass the vote threshold, and donors get tax credits for small donations (Library of Parliament, 2022). Enforcement is handled by independent bodies—Elections Canada and the Commissioner of Canada Elections—that actively audit and investigate compliance (Elections Canada, 2022).

The culture of compliance is strong – violations are relatively rare and punished when they occur (Commissioner of Canada Elections, 2023). The outcomes speak volumes: Canadian elections are free of "big-money drama." There are no Super PACs or unlimited election spending as seen in the U.S.; in fact, the total spending of all parties and candidates in the 2021 federal election was around CAD $110 million – roughly only $2–3 per voter (Elections Canada, 2022). This is exceedingly low compared to countries like the U.S. or India. Despite these limits, Canadian democracy thrives with high voter trust and robust policy debates on issues rather than on the size of war chests (Elections Canada, 2023; Library of Parliament, 2022).

The Canadian experience shows that strict donation limits, spending caps, transparency, and public funding can together create an equitable electoral arena. Crucially, it demonstrates that democracy does not wither under regulation – it flourishes with more participation by ordinary citizens, as money plays a smaller role (International IDEA, 2021; Elections Canada, 2023).

Lesson for Sri Lanka: An integrated approach is effective. Sri Lanka could consider introducing reasonable donor caps, exploring partial public funding or incentives (such as free broadcasting time or state subsidies for compliant candidates), and strengthening independent oversight similar to Elections Canada (Elections Canada, 2023; Library of Parliament, 2022). While Canada is a wealthy nation and different in context, the principle of reducing the role of big money is adaptable and highly relevant (International IDEA, 2021; Transparency International, 2023).

India - India offers a contrast of a democracy where laws exist on paper but huge expenditures continue in practice. India does have some regulations: candidates for Parliament have an official spending limit (approximately ₹7 million, or $100,000), and donations above a threshold to political parties must be declared to the Election Commission of India (Election Commission of India (ECI, 2024). However, these rules are widely perceived as ineffective. The scale of Indian elections dwarfs enforcement capacity – the 2019 general election was estimated to cost over $8 billion (the world's most expensive), and credible studies indicated that actual spending by major candidates far exceeded legal limits by an order of magnitude (Centre for Media Studies CMS, 2019; International IDEA, 2021). In practice, many candidates simply under-report expenditures or route spending through supporters, and enforcement is lax. Indian election monitors seize tens of millions in cash each cycle, yet "black money" finds its way into campaigns continually (Transparency International India, 2023).

A controversial reform in 2017 introduced electoral bonds, which allow unlimited corporate donations to parties in complete secrecy, bypassing even the existing disclosure rules (Ministry of Finance, 2017; Association for Democratic Reforms (ADR, 2023). This has further increased opacity in political funding and, critics say, favored the ruling party disproportionately (Carnegie Endowment for International Peace, 2022). The lessons from India are cautionary: unrealistic spending limits breed wholesale circumvention – if caps are set far below what campaigns genuinely cost, candidates will simply ignore the law. Indeed, in India it is an open secret that most candidates violate the spending cap (ADR, 2023; ECI, 2024).

Weak enforcement means the law becomes a paper tiger – India's Election Commission, while highly respected for running elections, lacks powers to annul results for finance violations or to impose heavy penalties, so compliance is poor (ECI, 2023). Loopholes like anonymous electoral bonds show that partial measures can undermine transparency even more. The result has been an escalation of campaign spending and persistent problems like vote-buying; "cash for votes" is still reported in many Indian polls (Transparency International India, 2023; CMS, 2019). Money has such a dominant role that candidates with criminal or wealthy backgrounds often outcompete reform-minded but poorer candidates (International IDEA, 2021; Carnegie Endowment, 2022).

Lesson for Sri Lanka: Having a law is not enough – it must be robust, realistic, and enforced. Sri Lanka should avoid India's mistakes by setting feasible spending limits (neither too low to be ignored nor too high to be meaningless), closing avenues for anonymous donations, and empowering its Election Commission to actually sanction offenders (Transparency International India, 2023; ADR, 2023). Otherwise, there is a risk of the law being widely flouted, as happened in India, leading to elections becoming a "financial free-for-all" despite formal rules. The Indian case underscores the importance of continuous improvement and political will; even after laws are passed, vigilance and reform must continue to plug new loopholes (International IDEA, 2021; ECI, 2024).

Australia - Australia's federal campaign finance system focuses heavily on transparency rather than strict caps. At the national level, there are no limits on the amount of private donations (except for public funding reimbursements that exist), but there is robust disclosure. Any donation above a set threshold (around AUD $14,300, indexed annually) must be declared and reported to the Australian Electoral Commission (AEC) (AEC, 2024a). Since 2018, Australia has implemented a comprehensive ban on foreign donations: no political party, candidate, or associated entity may accept money from foreign citizens or foreign corporations. Only Australian citizens, residents, and domestic entities can donate above the threshold, effectively blocking overseas influence (Commonwealth Electoral Amendment [Electoral Funding and Disclosure Reform] Act 2018).

The AEC publishes detailed disclosures of contributions and expenditures, all political entities (parties, candidates, third-party campaigners) must maintain dedicated bank accounts for campaign funds and submit annual and election-period financial returns (AEC, 2024b). Though there is criticism that the reporting can be slow or aggregated (Tham & Gauja, 2020). Some Australian states have gone further – for instance, certain states cap donations and have much lower disclosure thresholds (even as low as $1,000) (Gauja & Halpin, 2023).

Enforcement in Australia involves both the AEC (for administrative audits and fines) and criminal penalties for serious violations, though penalties historically have been mild (AEC, 2024c). A notable feature of Australia's approach is an increasing move toward real-time electronic reporting of donations: there are proposals and pilot programs for continuous online updating of who donates and how much, rather than waiting for annual reports (Joo-Cheong, 2023).

Lesson for Sri Lanka: Australia shows the importance of transparency and timely disclosure. Even without strict caps, forcing donations into the open can dissuade improper funding (companies or individuals may think twice if their support will be public knowledge). Additionally, banning foreign donations is a measure Sri Lanka has wisely adopted; Australia's example reaffirms that keeping election funding domestic is a norm in many democracies. Sri Lanka can also learn from Australia's push for electronic disclosure platforms – leveraging technology to make campaign finance data accessible in near real-time would greatly enhance transparency (AEC, 2024a; Tham & Gauja, 2020).

South Africa - South Africa recently overhauled its political finance laws with the Political Party Funding Act of 2018, which took effect in 2021. This law introduced far-reaching transparency requirements. All donations above a certain threshold (such as R100,000) to political parties must be declared, and parties must publicly report these donations with donor details (Independent Electoral Commission of South Africa (IEC, 2024a). Uniquely, the law also requires individual politicians (especially those in leadership positions) to report donations made personally towards political activities beyond a threshold (IEC, 2024b).

The system doesn't ban corporate or private donations outright. It prohibits donations from foreign governments or agencies and caps how much any single donor can give (to prevent one donor from completely dominating a party's finances) (Political Party Funding Act 6 of 2018, s. 8). To balance the influence of private money, South Africa significantly increased public funding for parties, including setting up a Multi-Party Democracy Fund that allocates state funding in proportion to votes/seats, and even a provision for private citizens to donate into a general fund for all parties (IEC, 2024c; De Villiers, 2021).

The 2018 law imposes meaningful penalties for non-compliance – parties that fail to report donations or accept illegal funds can face fines, and responsible officials can even face jail time for serious breaches (Political Party Funding Act 6 of 2018, ss. 12–14). In practice, these reforms were driven by corruption scandals (such as the "state capture" inquiries that revealed shady party financing deals) (Zondo Commission, 2022; Chipkin & Swilling, 2018). Early implementation showed improvements in transparency as parties disclosed major donors for the first time, though some challenges remain (such as enforcement resources and ensuring the accuracy of reports) (Myburgh, 2022).

Lesson for Sri Lanka: Full public visibility of donations is a powerful tool. By mandating disclosure of any significant contribution and backing it with penalties, South Africa is attempting to curb undue influence while still permitting private funding (IEC, 2024a). For Sri Lanka, a similar approach could be adopted: require that any donation above a modest amount (say, a few million LKR) to a candidate or party be publicly reported. This could be enforced via the Election Commission or another body, and companies could be obliged to cooperate by providing information on their political contributions.

South Africa also shows the value of strengthening public financing to reduce reliance on private donors. Sri Lanka might explore increasing state support for compliant candidates/parties (for example, reinstating provisions for reimbursing campaign expenses or giving airtime) to ease the scramble for funds (De Villiers, 2021). The key takeaway is that transparency, coupled with a balanced funding system and enforcement, can gradually change the political funding culture.

These international examples demonstrate a variety of strategies: strict spending limits and punitive enforcement (UK, South Africa), low donation caps and public funding (Canada), transparency-first approaches (Australia, South Africa), and the pitfalls of weak enforcement (India).

A common thread in successful systems is that rules are backed by oversight and consequences, and often a combination of measures is used (caps, bans on certain sources, disclosures, and public financing incentives). Sri Lanka can selectively adopt and adapt these best practices. The next section will consider specific reforms and recommendations in the Sri Lankan context, building on both the comparative lessons and the gaps identified earlier (OECD, 2023).

6.0 Key Challenges and Loopholes in Sri Lanka's System

The Regulation of Election Expenditure Act, No. 03 of 2023 marked a major milestone in Sri Lanka's campaign finance regulation. It represents a long-awaited legislative step toward curbing the blatant misuse of public funds and certain forms of illicit spending. While the Act introduced an important framework for oversight, experience from recent elections indicates that several gaps and weaknesses persist in both its legal provisions and implementation.

6.1. Absence of Donation Limits

Although the Act prescribes ceilings on candidate expenditure, it imposes no limits on the size of donations that can be made by individuals, corporations, or other entities. As a result, large contributors are able to exert disproportionate influence on electoral outcomes. This situation undermines the principle of fair competition and transparency. In many jurisdictions, donor caps are imposed precisely to prevent such undue influence. The absence of similar safeguards in Sri Lanka remains a critical omission in the current framework.

6.2 Practical Limitations of Spending Caps

While the Act introduced expenditure ceilings for candidates, several operational issues weaken their effectiveness. Spending limits are not adjusted for inflation, constituency size, or media cost variations, leading to ceilings that are either unrealistically low or disproportionately high across different election types. The Act also does not define category-wise limits—for instance, for print, digital, or broadcast advertising—creating uncertainty in reporting and enforcement. Moreover, there is no mechanism to review or revise spending caps periodically. These factors have reduced the practical enforceability of expenditure ceilings and hindered the ability of oversight bodies to detect overspending.

6.3 Weak Disclosure and Limited Transparency

Although candidates are required to submit financial returns, these reports are not yet accessible through a central, public online platform. Members of the public or the media can only access them by physically visiting the Election Commission of Sri Lanka (ECSL), which constrains transparency and civic oversight. Furthermore, party-level contributions, coordinated expenditures, and third-party campaign financing largely remain outside the disclosure framework. The absence of real-time or near-real-time reporting mechanisms prevents timely detection of illicit or excessive campaign spending.

6.4 Absence of Real-time Monitoring Mechanisms

A fundamental shortcoming of the existing law is the lack of any institutional mandate or system for continuous monitoring of campaign spending and donations. The Act requires only post-election reporting, with no provision for interim or live reporting of campaign transactions. This delay means that potential violations are often identified only after elections conclude, by which time corrective measures become largely ineffective. Without real-time monitoring, the ECSL cannot verify the accuracy of declared figures or investigate irregularities during the campaign period.

6.5 Poor Compliance and Weak Enforcement

According to the official ECSL disclosure, 35 of the 38 candidates contested in the 2024 Presidential Election submitted their expenditure returns within the statutory deadline. However, several independent election-observer groups operating under the umbrella of Chanda Salli Meetare have flagged incomplete reporting of in-kind expenditures, limited capacity of ECSL to verify receipts, and delays in enforcement proceedings. A post-election audit by civil society identified instances of state-resource misuse and structural loopholes, underscoring transparency and accountability gaps that remain even under the 2023 law. (Transparency International Sri Lanka, 2024)

6.6 Opaque Corporate Donations

Private companies are permitted to make political donations but are not legally required to disclose these contributions in their financial statements or to the public. This creates space for unrecorded or indirect funding tied to business contracts, procurement advantages, or policy favors. The absence of corporate reporting requirements leaves voters and regulators unable to assess the scale or source of private sector influence on political financing.

6.7 Institutional and Cultural Barriers

Oversight bodies such as the National Audit Office, the Commission to Investigate Allegations of Bribery or Corruption (CIABOC), and the Financial Intelligence Unit (FIU) are not systematically engaged in campaign finance monitoring. The lack of structured coordination mechanisms among these agencies reduces the state's capacity to detect and respond to irregularities. Additionally, political financing remains embedded in a culture of secrecy, where disclosure and accountability are not yet normalized practices.

6.8 Party and Third-party Spending Loopholes

Although the Act requires political parties to report expenditures incurred on behalf of candidates, its implementation remains weak. In practice, large volumes of spending, such as coordinated advertising, logistics, and mobilization expenses are not reflected in candidate returns. Moreover, there are no standardized formats or verification procedures for consolidating candidate and party expenditure data. Consequently, significant campaign-related spending continues to occur outside the formal reporting system, limiting the transparency and completeness of disclosures.

6.9 Limited Political will and Public Demand

Sustained progress in campaign finance reform depends on political will, which remains limited as major parties benefit from the current opacity. Public awareness of campaign finance remains low, and access to information about political donations is minimal. Without stronger citizen engagement and civil society advocacy, reform momentum risks stagnation.

In summary, while the Regulation of Election Expenditure Act, No. 03 of 2023 is a landmark reform, its effectiveness is constrained by several unresolved issues: the absence of donor caps, real-time monitoring mechanisms, and complaint systems; the limited enforcement authority of the Election Commission; the impracticality of existing spending limits; and persistent weaknesses in corporate, party, and third-party disclosure. Strengthening these areas, through targeted legislative amendments, institutional empowerment, and technological modernization remains critical to ensuring a transparent and accountable campaign finance regime in Sri Lanka.

7.0 Policy Recommendations: A Roadmap for Reform

Addressing the complex challenges in campaign financing requires a phased and multi-pronged approach. Below are **actionable recommendations** categorized into short-term, medium-term, and long-term measures. These recommendations aim to strengthen legal provisions, improve enforcement, harness technology for transparency, and engage all stakeholders in upholding the integrity of elections.

7.1 Short-term Actions (within 1 year)

Immediately strengthen enforcement of the existing law and improve transparency using available tools, without needing major new legislation.

1. Issue clear regulations and guidelines:

The Election Commission of Sri Lanka (ECSL) should promptly promulgate detailed regulations under the Regulation of Election Expenditure Act, No. 03 of 2023. These should clarify the methodology used to determine spending limits for each type of election (Presidential, Parliamentary, Local, etc.) and ensure the authorized amounts are declared within the statutory period, within five days of the close of nominations.

Clear, well-communicated guidelines should also define what constitutes campaign expenditure, addressing emerging categories such as digital and social media spending. This includes advertising on platforms like Facebook, YouTube, X (Twitter), and Google, influencer partnerships, boosted posts, and expenditures routed through digital marketing agencies. Regulations should mandate that all such digital advertising be disclosed, including the amount, sponsor identity, platform, and audience targeting details, using standardized reporting templates.

Improved clarity and accessibility of these regulations would enhance compliance and reduce ambiguity for candidates and parties.

2. Enhance oversight capacity:

Establish a dedicated Campaign Finance Monitoring Unit within the ECSL. Even a small team of trained auditors or accountants (possibly seconded from the Auditor General's Department or recruited externally) can start reviewing submitted finance returns for accuracy and completeness. This unit can also liaise with banks and the FIU to spot irregular transaction patterns (such as sudden large cash withdrawals by candidates around election time).

In addition, the ECSL should designate or train a small digital audit sub-unit within this team to monitor online political advertising. Using publicly available ad libraries (such as the Meta Ad Library and Google Transparency Report) and partnerships with civil society watchdogs, the Commission can begin mapping digital expenditure patterns by candidates and parties. If permanent hiring is difficult in the short run, the Commission can engage independent auditors or digital monitoring firms on a contract basis during election periods.

3. Inter-agency coordination (Task force):

In 2024, the Election Commission of Sri Lanka formed a multi-stakeholder taskforce to enforce the Regulation of Election Expenditure Act, No. 03 of 2023. To ensure continuity and effectiveness, this mechanism should be formally institutionalized through a legal or administrative framework, enabling sustained coordination, data-sharing, and enforcement capacity.

Memoranda of Understanding (MoUs) should be entered between the ECSL, Police, CIABOC, FIU, and Auditor General to share information quickly and outline each agency's role when a potential violation is identified. The FIU can alert the Commission of suspicious financial activity by candidates, while CIABOC can initiate investigations where campaign funds appear to be linked to bribery or corruption.

Regular coordination meetings (monthly or bi-monthly in an election year) should be held to review compliance progress. Coordination should also extend to digital governance bodies — such as the TRCSL and ICTA — to facilitate access to online advertising data and prevent misuse of state-funded digital media during campaigns.

4. Begin active monitoring and audits:

The ECSL should adopt a proactive monitoring approach rather than relying solely on post-submission expenditure reports. Collaborating with accredited observer organizations, the ECSL should strengthen real-time monitoring of campaign expenditure, including digital spending.

Existing civil society initiatives such as Chanda Salli Meetare — a CSO-developed online tracker of political spending — could be formally integrated into the ECSL's monitoring framework. Short-term measures could also include requiring campaign advertisers and digital agencies to register with the ECSL before placing political ads, declaring which candidates or parties they serve.

After elections, ECSL should audit a sample of candidate returns — particularly winners and runners-up — to verify if reported expenses align with observed campaigning, including digital outreach. Any discrepancies or under-reporting should trigger investigations. Early enforcement of penalties against violators will send a strong deterrent message.

5. Public disclosure and transparency (Immediate improvements):

While a full digital platform may take time, the Commission can implement interim transparency steps. For the next election, commit to publishing all candidates' finance reports on the ECSL website soon after submission. Documents can be uploaded as PDFs or entered into downloadable spreadsheets.

Additionally, the ECSL should publish a separate online registry of digital advertisements funded by candidates or parties — similar to ad libraries used in other democracies — indicating who paid for each ad, how much was spent, and its target audience. Even a manually compiled version would significantly enhance transparency.

The ECSL should also issue press releases listing non-compliant candidates or parties and disclose summary statistics (e.g., percentage of timely submissions).

6. Education and guidance for stakeholders:

In the short term, the ECSL, in partnership with civil society and digital media experts, should conduct awareness programs for candidates, donors, and digital marketing firms. These should clarify the new law requirements, particularly regarding online campaign advertising rules and digital spending disclosures.

Outreach to the business and tech community should emphasize which forms of digital advertising or contributions are prohibited (e.g., ads sponsored by foreign entities or state-owned companies). Practical guides — including dos and don'ts, helplines, and public service messages — can raise awareness on compliant digital campaigning and discourage online vote-buying or misinformation campaigns.

7.2 Medium-term Reforms (1–3 years)

Within the next few years, implement legislative and structural changes to close gaps in the law and build stronger institutions.

1. Amend the law to introduce donation caps:

Amend the law to introduce donation caps: Work with Parliament to amend the REEA or related laws to establish limits on contributions by any single donor to a candidate and/or political party.

For instance, Canada provides a useful example of how donation limits can be structured. There, the per-donor cap (approximately CAD 1,700 in 2025) is determined through a formula that factors in inflation and the cost of running a campaign and is adjusted annually by the Chief Electoral Officer.

Rather than adopting this figure directly, Sri Lanka could apply a similar method, anchoring its cap to realistic campaign expenditure levels, median income, and inflation trends within the local context.

Such a formula-driven approach would ensure proportionality and adaptability over time. Setting these caps would prevent any single donor, whether individual or corporate, from dominating campaign finance and would strengthen the integrity of the political process. The rule should also apply to aggregate donations to prevent circumvention through affiliated entities.

2. Mandate party and third-party reporting:

Strengthen reporting obligations for political parties and extend these to digital advertising intermediaries and third-party entities engaged in online promotion or electioneering. Any organization or individual spending above a defined threshold for political purposes, including digital marketing agencies, influencers, or advocacy groups must register and disclose funding sources and ad expenditures.

These requirements would close the significant transparency gap surrounding third-party online campaigning, which is often used to evade official limits or obscure donor identities.

3. Establish a digital campaign finance portal:

Invest in creating a modern, user-friendly electronic disclosure platform for campaign finance reporting. The portal should allow candidates, parties, and digital advertisers to file returns online, automatically publish data in searchable formats, and integrate with social media ad transparency APIs (e.g., Meta Ad Library, Google Political Ads Report).

Over time, this system should evolve into a real-time reporting mechanism, requiring large donations and digital ad purchases to be disclosed within days of the transaction. This mirrors best practices from jurisdictions such as the UK, Canada, and Australia, where real-time or near-real-time transparency reduces opportunities for illicit funding.

4. Strengthen enforcement powers and institutional independence of ECSL:

Bolster the Election Commission's powers and independence: Through legislative amendments or new regulations, strengthen the enforcement and institutional autonomy of the Election Commission of Sri Lanka (ECSL). Recent experience particularly the 2023 postponement of Local Government elections due to the government's refusal to release funds exposed by the Commission's financial vulnerability and the potential for executive interference. Such incidents not only undermine the ECSL's independence but also erode public confidence in the electoral process, reflecting features of a kleptocratic environment where control over public resources is used to influence democratic outcomes.

To address this, the government should be legally obligated to allocate the Commission's operational budget through a direct appropriation from Parliament, similar to the model used for the Auditor General's Department, ensuring predictable and non-discretionary funding. The ECSL should also have the authority to manage its own expenditures and staff appointments without external approval.

In terms of enforcement powers, legislative reforms should enable the Commission to levy administrative fines directly for certain categories of offences (e.g., late filing, minor overspending), reducing dependence on court action. Maximum fine levels should be revised to genuinely dissuasive thresholds, drawing lessons from countries such as the UK, where the Electoral Commission's fine limit was raised to £500,000 in 2023. Additionally, the law should empower either the ECSL or the judiciary (through an expedited process) to annul election results where it is proven that illegal funding or spending materially affected the outcome, reflecting best practices in jurisdictions like the UK, South Korea, and Mexico.

Ultimately, the independence and strength of the ECSL are central to credible elections. Any attempts to restrict its authority or financial autonomy must be resisted, and Parliament should ensure the Commission is fully empowered and resourced to act as the impartial guardian of Sri Lanka's electoral integrity.

5. Enhance inter-agency coordination and oversight mechanisms:

Integrate supporting institutions: Strengthen coordination and information-sharing among existing oversight bodies rather than extending mandates beyond their constitutional limits. While the Election Commission (ECSL) is the primary regulator of campaign finance, its effectiveness depends on collaboration with institutions such as the National Audit Office (NAO), the Commission to Investigate Allegations of Bribery or Corruption (CIABOC), and the Financial Intelligence Unit (FIU).

Given that the NAO's constitutional mandate is confined to auditing public funds, it would not be appropriate to directly audit private entities like political parties. However, the ECSL could be empowered through amendments to the Regulation of Election Expenditure Act (REEA) to request technical support or secondments from the NAO for auditing campaign finance reports where public funds or state resources are suspected to be misused. This maintains the NAO's independence while leveraging its expertise.

Similarly, the CIABOC Act already covers the offence of bribery, including where campaign contributions amount to an illicit gratification in exchange for state favors. Rather than amending this law, new regulations under the REEA could clarify that any evidence of such quid pro quo identified by the ECSL must be referred to CIABOC or law enforcement for investigation.

The Financial Intelligence Unit (FIU) could also be formally integrated into the monitoring framework during election periods through administrative regulation by designating election campaign accounts as entities temporarily subject to anti money laundering scrutiny.

These coordination mechanisms would create a networked system of accountability without infringing institutional mandates or independence, ensuring that oversight remains both effective and constitutionally sound.

6. Improve compliance incentives:

Introduce incentives for full compliance, such as eligibility for public funding, media time, or tax incentives for transparent, disclosed donations. Over time, consider creating a Digital Campaign Transparency Fund, where verified advertisers can contribute toward a common pool for political digital advertising helping reduce direct candidate-platform financial relationships.

7. Legal reform for political campaign finance offenses:

Sri Lanka's current legal framework governing election offences, primarily contained in the Parliamentary Elections Act No. 1 of 1981, the Presidential Elections Act No. 15 of 1981, and the Local Authorities Elections Ordinance No. 53 of 1946 retains provisions originating from the Elections Offences Ordinance of 1946. These laws already criminalize bribery, treating, and undue influence as corrupt practices. However, enforcement gaps and outdated definitions limit their effectiveness in addressing modern forms of voter inducement and resource misuse.

To strengthen deterrence and coherence, the government should undertake a comprehensive legal review to:

A. Modernize offence definitions to capture emerging forms of voter bribery, including digital and electronic transfers, gift card schemes, or the distribution of goods and cash under "welfare" programs during election periods.

B. Harmonize offences with campaign finance regulation, so that any expenditure amounting to voter bribery or misuse of state resources is automatically treated as both a campaign finance violation and a corrupt practice.

C. Revise penalties to commensurate levels: for instance, under current laws, fines for certain offences remain as low as LKR 500–1,000 (set decades ago), and imprisonment terms are rarely imposed. These should be updated to meaningful thresholds (e.g., fines indexed to campaign expenditure limits or set in the range of LKR 500,000–1 million) to ensure genuine deterrence.

D. Introduce alternative sanctions such as temporary disqualification from contesting elections or mandatory community service, which may be more enforceable and publicly accountable than imprisonment, which courts often hesitate to apply to politicians.

Such reforms would not create new offences but would update and integrate existing legal provisions to reflect current realities, close enforcement loopholes, and reinforce the accountability of political candidates and parties.

8. Capacity building:

In the medium term, invest in developing digital forensics and online ad monitoring capacity within the ECSL. This includes staff training on analyzing digital ad data, collaborating with social media platforms, and using open-source monitoring tools. Partnerships with international election management bodies can also strengthen digital campaign finance oversight skills.

Building this internal expertise will enable ECSL to evolve from a reactive regulator to a proactive guardian of digital and financial transparency in elections.

7.3 Long-term Measures (3+ years)

Looking further ahead, institutionalize reforms and consider more transformative changes to embed a culture of clean campaign financing.

1. **Institutionalize public funding mechanisms:** Evaluate and implement a public campaign financing system suited for Sri Lanka. In the long run, providing a certain amount of public funds to candidates or parties can reduce reliance on private donors. This could be in the form of direct subsidies (Such as, the state provides a grant for each vote received, or reimburses a percentage of expenses for candidates who abide by rules, as done in many European countries and South Korea), or indirect support (like free airtime on state media, or postal and printing credits). A carefully designed public funding formula, possibly with thresholds to qualify (to avoid frivolous candidacies), can encourage candidates to adhere to spending limits and donation rules in order to receive the benefit. Over time, this can level the playing field, enabling candidates with modest means but good ideas to compete effectively, and reducing the influence of big private money.

2. **Explore a centralized campaign donations trust (Consolidated fund):** As hinted above, one innovative idea is to channel corporate (and large individual) donations into a central, transparent fund rather than directly to candidates or parties. For example, Sri Lanka could create an "Election Campaign Trust" managed by an independent body. Corporations can donate to this trust (with full disclosure), and the funds would then be allocated to parties in a fair manner (either equally, or proportional to past vote share, or some hybrid ensuring smaller parties also get a baseline). Such a system exists in some form in countries like the Netherlands (where donations above a threshold to parties are disclosed by a central authority) and was suggested in India to mitigate patronage. This approach would break the direct link between a donor and a specific politician, reducing the likelihood of quid pro quo. It also centralizes transparency – all major donations are recorded in one place. Implementing this would require strong consensus and legal underpinning; hence it is a long-term prospect. If politically feasible, it could dramatically change the funding culture by making corporate support a matter of public record channeled through a neutral mechanism.

3. **Continuous legal improvement and review:** Treat campaign finance regulation as an evolving process. Just as other countries have iteratively reformed laws over decades (the UK, for instance, periodically updates limits and rules; the U.S. adjusts contribution limits for inflation; India's ongoing debates on electoral bonds, etc.), Sri Lanka should plan for periodic reviews of its laws after each major election. A permanent or semi-permanent Advisory Committee on Electoral Finance Reform could be established, comprising Election Commission officials, political party representatives, civil society experts, and perhaps retired judges. This committee can analyze the outcomes of each election under the current rules, identify new loopholes or challenges, and propose amendments. Continuous monitoring will ensure the legal regime keeps pace with changes in campaign strategies and financing tactics (for example, the rise of social media advertising as a campaign expense, which might need new rules).

4. **Strengthen democratic culture and norms:** In the long term, legislation alone is insufficient to ensure integrity in political finance — building a democratic culture rooted in transparency and accountability is equally vital. International experience shows that civic education can play a significant role in shaping public expectations around clean politics and responsible campaign funding. For example, the International Institute for Democracy and Electoral Assistance (IDEA, 2023) highlights the inclusion of political finance and anti-corruption topics in secondary and university-level civic curricula in several countries, including South Korea and the Philippines, as effective tools for fostering informed voters.

   Political parties also play a central role in setting ethical standards. The Asian Network for Free Elections (ANFREL, 2022) and Transparency International report that some regional parties in India and Indonesia have voluntarily disclosed donor information and adopted internal codes of conduct exceeding legal requirements — demonstrating that self-regulation can complement formal legal frameworks.

   Integrating political finance awareness into Sri Lanka's civic education curricula and encouraging parties to develop voluntary disclosure commitments would therefore strengthen democratic norms and enhance the credibility of political institutions over time.

   Over time, public opinion should stigmatize vote-buying and excessive campaign spending. Much like how social attitudes shifted on environmental or gender issues, the norm should shift such that "buying an election" is seen as a disgraceful act. Civil society and media play a huge role here: by keeping the spotlight on campaign finance issues every election, they can influence public expectations. For instance, widely publicizing the names of top donors to major candidates (once disclosure improves) can spark public debate on those donors' interests and demand candidates explain their funding. A vibrant democracy requires informed voters; in the long run, if voters start factoring in the integrity of a candidate's funding when casting their ballot, it will naturally incentivize cleaner financing practices.

5. **Adopt technology and data analytics:** Looking forward, Sri Lanka can harness tech innovations to aid enforcement. This could include developing tools that cross-match candidate finance reports with other data sources (like asset declarations, or procurement awards post-election to see if donors benefited), using data analytics to flag anomalies (for example, if one donor appears across many candidates' lists, or if spending patterns exceed typical costs for campaign materials, indicating under-reporting). Blockchain-based disclosure platforms have even been proposed in some contexts to create tamper-proof records of political donations. While such advanced solutions may be down the road, keeping an eye on global trends in Gov Tech for transparency will ensure Sri Lanka's systems remain cutting-edge.

6. **Regional and international cooperation:** As a long-term strategy, Sri Lanka can engage in regional collaborations to share best practices and even address cross-border issues (like foreign funding flows). Partnering with organizations like the International Institute for Democracy and Electoral Assistance (IDEA) and others can bring expertise and comparative data. Sri Lanka, having adopted UNCAC, can periodically report its progress on Article 7(3) implementation and seek technical support. Learning from countries that have successfully reduced money politics (such as South Korea's journey in curbing vote-buying and enforcing laws strictly) can provide inspiration and concrete tactics.

   In implementing these recommendations, it is crucial to ensure multi-stakeholder buy-in and to sequence the reforms appropriately (quick wins first, foundational changes next, and more ambitious over time). The timeline may also be influenced by the election cycle – typically, major reforms are easiest in early or mid-term, not right before a general election. Nonetheless, even incremental progress on these fronts can compound to significantly improve the transparency and fairness of Sri Lankan elections.

7.4 Roles and Coordination: A Multi-stakeholder Approach

Reforming campaign finance is a shared responsibility. No single entity can achieve it in isolation; rather, coordination among multiple stakeholders is necessary for sustained success. The following section outlines the roles and responsibilities of key stakeholders and the mechanisms through which effective collaboration can be achieved.

1. **Election Commission of Sri Lanka (ECSL):** As the chief regulator of elections, the ECSL is responsible for implementing and overseeing the enforcement of campaign finance regulations. Its primary functions include issuing subsidiary regulations and guidelines under the Regulation of Election Expenditure Act, No. 03 of 2023, monitoring compliance, compiling expenditure reports, and referring identified violations to the competent authorities.

Under the current legal framework, the power to investigate and initiate legal proceedings in relation to campaign finance offenses lies with the police and the Attorney General's Department upon receipt of a complaint. The ECSL's authority is therefore limited to analytical and supervisory functions, and it can only forward its findings or complaints, a process that may delay enforcement and dilute accountability.

This structural gap underscores the need for legislative reform to clarify and strengthen institutional mandates. A future amendment could empower the ECSL with limited investigative authority, or alternatively, establish a joint investigative mechanism with the police and other oversight bodies (such as CIABOC and the FIU) to ensure timely and impartial follow-up.

Beyond enforcement, the ECSL should continue to play a leading role in stakeholder coordination and voter education. Regular multi-stakeholder dialogues, involving political parties, law enforcement agencies, civil society, and the private sector would promote collective ownership of campaign finance integrity. Internally, the ECSL should develop specialized expertise, possibly through a dedicated campaign finance monitoring unit, to enhance its analytical and coordination capacity.

Safeguarding the Commission's independence and financial autonomy remains essential. An empowered ECSL that operates without political interference and maintains a visible commitment to impartial enforcement can set a national tone of zero tolerance for illegal campaign practices.

2. **Parliament and government:** Lawmakers have a critical role to play in passing the necessary amendments to strengthen campaign finance laws. Parliament should treat electoral finance reform as a bipartisan issue fundamental to democracy. This includes reviewing the implementation of Regulation of Election Expenditure Act, No. 03 of 2023 (through committees or special reports) and responding to identified gaps with legislative action (such as introducing donation limits, stricter penalties, etc., as recommended above). The Government, for its part, must ensure that the Election Commission is adequately funded to carry out its new duties – for instance, providing budget for hiring auditors or building an online disclosure system. Treasury and relevant ministries might also need to cooperate if public financing measures or tax incentives for donations are to be introduced. Importantly, political leaders in government should champion compliance within their own parties: the executive branch can lead by example (Such as, ruling party instructing all candidates to submit returns timely and fully, and taking internal party action against those who don't). Commitment at the highest political levels will lend credibility to the reform effort.

3. **Political parties and candidates:** The buy-in of parties is essential. They are both the regulated entities and also powerful actors that can either enable or obstruct reform. Parties should work towards internalizing these reforms – for instance, political parties can adopt internal rules requiring all their candidates to comply with finance regulations and perhaps centralize some compliance support. A party could establish an internal compliance officer or unit that helps candidates keep track of spending and donations, ensuring they stay within limits and file accurate reports. General Secretaries of parties should take responsibility for the party-level reports and collaborate with the Election Commission. Moreover, parties could collectively agree (via inter-party committees or agreements) on certain voluntary norms, like avoiding personal attacks involving money or refraining from vote-buying, to foster a cleaner campaign environment. When all major

parties see an interest in fair play (often after realizing the arms race of spending hurts everyone except those with the deepest pockets), compliance improves. Additionally, opposition parties can hold the ruling party to account (and vice versa) by publicizing any apparent breaches – this adversarial oversight can actually reinforce adherence if done constructively. Ultimately, candidates and parties must remember that self-regulation and cooperation will serve their long-term credibility; those who adapt to transparent financing may gain public respect, whereas scandals will harm electoral prospects.

4. **Law enforcement and judiciary:** The Sri Lanka Police and the Attorney General's Department are responsible for investigating and prosecuting election-related offenses as defined under the respective election laws. When the Election Commission or other authorized entities refer suspected violations — such as prohibited donations, failure to disclose expenditure, or illegal practices — these agencies are required to act in accordance with the procedures and penalties prescribed by law. For instance, under the Parliamentary Elections Act, No. 1 of 1981 and related statutes, a candidate who accepts a prohibited donation commits an illegal practice and is liable to the penalties stipulated under the governing law.

   To ensure timely and effective enforcement, a dedicated election offenses coordination mechanism could be established within the police during election periods, facilitating collaboration with the Election Commission and relevant oversight bodies. Such an arrangement would strengthen the consistency and speed of investigations without exceeding the existing legal mandate.

   The judiciary, particularly the Election Courts, plays a critical role in adjudicating election petitions and ensuring that campaign finance provisions are upheld. To enhance capacity and consistency, it is recommended that judicial officers handling election matters receive specialized training on campaign finance regulations and related evidentiary standards. Any broader powers, such as explicitly allowing petitions on campaign finance grounds or expanding the range of remedies available, would require legislative reform and should be pursued through appropriate legal channels.

   Strengthening institutional coordination, procedural clarity, and judicial expertise will reinforce the overall integrity and enforceability of Sri Lanka's campaign finance framework, while maintaining strict adherence to the rule of law and established judicial independence.

5. **Auditor General's Office:** The AG's expertise in auditing can be harnessed by either formal mandate or informal cooperation. The AG could periodically audit either the Election Commission's handling of election finance reports (ensuring the Commission itself is doing due diligence) or directly audit random candidate/party submissions for accuracy. The AG's involvement would add an extra layer of assurance and might uncover discrepancies that could then be pursued by other authorities. For instance, if an audit finds that a candidate's reported expenses don't match known market costs (say, they claim an improbably low amount for printing thousands of posters), that finding can trigger an inquiry. The Auditor General can also help by developing standard accounting guidelines for campaign finance (what documentation candidates should keep, etc.). Coordination between the AG's office and ECSL can be set via MoU for sharing information or seconding staff.

6. **CIABOC and other anti-corruption bodies:** The Commission to Investigate Allegations of Bribery or Corruption (CIABOC) plays a central role in addressing instances where political finance may overlap with corruption offenses. Coordination between CIABOC and the Election Commission is essential, particularly in cases where a political donation or expenditure may fall within the legal definition of a bribe or corrupt act — for example, when a contribution is made in exchange for an official favor, such as the award of a public contract or license.

   However, campaign finance irregularities cannot automatically be categorized as corruption. They can only be investigated by CIABOC if the conduct meets the criteria specified under the Anti-Corruption Act No. 9 of 2023 (ACA) or related laws.

   In terms of financial scrutiny, Sri Lanka's asset declaration regime could complement campaign finance monitoring if discrepancies are identified between reported campaign income and actual expenditure. In such cases, where expenditure substantially exceeds declared receipts, authorities may reasonably inquire whether personal or undeclared funds were used. CIABOC could then assess whether such funds arose from illicit enrichment or undisclosed sources, within its legal mandate.

   Strengthening coordination between CIABOC, the Election Commission, and the Financial Intelligence Unit (FIU) would enhance the detection of complex financial flows and ensure that potential corruption-related offenses arising during elections are investigated systematically and within the scope of the law.

7. **Financial institutions and Financial Intelligence Unit (FIU):** Banks and financial institutions can support by flagging unusual transactions around election periods. The Financial Intelligence Unit (FIU) should be alerted to monitor patterns like large cash withdrawals, transfers to known campaign accounts, or significant foreign inflows coinciding with campaigns. If the Financial Intelligence Unit (FIU) identifies transactions or financial patterns indicative of potential campaign finance irregularities, it may formally notify the Election Commission or relevant law enforcement authorities for further investigation in accordance with its mandate. The FIU could also examine campaign finance reports after elections to see if any declared donor or transaction raises a money laundering red flag (Such as, a donor who contributed a large sum but whose income profile seems inconsistent with that, indicating they could be a front). The banking sector can be engaged through the Central Bank to ensure compliance with any directives about political funds (for example, banks might be asked to ensure that every candidate's mandated campaign account – if such a thing is required by law in future – is properly monitored).

8. **Private sector and business associations:** The corporate sector, though not traditionally seen as part of election regulation, has a crucial role as a funding source. Companies should embrace voluntary self-regulation regarding political donations (as elaborated in Part B of this document). They can collectively agree on standards of transparency and integrity – for instance, through chambers and associations issuing a code of conduct on political engagement. The private sector can play a constructive role in promoting electoral integrity by resisting undue solicitations for campaign funding and adhering strictly to lawful, transparent contribution practices. Such restraint helps curb the risk of influence-peddling and supports a culture of accountability in political finance. Individual companies that lead by publicly disclosing their contributions or adopting a "no-undisclosed-donations" policy set an example for peers.

The private sector also stands to gain from cleaner politics (less graft, more level economic playing field), so their cooperation should be motivated by enlightened self-interest. Corporate leaders can also participate in multi-stakeholder forums to discuss improvements, offering perspectives on any undue pressures they face during elections and working on solutions (such as pledges that companies won't be penalized by government for not donating).

9. **Civil society and media:** NGOs, think tanks, and election observer groups remain the watchdogs and advocates. They should continue monitoring campaigns, perhaps with greater emphasis on tracking money. For example, civil society can conduct sample

   Election expense observations – physically noting the scale of rallies, billboard presence, etc., to estimate if spending seems within limits. They can also utilize whatever disclosure data is available to analyze trends and publish findings in accessible formats for the public. Investigative journalists have historically played a major role in exposing campaign finance malpractices (Such as, the New York Times piece that uncovered the Chinese port company funding in 2015). Local media should build capacity for similar investigative reporting, digging into "who funds whom" stories. Naming big donors and making any hidden financing public can deter actors and inform voters. Civil society can additionally assist the Election Commission by providing feedback on draft regulations and by conducting voter awareness programs on the importance of rejecting vote-buying.

   Collaboration between ECSL and NGOs (such as Transparency International Sri Lanka (TISL), the Centre for Monitoring Election Violence (CMEV), and the People's Action for Free and Fair Elections (PAFFREL) should be strengthened – for instance, via formal observation of MoUs that allow observers access to filed finance reports to independently review them. Media also has the role of giving coverage to enforcement actions: if a candidate is fined or charged, making that headline news increases the deterrent effect broadly.

10. **Voters and the public:** Ultimately, the public are the beneficiaries of cleaner elections, and they too have responsibilities. Voters should refrain from selling their votes or expecting lavish handouts and report any incidents of vote-buying or illicit inducements they witness. The Election Commission and observers often provide hotlines or complaint mechanisms; an active citizenry makes use of these. Public opinion can also reward politicians who are transparent and punish those embroiled in finance scandals. If voters start asking candidates questions like "Can you assure us you haven't taken money from dubious sources?" at campaign meetings, it pressures candidates to maintain better practices. Community groups and religious organizations can help raise awareness that the law prohibits all forms of electoral bribery including offering, giving, or accepting money, gifts, or other inducements in exchange for votes and that such practices are morally wrong and harmful to good governance. Community groups and religious organizations can help reinforce public awareness that the law prohibits all forms of electoral bribery including offering, giving, or accepting money, gifts, or other inducements in exchange for votes and that such practices are morally wrong and harmful to good governance. In the long run, when the electorate prioritizes integrity (and has access to information to judge it), politicians will adapt their behavior accordingly.

    Coordination mechanisms: To tie these stakeholders together, Sri Lanka could institute a formal multi-stakeholder coordination mechanism on electoral integrity. For example, a standing committee or forum on campaign finance reform that meets quarterly, including the Election Commission, representatives of key ministries, party representatives, business chamber reps, NGOs, and maybe international advisors. This forum can track progress on reform implementation, troubleshoot issues (like identifying why compliance was low and figuring out remedies), and keep the topic on the national agenda beyond just election time. Additionally, donor agencies and international partners can be invited to support technical expertise or funding capacity-building initiatives.

. In conclusion, each stakeholder has distinct yet interlinked duties in the quest for transparent and fair campaign financing. Only through cooperation and mutual accountability can the intended reforms succeed. Sri Lanka's experience so far demonstrates both the need for and the difficulty of such collective action – but with persistent effort and shared commitment, it is possible to build a political finance system that upholds the integrity of the democratic process.

The next part of this document (Part B) complements these policy and regulatory measures by focusing on what the private sector can proactively do, on its own accord, to support the broader goal of clean campaign financing.

8.0 Key Findings and Insights from Primary Research

8.1 Overview

The study's primary research component—comprising In-Depth Interviews (IDIs) with key government and private sector representatives and Focus Group Discussions (FGDs) with corporate leaders, civil society actors, and regional business chambers provided critical insights into the realities of private sector engagement in campaign finance in Sri Lanka. These findings expose both systemic weaknesses and opportunities for reform within the existing framework of political finance regulation.

8.2 Understanding Current Practices

Across both IDIs and FGDs, a consistent theme emerged: private sector compliance with campaign finance regulations remains weak. Many businesses continue to engage in indirect or non-monetary contributions such as event sponsorships, advertising, and logistical support—activities that often go unreported. Respondents from the private sector acknowledged that political contributions, when made, are usually motivated by a need to maintain access to government contracts, favorable regulations, or protection from political pressure, rather than ideological alignment.

A number of participants noted that formal corporate governance structures are largely absent in political financing decisions. In most cases, the decision to support a political actor is confined to a small circle of senior executives or board members, often without shareholder consultation or formal policy frameworks.

8.3 Perceptions of the 2023 Political Finance Act

Respondents recognized the 2023 Act as a milestone in establishing a legal foundation for campaign finance transparency. However, awareness and enforcement remain uneven. While the Act introduced expenditure caps and mandated the disclosure of donations—including taxpayer identification numbers (TINs)—many private companies expressed reluctance to comply fully, fearing political repercussions from either side of the political divide.

FGD participants emphasized that the risk of political retaliation is a major deterrent to transparent disclosures. Companies often adopt a strategy of providing small contributions to multiple political parties to maintain neutrality and avoid reputational or operational risks after elections.

8.4 The Role of Corporate Culture and Reputation

A recurring insight from the discussions was that Sri Lankan businesses lack ethical and transparency-oriented cultures in political engagement. Several participants stressed that in-kind contributions such as providing venues, vehicles, or corporate event sponsorships are used to circumvent disclosure rules. Moreover, the line between public benefit projects and political donations is often blurred, especially in rural areas where businesses feel pressured to contribute to community projects initiated by politicians.

There was also a strong acknowledgment of reputational risks associated with opaque political financing. Participants noted that global investors and partners increasingly expect adherence to transparent governance standards. Non-compliance could therefore harm both corporate image and investor confidence.

8.5 Insights on Monitoring and Enforcement

According to civil society respondents, current monitoring efforts capture only around 20% of total campaign expenditures. Media monitoring has been somewhat effective in identifying visible campaign spending, but significant financial flows, especially through digital platforms and third-party spending, remain untracked.

The Election Commission’s limited technical capacity and lack of prosecutorial powers were identified as major structural weaknesses. Interviewees recommended stronger coordination among the Election Commission, Inland Revenue Department, and Auditor General’s Department to cross-verify reported donations with tax and audit records.

8.6 Divergent Regional and Sectoral Perspectives

The FGDs revealed regional differences in attitudes toward political funding. For instance, participants from Northern provinces expressed general disinterest in contributing to campaign financing, citing lack of government engagement and limited perceived returns. Others voiced ideological objections, particularly against funding left-leaning parties, indicating deep political polarization.

Meanwhile, larger conglomerates emphasized the importance of clear regulatory guidance to ensure a level playing field, while Small Medium Enterprises (SMEs) highlighted the need for awareness programs to understand new compliance requirements.

8.7 Notable Proposals

Participants in both IDIs and FGDs expressed support for reforms promoting transparency and ethical engagement. Notable proposals included:

A. Mandatory board and shareholder approval for political contributions.

B. Real-time disclosure portals managed by the Election Commission.

C. Independent auditing of political donations is included in annual corporate reporting.

D. Tax incentives for transparent donations, balanced by strong penalties for non-disclosure.

E. Exploration of a centralized “Consolidated Fund” mechanism to depoliticize corporate contributions, though some participants viewed this as limiting donor freedom.

8.8 Conclusion

The findings clearly demonstrate that voluntary adherence and cultural transformation are as vital as legal enforcement in achieving transparent and ethical campaign financing. The private sector must recognize that integrity in political engagement not only mitigates reputational and operational risks but also contributes to a more predictable and fair business environment.

Building on these insights, the accompanying best practice guidebook provides actionable steps for private entities to adopt transparent policies, strengthen internal accountability, and align with international governance standards.

Part B:
Best Practices Guidebook for the Private Sector on Responsible Political Campaign Financing

1.0 Introduction

1.1 Purpose and Target Audience

This Best Practices Guidebook is designed for Sri Lanka's private sector stakeholders, particularly business owners, CEOs, board members, compliance officers, and corporate affairs professionals. The purpose is to provide practical guidance on how companies can engage in political campaign financing responsibly and transparently. The target audience includes any private sector entity that may consider contributing to election campaigns or otherwise supporting political candidates/parties – from large conglomerates and listed companies to SMEs and industry associations.

The guidebook recognizes that while Sri Lanka's law (as of 2023) does not extensively regulate corporate political donations, companies can and should voluntarily adopt higher standards of conduct that go beyond the legal minimum. By doing so, businesses can protect themselves from legal, ethical, and reputational risks while positively contributing to the country's governance. This guide is grounded in both global best practices and local insights gathered from interviews and focus groups with corporate stakeholders. It serves as a practical toolkit – offering principles, examples, and templates – to help companies self-regulate their political engagement in line with international norms (UNCAC, OECD guidelines) and evolving public expectations.

In essence, the guide aims to answer: "If a company in Sri Lanka wishes to ensure its involvement (if any) in political campaign financing is clean, ethical, and well-governed, how should it proceed?" It is also useful for companies that choose not to donate to political campaigns at all – providing advice on formalizing such a stance and handling pressures. Ultimately, the guidebook supports the private sector's role as a key partner in promoting transparent elections, complementing the policy and regulatory reforms discussed in Part A.

2.0 Why Responsible Campaign Financing Matters for Companies?

Corporate involvement in politics is a double-edged sword. On one hand, companies may seek to support candidates or policies that favor a better business environment; on the other, such involvement carries significant risks if not managed properly. Here's why responsible campaign financing is crucial for private sector players:

1. **Mitigating legal and regulatory risk:** Laws and regulations governing campaign finance are tightening globally, and Sri Lanka is gradually moving in the same direction. At present, local companies face limited statutory obligations on political donations, but this landscape may evolve as new donation caps, disclosure rules, or reporting requirements are introduced under future amendments to the Regulation of Election Expenditure Act, No. 03 of 2023.

   Companies should be mindful, however, that transparency alone does not legitimize an unlawful contribution. A political donation made in exchange for an official favor, contract, or advantage would already fall within the legal definition of bribery under the Anti-Corruption Act No. 9 of 2023 (ACA), regardless of whether it was disclosed.

Adopting robust internal controls such as prior board approval, due diligence on recipients, and comprehensive recordkeeping helps establish a strong compliance framework that prevents such risks. Proactive adherence to high transparency and governance standards not only reduces exposure to potential liability under existing laws but also positions companies to adapt smoothly to future regulatory reforms in the area of political finance.

2. **Protecting ethical standards and corporate values:** Many companies have codes of ethics or are signatories to initiatives like the UN Global Compact (which includes anti-corruption principles). Secret political contributions or quid pro quo deals directly contradict commitments to integrity. Responsible financing ensures that corporate political engagement aligns with the company's core values and ethical standards. It prevents situations where a company might support a politician whose actions or image clash with the company's publicly stated values.

   Also, Corporate Social Responsibility (CSR) today increasingly encompasses good governance and anti-corruption; funding elections in an opaque way would undermine a company's CSR credibility. Conversely, ethical engagement builds trust with stakeholders who expect companies to be a force for good governance, not part of the problem.

3. **Safeguarding reputation and public trust:** In today's environment of heightened public scrutiny where social media amplifies public opinion and activist stakeholders closely monitor, corporate conduct a company's political contributions can quickly become visible and provoke strong reactions. Stakeholders including customers, investors, and employees – are paying more attention to corporate political activity. Globally, there have been numerous instances of backlash: companies have been boycotted or shamed for supporting controversial candidates or causes at odds with their professed values.

   Even in Sri Lanka, if it emerged that a respected company secretly bankrolled a corrupt politician, the public perception of that company could nosedive. On the flip side, companies that are transparent and principled in this area can enhance their reputation. Being open about political contributions (or a policy of not contributing) shows stakeholders that the company has nothing to hide and prioritize integrity. It can strengthen the brand and build public trust. Especially for consumer-facing businesses, maintaining a non-partisan or ethical stance is important to not alienate segments of customers. Reputation is one of a company's most valuable assets – responsible campaign financing protects it from the serious damage that a scandal could cause.

4. **Investor and partner expectations (ESG Considerations):** Environmental, Social, and Governance (ESG) criteria have become important in investment decisions. Under the "Governance" pillar, investors are examining how companies engage with politics and public policy. There is growing investor attention to corporate political engagement practices and the risks they pose. In some cases, shareholder resolutions have pressed companies to disclose or even cease political donations.

   Major institutional investors do not want to be caught off guard by hidden political spending that could imply governance problems. Additionally, lenders and international partners often require anti-bribery compliance – undisclosed political gifts can be seen as a red flag in due diligence. By following best practices and being transparent, companies can honestly report strong governance to investors and partners. It becomes part of their ESG profile (IDEA- Combatting corruption in political finance global trends, challenges and solutions, 2025). Notably, some countries have banned corporate donations altogether because of corruption concerns, indicating where global norms are headed. Aligning with those expectations early keeps Sri Lankan businesses competitive and welcome in global markets and partnerships.

5. **Avoiding business and market risks:** In a broader sense, rampant political donations can create a "pay-to-play" market where contracts and licenses go to the most politically connected rather than the most efficient businesses. This is unhealthy for the market and for companies that try to compete fairly. If Company A secures contracts primarily because it finances the ruling party, while Company B — more efficient but refusing to engage in political patronage or undue influence — loses out, it undermines fair competition and can breed inefficiency and long-term financial instability (as seen in sectors where favoritism distorts investment decisions).

   By collectively moving towards responsible practices, companies can help break this cycle. An individual company that stops handing out under-the-table campaign money might worry about short-term loss of influence, but if many companies do the same and instead push for a fair process, it levels the playing field. Engaging transparently also means companies can more legitimately advocate policy reforms through proper channels (like industry forums, public consultations) rather than through dubious funding deals. This leads to a healthier business climate. In essence, responsible conduct contributes to a stable, rule-based business environment which benefits companies far more than a corrupt one in the long term.

6. **Contributing to national integrity and public good:** Companies are corporate citizens. As such, they have a stake in the well-being of the country's democracy and governance. By financing campaigns responsibly, or even choosing not to finance them at all, companies help mitigate corruption and improve governance – outcomes that benefit everyone, including the business sector. Public trust in institutions is partly shaped by perceptions of whether private money unduly influences politics. If leading companies openly champion transparency, it sets up a tone in society that can pressure other actors to follow. It's part of fulfilling the social contract businesses have with society: just as businesses ask for a conducive environment to operate (peace, good infrastructure, fair regulations), society can ask businesses to support ethical politics. When done responsibly, corporate political engagement (such as policy advocacy or support for voter education initiatives) can indeed be a force for positive change.

   This guide encourages companies to channel their influence towards strengthening democratic processes, which in turn creates a more predictable and just environment for businesses.

   In summary, "good business" and "clean politics" go hand in hand. The risks of irresponsible campaign financing – legal sanctions, scandals, loss of trust, investor withdrawal, market distortions – far outweigh any perceived short-term gains of secret influence. Responsible practices, on the other hand, protect companies and align them with global trends of corporate accountability. The next sections outline concrete best practice principles and measures that companies in Sri Lanka can adopt to navigate this aspect of corporate responsibility.

3.0 Key Best Practices for Companies in Political Campaign Financing

The following are core best practice principles that private sector entities should follow when engaging with political campaign finance. These cover transparency, limits, governance, risk management, and stakeholder engagement. Each principle is accompanied by practical steps to implement it.

3.1 Transparency and Disclosure

Be transparent about any political contributions or support provided by the company. Transparency is the bedrock of responsible campaign financing. This means both internal transparency (within the company) and public disclosure (to external stakeholders):

1. **Publicly disclose political contributions:** Companies should make it a policy to publicly report all political donations or election-related expenditures. This can be done through the annual report, a dedicated section on the corporate website, or a standalone political engagement report. For example, a company might publish a yearly statement listing: the recipient (candidate, party, or PAC), the amount, the date, and the purpose of each contribution. Even though Sri Lankan law doesn't demand this, doing so voluntarily demonstrates accountability. Some leading global companies, such as Unilever and Coca-Cola, disclose their political donations in their sustainability reports under the Global Reporting Initiative (GRI) Standard 415. Such voluntary disclosures help demonstrate accountability and build public trust. By making information public, the company assures stakeholders that it has nothing to hide and allows the public to "verify that no malpractice has occurred". It also preempts any leaks or exposes – it's far better for a company to tell its own story than to have it told by others.

2. **Keep detailed records:** Maintain an internal log of all contributions, with documentation. This includes official receipts from political parties or campaign committees, copies of checks or bank transfers, and any correspondence related to the donation. Detailed records ensure that if ever there's an inquiry (internal audit, tax, or external investigation), the company can readily show what was given, to whom, and why. A standardized Political Contribution Record Form (see the template section) can be used for each contribution. These records should be retained for a defined period (Such as, at least 5 years) for accountability.

3. **Internal transparency and approvals:** Ensure that knowledge of political contributions isn't confined to a single executive or small group. Contributions (or offers of contributions) should be reported up the management chain – ideally to the Board of Directors or a board committee (such as the Audit or Ethics Committee). The board should regularly review any political engagement by the company. Internally, share the company's contributions policy and data with relevant employees and even shareholders.

   If the company has a Code of Conduct training, include a module on political contributions that informs employees of the disclosure policy. When top management and the board are fully in the loop, it reduces the risk of rogue or unapproved donations. Board oversight is considered a best practice in corporate political activity.

4. **No anonymous or untraceable donations:** The company should categorically avoid any donation mechanism that obscures its identity. For instance, giving cash to an intermediary to pass to a candidate, or donating through vehicles like trusts without attribution, should

be off-limits. Instead, all contributions must be made by an official company instrument (cheque, bank transfer from a company account) and clearly in the company's name. This way, if the donation becomes public (via the candidate's disclosure or other means), it is identifiable and matches the company's own public report. Anonymous donations are illegal for candidates to accept under Regulation of Election Expenditure Act, No. 03 of 2023, and companies should not facilitate any attempt to evade that rule.

5. **Communicate policy to political recipients:** Another transparency angle is informing recipients. If the company has a policy of disclosing donations, let the beneficiary know that the the company will be publishing this information. For example, include a note in the donation cover letter: "Please be aware that (XYZ Company) has a transparency policy and will publicly disclose this contribution." This manages expectations and puts the candidate/party on notice that the company is not seeking secrecy. It may also deter any improper solicitations – a politician looking for a bribe might think twice knowing the company will publicize any financial support.

6. **Transparency in kind contributions:** If the support is not direct cash but in-kind (Such as, providing company vehicles for campaign use, printing posters at company expense, hosting a political event at a corporate venue), these too should be disclosed. Often, in-kind support is a gray area that can hide significant value. Adopt a practice of monetizing any in-kind support and including it in the disclosed contributions list (with a description of the nature of support).

7. **Align with global transparency initiatives:** Consider subscribing to voluntary transparency standards. For example, Transparency International's "Guidelines on Corporate Political Engagement" (2022) recommends that companies disclose their policies, positions, and all political activities to promote integrity and accountability. In the United States, the CPA–Zicklin Index on Corporate Political Disclosure and Accountability (Center for Political Accountability & Zicklin Center, 2024) ranks publicly listed companies on the transparency of their political spending. Sri Lankan companies could similarly adopt such benchmarks to strengthen disclosure practices. Being part of such initiatives signals to investors and partners that the company is serious about ethical conduct.

   By implementing full transparency, companies greatly reduce reputational risks. When everything is open, there is less room for speculation or suspicion. Transparency also exerts self-discipline: knowing that contributions will be public tends to ensure that those contributions are defensible and in line with the company's values, thereby reinforcing ethical decision-making.

3.2 Contribution Caps and Limits

Set internal limits on political contributions. Even in the absence of legal donation caps, a company should self-impose prudent limits on how much it will contribute, to prevent outsized or potentially compromising donations:

1. **Annual budget and cap:** Treat political donations as a line item in the company's budget with an upper limit for each fiscal year. For instance, a company might decide that in total, it will not spend more than X (5)% of its profit or a fixed sum (Such as, LKR _ million) on political contributions annually. This cap helps ensure that such expenditures remain a small, controlled part of finances, and it prevents ad-hoc large gifts that could raise eyebrows later. It's wise to tie this to the company's financial size – a small cap relative to revenue ensures proportionality.

2. **Per candidate/Party limit:** Besides an aggregate cap, establish a rule for maximum amount to any single candidate or party. For example, "Our company will not donate more than LKR 500,000 to any one candidate or more than LKR 1,000,000 to any one political party in a given election." This prevents the company from becoming the dominant financier of anyone's campaign. It also spreads risk – the company avoids putting too many eggs in one political basket. Such internal limits can take inspiration from other countries' laws: for instance, Canada's per-donor limit is around CAD $1,675, so a Sri Lankan company might analogously set a per-candidate cap roughly in that spirit, adjusted to local context.

3. **Limit frequency of contributions:** Another approach is to limit how often contributions can be made. A policy might state that the company will only consider political donations during official election periods, not in off-cycle times. Or perhaps only one contribution per candidate per election. This avoids continuous giving which can lead to undue dependency or influence. It also simplifies oversight.

4. **Ban on cash contributions:** As a rule, the company should prohibit contributions in cash. All contributions should be electronically or via crossed cheque to ensure traceability and that it stays within set limits (cash can bypass tracking systems). This aligns with anti-bribery controls – cash is high-risk.

5. **Adjusting caps with governance approval:** If there's ever a reason to exceed a set cap (maybe an extraordinary situation where the company's stakeholders strongly feel supporting a specific referendum or issue campaign is in their interest), require that such exceptions need explicit approval by the Board and must be clearly justified and minuted. Generally, however, keep caps firm to resist pressure from politicians who may solicit more. It's easier to say, "We have a strict policy we cannot exceed" than to arbitrarily decide case by case, which could lead to favoritism or overextension.

6. **No "Unlimited" donations even if legal:** Make it part of the company ethos that just because the law allows unlimited donations to a candidate doesn't mean the company finds it acceptable. Unlimited donations carry the implication of buying influence, which is exactly the perception a responsible company wants to avoid. By capping itself, the company indicates it is not trying to curry disproportionate favor. This is about keeping corporate political spending modest and reasonable.

7. **Consider a policy of zero direct donations:** Some companies choose to not donate to political campaigns at all as a matter of principle. This is the strictest cap – zero. Such a policy can be part of being politically neutral or non-partisan. For example, the Tata Group in India follows a policy of not favoring any one party and channels limited donations through an electoral trust, distributing funds across parties to avoid bias. A Sri Lankan company might similarly decide it will refrain from any direct candidate or party contributions and instead limit its political engagement to issue advocacy or public policy dialogue. If a company adopts a no-donation stance, it should communicate this clearly to all employees and external stakeholders (so that politicians also know not to bother asking). This approach eliminates risks associated with donations, though it may not be feasible for all companies if they feel some need to engage. However, it is an option worth considering, especially for companies that want to uphold a strong non-partisan reputation.

8. **Benchmark against peers:** If possible, talk within industry associations about collectively adopting contribution limits. If all major companies in an industry agree informally to limit donations, it removes the fear of being at a competitive disadvantage. Collective action ensures one company isn't pressured into breaking ranks for fear of missing out on government favors.

9. **Consolidated fund:** One option is for companies to contribute through a centralized fund, administered by an independent body such as the Election Commission or a multi-stakeholder oversight committee. This ensures donations are pooled and later distributed to political parties based on transparent criteria (Such as, vote share or parliamentary representation), reducing the reputational risks of being seen as aligned with one party. For companies, this provides a way to support democratic processes without being pressured into partisan favoritism.

10. **Incentives for disclosure and deterrence**

    Incentive: Linking political contributions to limited tax relief or exemptions can motivate companies to disclose transparently. For many businesses, this creates a clear financial reason to participate openly. Yet, opinions are divided, while some see it as encouraging accountability, others worry it could prompt companies to donate more than they otherwise would, chasing both political goodwill and tax benefits.

    Deterrence: On the flip side, penalties for non-disclosure must be real. Fines, public naming and shaming, and even disqualification from state tenders or contracts can be powerful deterrents. For companies, this makes transparency not just good practice but also a safeguard for continued business opportunities.

11. **Electoral bonds- A transparent instrument**

    Electoral bonds are a financial instrument introduced in India in 2018 as a means for individuals and companies to donate to political parties through the formal banking system, rather than in cash.

    Donors purchase these bonds from the State Bank of India in fixed denominations (for example, ₹1,000, ₹10,000, ₹1 lakh, etc.) and give them to a registered political party of their choice, which can then redeem them for cash within a specified period.

The system was intended to increase transparency by routing donations through banks and reducing untraceable cash funding. However, it has also faced criticism because the donor's identity remains confidential to the public, though it is technically visible to the issuing bank and government agencies. Critics argue that this anonymity undermines transparency and may facilitate indirect influence or favoritism by large corporate donors.

In 2024, the Supreme Court of India struck down the electoral bonds scheme as unconstitutional, citing its violation of citizens' right to information about political funding.

Sri Lanka does not currently have such a mechanism, but adopting a similar instrument could provide businesses with a structured and transparent way of contributing. It protects companies from direct solicitation and ensures donations are routed through the formal banking system.

By capping contributions, a company avoids giving amounts that could be seen as buying influence and keeps donations at a symbolic level. This can be further strengthened by using structured mechanisms such as contributing through a Consolidated Fund managed by an independent authority, which removes the perception of favoritism; linking donations to tax incentives for transparent disclosure, which motivates openness while keeping amounts moderate; and, if adopted in Sri Lanka, using electoral bonds to channel contributions legally through the banking system, reducing direct political pressure. Together, these approaches help companies protect their integrity while supporting a fairer political finance environment.

3.3 Internal Governance and Controls

Establish strong internal governance for political donations. Treat decisions about political contributions with the same rigor as major business decisions, under proper checks and balances:

1. **Formal policy and procedures:** Develop a written Company Policy on Political Engagement and Contributions. This policy should be approved by the Board and circulated to all employees (especially those in management, government relations, and finance roles). Key elements of the policy should include: the purpose (ensuring ethical conduct), scope (which activities are covered – donations, fundraising event sponsorships, indirect contributions, etc.), guiding principles (transparency, legality, non-partisanship or balanced approach), approval process, disclosure requirements, and disciplinary consequences for violations. Having a formal policy makes expectations clear and provides a reference point whenever a political funding situation arises. (A template outline for such a policy is provided in the Templates section.)

2. **Board and executive oversight:** Require that any political contribution must receive high-level approval. Ideally, Board of Directors approval should be mandated for all but the smallest contributions. In practice, the board might delegate initial review to a committee (like an Ethics & Compliance Committee or Audit Committee), but final sign-off should involve either the full board or at least a couple of independent directors. At

management level, the process may include a provision requiring joint endorsement from the Chief Executive Officer and the Chief Financial Officer prior to submitting any proposed contribution to the Board. This ensures multiple eyes evaluate the decision. When boards are involved, they will consider the strategic and reputational implications carefully, often more so than a single executive might. This echoes best practices: "ensure the board has oversight of the company's political engagement".

3. **Cross-departmental review:** Political contributions don't just concern government relations; they have legal, financial, and PR dimensions. Set up a review process where legal counsel, compliance officers, and corporate affairs all vet a proposed donation. Legal checks that it's compliant with all laws (Such as not to a prohibited recipient, within any relevant limits, and not creating conflicts of interest). Finance ensures it's within budgets and properly recorded. PR/Communications can assess if supporting Candidate X might conflict with the company's public stance or upset customers. Only if all give a green light does it move up for executive/board approval. This multidisciplinary review acts as an internal due diligence to catch any potential issue.

4. **Criteria for decision-making:** The policy should outline acceptable reasons for making a contribution. For example: supporting the democratic process, backing a policy stance that aligns with the company's legitimate business interests or values (Such as a candidate who champions economic reforms or environmental policies that the company supports), or responding to an industry association's collective decision to support pro-business candidates. Unacceptable reasons would include expecting a direct favor in return (quid pro quo), or contributing solely because a request came from a powerful figure (to 'stay in good books' with a minister, for example). By articulating criteria, the company can evaluate requests objectively: Does this donation align with our values and long-term interests? Could it be seen as buying influence? – if the latter, it should be rejected.

5. **Prohibition of certain activities:** The governance framework should explicitly ban certain high-risk political activities. For instance: no donations to individual politicians outside of election campaign needs (such as paying for personal expenses of a politician, which can be outright bribery), no channeling funds through third parties to hide origin, no funding of politically linked charities or foundations without thorough vetting (as these can be backdoor ways to funnel campaign money). Also, forbid use of company resources for partisan campaigning without approval – Such as an executive cannot just use company funds to print flyers for their favored candidate unless it's gone through the official process. By clearly outlawing these, the company creates a culture where employees know such shortcuts are unacceptable.

6. **Employee conduct and contributions:** The policy should recognize that employees, including senior executives, have the right to engage in political activities and to make personal political contributions in their individual capacity, provided such actions are undertaken independently of the company and without any expectation of business or regulatory advantage.

These contributions must not be reimbursed, routed through company accounts, or made using corporate resources. To manage potential conflicts of interest, companies may require disclosure of significant personal contributions made by directors or executives to candidates or parties with which the company interacts professionally.

Under the Anti-Corruption Act, No. 9 of 2023, offering, giving, soliciting or accepting any gratification — whether money, gifts, or other advantage — to influence a public or private official's decisions constitutes "bribery," and remains strictly prohibited. This legal definition protects both individuals and companies from criminal liability or reputational risk if they engage in contributions given in exchange for official favours or benefits.

7. **Training and awareness:** Include training on the political contributions policy in the company's compliance and ethics training programs. Scenarios can be used (see Training Exercises in Templates section) to illustrate, for example, how to handle if a politician subtly asks a branch manager for support, or if an opportunity arises to sponsor a political event. Employees, especially those interacting with public officials or community leaders, should be aware of the rules and know how to escalate any such matters to higher management instead of agreeing on the spot.

8. **Audit and monitoring:** Integrate political contributions into the internal audit plan. Internal Audit or Compliance should periodically review all contributions to ensure procedures were followed, documentation is complete, and no unreported contributions occurred (for instance checking general ledgers for any unusual payments around election periods). They can also review that the contributions made actually align with policy criteria (not, say, a random large donation to someone with no clear connection to company interests – which might indicate a favor or solicitation was at play). Any findings of deviation should be reported to the Audit Committee and rectified. This oversight loop ensures the governance system is actually working, not just on paper.

9. **Whistleblower channel:** Make clear that any employee who suspects an unauthorized or unethical political donation (or pressure to make one) can report it confidentially via the company's whistleblower hotline or compliance email. Protect whistleblowers from retaliation. This allows lower-level employees to speak up if, for example, a manager tries to use petty cash for campaign handouts or solicit contributions from subordinates to pool a donation (which has happened in some cases – essentially coercing employees to fund a political cause). Management should promptly investigate any such tip-offs.

10. **Periodic policy review:** The board or compliance officer should review the political contributions policy every couple of years (or after each major election cycle) to incorporate any new laws, stakeholder expectations, or lessons learned. For example, if an issue arose or an oversight was identified, update the policy accordingly. This ensures the governance framework remains up-to-date and effective.

11. **Managing risks in SOE-related campaigns**

An often-overlooked risk arises when private companies fund political candidates who, once elected, influence appointments to State-Owned Enterprises (SOEs) or affect procurement and contract decisions. Such dynamics can blur the line between legitimate political support and indirect influence trading.

Key risk scenarios include:

A. Candidates once in office, appointing allies to SOE boards or executive positions who later favor the contributing company in tenders or partnerships.

B. Political appointees at SOEs using procurement budgets to reward firms that financed their election campaigns.

C. Companies providing "pre-election support" to candidates in sectors where they expect future SOE projects or concessions.

Recommended internal safeguards:

1. Enhanced due diligence:

Before approving a political contribution, assess whether the candidate or party has direct or indirect control over SOEs relevant to the company's business interests. If yes, treat the contribution as high-risk and require additional scrutiny by the Board and Compliance. (OECD Publishing, 2023)

2. Conflict mapping:

Maintain a register mapping company business interest (including current or potential SOE contracts) against political donation recipients. Contributions to candidates with decision-making power in related SOEs should be flagged or restricted. (Transparency International, 2013)

3. Post-election monitoring:

If a supported candidate assumes office, review subsequent SOE interactions for signs of preferential treatment or unusual access. Maintain documentation of all procurement bids and communication to demonstrate fairness and transparency.

4. Disclosure and transparency:

Disclose any business relationships with SOEs in the company's annual ethics or sustainability report, alongside a statement confirming that no political contribution influenced such relationships.

5. Zero-tolerance policy:

Reinforce that any political contribution linked, directly or indirectly, to procurement advantage or SOE appointment influence constitutes bribery and violates both company policy and national law.

These recommended safeguards are consistent with international best practices outlined in widely recognised frameworks, including Transparency International's guidance on political integrity, the OECD Guidelines for Multinational Enterprises, and the UN Global Compact's Principle 10 on anti-corruption. These standards emphasise risk-based due diligence on political contributions, conflict-of-interest mapping, transparency in reporting, and strong internal controls to prevent undue influence over state-owned enterprises.

By implementing these controls, companies can prevent both the perception and the reality of political capture through SOE patronage, thereby safeguarding their integrity, reputation, and commitment to fair market competition.

Strong internal governance ensures that political contributions are treated with the same level of scrutiny and accountability as major business investments. By subjecting decisions to multiple layers of approval and oversight, companies eliminate impulsive or opaque actions and reinforce transparency at every step. This disciplined approach not only minimizes legal and reputational risks but also strengthens the legitimacy of any approved contributions — demonstrating that they are fully aligned with the company's values, strategic objectives, and ethical standards.

3.4 Avoiding Third-party Risks

Manage and monitor indirect political spending and third-party relationships. Often, the risk of undue influence or corruption comes not from direct donations, but through more indirect channels. Companies need to be vigilant about how their money or support could end up in politics via third parties:

1. **No conduits or intermediaries:** Establish a firm rule: the company will not use agents or intermediaries to make political payments on its behalf (Transparency International, 2013). Sometimes businesses might think funding through a consultant, law firm, or middleman hides their involvement. However, this is a risky practice; it often indicates awareness of impropriety, and if uncovered, it results in even greater reputational damage due to the attempted concealment. The policy should state that contributions must be made directly to an official campaign/account of the candidate or party, not funneled through proxies.

2. **Due diligence on third parties:** If the company is part of a trade association or industry group that itself contributes to campaigns or engages in electioneering (Such as, running ads for or against candidates on issues), the company should perform due diligence and insist on transparency in that association's political activities. It's common for companies to contribute to trade bodies or chambers of commerce, which then may lobby or donate to candidates who support industry-friendly policies. Ensure the trade association has proper governance for its political spending and that it discloses to members what it does (OECD Publishing, 2018). If a trade group's political actions don't align with the company's values or pose a reputational risk, the company should voice concerns or even dissociate. Essentially, know where your money goes when you give to third-party groups.

3. **Monitor vendors and partners:** Another third-party risk arises when vendors or partners use funds received through contracts to make political donations—potentially to secure or retain government-related work similar to those contracts. Although an organisation cannot exert direct control over a vendor's internal financial choices, it can mitigate this

risk through strong contractual safeguards. Major procurement and service agreements should include anti-corruption, anti-bribery, and indemnification clauses requiring the vendor to declare that no portion of contract payments will be offered, promised, or used for corrupt purposes or political contributions connected to the contract. Vendors should also indemnify the organisation against any loss, liability, or reputational damage arising from such actions. This approach reflects widely used compliance representations in international contracting and helps ensure protection for both contracting parties (OECD, 2021).

Furthermore, when a vendor performs work on behalf of an organisation in any government-facing capacity, it is critical to prevent the vendor from making facilitation payments or political donations to expedite processes. Contracts should explicitly prohibit such conduct, and vendors should receive corresponding training and guidance to reinforce expected standards of behaviour.

4. **No reimbursement of employee donations:** Make clear that the company will not reimburse or compensate any employee for personal political donations. In some unethical setups, a company might ask executives or even lower employees to donate a certain amount to a campaign and later quietly bonus that back or expense it – effectively circumventing transparency and corporate donation rules. This is both unethical and could be illegal (it's a way of disguising corporate contributions as personal ones). The company should explicitly prohibit this (Transparency International, 2013). If employees want to give personally, it's their own money and decision, with no expectation of payback.

5. **Gifts and entertainment:** A subtle third-party avenue is extravagant hospitality or gifts to politicians (which might not be accounted as "campaign financing" but definitely support them). Have strict rules for any gifts or entertainment provided to public officials or candidates, especially during election periods (OECD, 2021). Ideally, implement a no-gifts policy for politicians, or at least a modest limit and record it. For example, giving a candidate a ceremonial plaque is fine, giving them an expensive watch is not. Also be cautious with event sponsorships: Such as, if a politician invites the company to sponsor a community event that is effectively a campaign rally in disguise, that could be an indirect campaign contribution. Assess such requests critically (Transparency International, 2013).

6. **Charitable donations and CSR:** Sometimes politicians may solicit companies to donate to charities or development projects in their constituency (building a school, funding a health camp) especially close to elections – these can indirectly boost their campaign profile (Sean McCarty & Jane L. Sumner, 2024). While corporate philanthropy can provide meaningful public benefits, it is important to ensure that such initiatives are not used nor perceived as a form of electoral support (Transparency International, 2013). Any charitable request that is channelled through a political figure should be subject to heightened scrutiny (OECD, 2021). Where a company chooses to support a cause associated with a public official, the contribution should be made with full transparency, including clear public communication that the donation is solely for community benefit and does not constitute an endorsement of any individual (UN global compact, n.d.). Ideally, CSR activities should be scheduled outside of election periods to minimise the risk of real or perceived political influence.

7. **Political event participation:** Avoid paying for tables at fundraising dinners, buying tickets to galas that are effectively political fundraisers, etc., unless carefully reviewed under the contribution policy (Transparency International, 2013). Those are common ways businesses indirectly funnel money (OECD, 2021). If company representatives attend such events (which might be valuable networking), ensure that any such payment is recorded as a political contribution and assessed against the organisation's applicable limits and policies—rather than being classified as "entertainment"—when the primary purpose is campaign fundraising (UN Global Compact, n.d.).

8. **Third-party fundraising:** Sometimes companies might be asked not for money, but to help raise money (Such as, by hosting a fundraising event or asking clients to donate). It's advisable to refrain from acting as a political fundraiser as a corporate entity (Transparency International, 2013). It can entangle the company's name in broader fundraising efforts that the organisation cannot fully control (OECD, 2021). Where individuals—such as senior executives—choose to participate in political fundraising, this should occur strictly in a personal capacity and without the use of corporate resources or branding.

9. **Whistleblowing and intelligence:** Encourage a culture in which employees promptly report any attempt—internal or external—to use the organisation as a conduit for political funding (UN Global Compact, n.d.). For example, if a politician were to ask a regional manager to channel a donation through an NGO that indirectly supports a campaign, this should be escalated to senior management. Likewise, maintaining awareness of rumours—such as suppliers allegedly providing kickbacks to officials—can help inform risk-management decisions, including whether certain vendor relationships require review or termination.

10. **Learn from scandals:** Be aware of past instances in Sri Lanka where companies were implicated via third parties – for instance, the Perpetual Treasuries scandal where a company's subsidiaries issued checks to numerous politicians secretly. Analyze how those schemes worked (Such as, via subsidiaries, off-the-books accounts) and ensure similar channels don't exist in the operations. Globally, many corporate political scandals involve third-party conduits (like in the US, using PACs or social welfare organizations to hide donors). Staying knowledgeable about such mechanisms helps in preemptively guarding against them.

    In summary, controlling third-party risks means expanding the oversight beyond direct transactions. The company must ensure its money, assets, or relationships are not indirectly fueling corrupt political finance practices. It requires vigilance and sometimes saying no to seemingly indirect or "creative" ways to support a campaign. By keeping all political engagement direct, transparent, and controlled, the company avoids the quagmire of deniability and hidden influence.

3.5 Stakeholder Engagement and Public Commitment

Engage stakeholders and publicly commit to responsible practices. Companies do not operate in a vacuum; their approach to campaign financing will be scrutinized by and can influence various stakeholders. Proactively engaging these groups and making public commitments can reinforce accountability and build trust:

1. **Shareholders:** When a company has shareholders—particularly institutional investors—it is important to communicate the organisation's political contributions policy and disclosure practices clearly. Many institutional investors increasingly demand transparency regarding corporate political spending (Harvard Law School, 2025), and some even vote on shareholder resolutions related to this area. Providing an annual report at the AGM outlining any political contributions made, along with the rationale, helps build confidence among shareholders. Investors often favour conservative, low-risk approaches to political engagement and generally prefer companies that avoid political entanglement or maintain fully transparent, compliant practices when such engagement occurs. Gathering feedback from shareholders—such as whether some believe the company should refrain from donations altogether—offers valuable input for board-level deliberations. Remaining aligned with investor expectations, as part of broader ESG governance, helps ensure that political activity remains prudent and consistent with capital providers' standards.

2. **Employees:** Employees should be engaged in understanding the organisation's stance on political financing. This can be facilitated through internal communications such as newsletters or town-hall discussions. It is useful to articulate the rationale behind these policies. For instance, a commitment to competing based on product and service quality rather than political favour, and the organisation's dedication to integrity and the responsible use of corporate resources. Given that employees may hold diverse political views, a neutral, principles-based approach helps prevent internal tensions that could arise if staff were to perceive the organisation as aligned with a particular political group. Transparent internal communication also positions employees as partners in upholding compliance: they are less likely to inadvertently breach rules when they clearly understand them, and more likely to take pride in an ethical corporate culture. Employees should also be encouraged to speak up if they encounter political pressure in the course of their duties—such as being indirectly solicited for a 'donation' with the assurance that the organisation will support and protect them in reporting such incidents.

3. **Public commitments and reporting:** Consider adopting a public commitment or pledge outlining the organisation's principles on political engagement. Some companies voluntarily sign onto frameworks such as a "Responsible Political Engagement Pledge," either individually or through a business coalition, to signal commitments to transparency, ethical conduct, and avoiding undue influence. Publishing the political engagement policy on the corporate website—for example, stating that the organisation does not support any political party or candidate in a partisan manner and that all engagement is conducted transparently and in alignment with the internal code of ethics—helps establish clear expectations. Public declarations serve two purposes: they create accountability by placing the organisation's commitments in the public domain, and they set a benchmark that can motivate other businesses to follow similar standards. In the Sri Lankan context, a collective statement by a group of prominent companies advocating for clean and responsible campaign finance would carry significant influence.

4. **Media and public relations:** Organisations benefit from proactively shaping the narrative around political engagement rather than waiting for external scrutiny. When a company makes a notable contribution or adopts a particular stance—such as supporting a democracy-focused initiative—a press release can frame the action positively, for example: "Company X announces transparency initiative: public disclosure of all political contributions for the 2025 elections." This transforms a potential point of suspicion into a demonstration of leadership in transparency. If an organisation adopts a "no donations" policy, publicising this—such as "Company X commits to political non-alignment, prioritising community development over campaign financing"—can generate goodwill among the public, which often views corporate political funding with skepticism.

5. **Civil society and collective action:** Collaboration with civil society is critical to promoting transparency and accountability in political finance. Transparency International Sri Lanka (TISL) already plays a leading role in this space through its Corporate Integrity Initiative, which engages the private sector on both anti-corruption and political financing issues. Companies can participate in these programs to strengthen their own integrity frameworks and align with emerging best practices in responsible political engagement.

   In addition, business associations such as the Ceylon Chamber of Commerce can partner with TISL and other integrity-focused organizations to establish a Private Sector Task Force for Clean Elections. This task force could develop and promote a voluntary code of conduct for political donations, reflecting the principles outlined in this guide.

   Collective engagement of this kind not only reduces the risk of unilateral disadvantage among firms but also demonstrates to regulators and the public that the business community is prepared to self-regulate and actively contribute to strengthening Sri Lanka's electoral integrity.

6. **Engage politicians and parties appropriately:** Stakeholder engagement also extends to interactions with political actors. Organisations may communicate their political engagement policies to political parties in a polite and transparent manner. For instance, if parties routinely seek donations from businesses, a letter or meeting following the adoption of a new policy can clarify the organisation's position: "Dear Party Treasurer, the company has instituted a policy of not making contributions beyond a specified limit and publicly discloses all forms of support. The company remains open to transparent engagement on policy matters but will not be able to comply with funding requests that fall outside this policy." Such communication helps set expectations and can reduce repeated pressures. Most credible political actors tend to respect a clear, consistently applied organisational principle, particularly when it is presented as part of a broader governance framework rather than a personal refusal.

7. **Integrating with Corporate Social Responsibility (CSR)/ Environmental, Social and Governance (ESG)**: "Existing CSR and ESG communication channels can be used to highlight responsible political engagement as a component of good governance. Where an organisation publishes an annual sustainability report in accordance with GRI (Global Reporting Initiative) or similar standards, the report should include a section on political contributions and public policy engagement, as frameworks such as GRI Standard 415

specifically address this area. Integrating these disclosures signals that political transparency and anti-corruption are treated with the same level of importance as environmental impact or community investment. In the ESG assessment landscape, organisations that publicly disclose their political positions, donations, and lobbying activities are typically viewed more favourably. Accordingly, these commitments can be reflected in investor communications and CSR events to reinforce the organisation's principled stance.

8. **Lead by example:** Finally, it is important to be prepared to engage with skeptics. Some may argue, "If we don't pay, we won't get contracts" or "This is how it's always done." Demonstrating real examples of securing business or maintaining strong government relationships without resorting to political contributions can help counter these views. Sharing such experiences within industry circles reinforces the message that ethical conduct is both feasible and beneficial (UN Global Compact, n.d.).

   Similarly, if the organisation experiences short-term setbacks for refusing unethical demands, those instances can be framed as evidence of principled conduct and used to encourage collective action. Narratives such as "we lost that bid, but we maintained our integrity; if all of us refuse such demands, the system will eventually change" can help build momentum toward cleaner business practices and stronger sector-wide norms.

   Engaging stakeholders turns a company's responsible practices into a broader movement. It ensures the company is not isolated in its efforts and gains support from those who matter to its success. It also aligns corporate practice with societal values, which in Sri Lanka's current context include a strong public outcry against corruption and abuse of power. By being part of the solution and not the problem, companies enhance their legitimacy and contribute to a culture where clean business and clean politics reinforce each other.

4.0 Voluntary Codes of Conduct and ESG Integration

Building on the best practices above, companies can further solidify their commitment by aligning with formal codes and integrating campaign finance ethics into their broader corporate responsibility and governance frameworks.

1. **Adopt or develop a voluntary code of conduct:** If not already in place, companies (especially in high-impact sectors like finance, construction, or tobacco where political lobbying is common) should adopt a code of conduct specifically addressing political activity. This could be a standalone code or part of the overall business ethics code. The code should incorporate the best practices covered: transparency, contribution limits, no quid pro quo, etc., and be endorsed by top management. In some countries, industry associations have created collective codes. For example, the World Economic Forum's Partnering Against Corruption Initiative (PACI) provides principles companies can sign onto, including ethical interactions with government. Transparency International has published "Standards for Integrity in Political Finance" for businesses, which can be used as a reference. By committing to a recognized set of standards, companies not only guide their own behavior but also signal to others that they adhere to international best practices.

2. **Chamber of commerce/Industry group initiatives:** Work within business networks to push for an industry-wide voluntary code on campaign finance. For instance, the Ceylon Chamber of Commerce and sector-specific business associations, such as the Bankers' Association, already maintain codes of conduct and governance frameworks for their members. However, most existing guidelines do not comprehensively address political contributions or campaign finance transparency.

   These organizations could therefore consider expanding their existing ethical standards to include clear guidance on political donations — for example, requiring members to disclose contributions above a defined threshold, avoid soliciting government favours in return, and refrain from financing unethical or non-transparent practices. Strengthening these provisions would reinforce voluntary self-regulation within the private sector and align Sri Lankan business practices with international standards on responsible political engagement.

   If a broad coalition signs, it creates a quasi-norm that even non-signatories might feel pressured to follow to not look bad. This is akin to collective action where everyone agrees to curtail a behavior that individually some might find hard to quit. Industry-led standards can often be implemented faster than waiting for legislation, and they can cover nuances that law might not.

3. **Leverage ESG frameworks:** Many companies now incorporate ESG (Environmental, Social, and Governance) objectives into their strategic frameworks, and political transparency and anti-corruption fall squarely under the Governance pillar. An ESG strategy should therefore explicitly address responsible political engagement. Governance-related KPIs (Key Performance Indicators) may include targets such as "Full disclosure of political contributions and public policy positions – Achieved" or "Compliance with anti-bribery and political neutrality standards – 100%."

   International standards reinforce this expectation. The UN Principles for Responsible Investment (UN PRI) encourages institutional investors to engage companies on political expenditure, lobbying practices, and governance transparency (UN PRI, 2023). By proactively integrating responsible political engagement into ESG reporting, an organisation positions itself more attractively to ESG-focused investors. In sustainability indices and ranking frameworks, strong disclosure and governance discipline in political engagement often serve as differentiators that enhance an organisation's overall ESG performance.

4. **UN global compact and SDG alignment:** If the organisation is a signatory to the UN Global Compact, Principle 10—which focuses on anti-corruption—covers transparency in political contributions. Reaffirming this commitment can involve demonstrating how political engagement and campaign-finance practices are structured to prevent corruption, promote integrity, and ensure traceability of any political support.

   It can also be valuable to align these efforts with Sustainable Development Goal (SDG) 16: Peace, Justice, and Strong Institutions, which calls for reducing corruption, strengthening accountability, and promoting transparent institutions. Positioning responsible political engagement as part of advancing SDG 16 places the organisation's approach within a globally recognised framework. This not only strengthens internal motivation around ethical conduct but also provides an external reputational benefit by showing alignment with international sustainability and governance standards.

5. **Ethics and compliance program integration:** Make political-contribution controls a clearly visible component of the corporate compliance program. This can include incorporating political-engagement checks into routine compliance audits and ensuring that the compliance officer provides periodic reports to the board (for example: "There were X requests for political contributions this period; Y were approved in line with policy, and Z were declined for not meeting criteria"). Political-finance oversight should be treated with the same level of seriousness as other major compliance areas such as anti-money laundering or data protection.

   Some organisations introduce an internal Integrity Pact for employees, committing to standards such as prohibiting facilitation payments, political kickbacks, or any misuse of company funds for political purposes. Such tools can be adapted to explicitly address political-contribution risks, reinforcing ethical conduct across the organisation.

6. **Continuous improvement and benchmarks:** Encouraging a mindset of continual improvement is essential. Practices that are voluntary today may become mandatory tomorrow—for instance, voluntary disclosure requirements could later be imposed by law. Staying ahead of regulatory expectations positions the organisation advantageously.

   Annual benchmarking against industry peers and global standards can also strengthen political-engagement practices. This may include reviewing how leading multinational companies manage political donations or noting that some global competitors operating in Sri Lanka maintain strict "no donations" policies as part of their risk-management frameworks. Many large corporations—particularly in Europe—have significantly reduced or entirely eliminated corporate political donations in recent years due to heightened governance and reputational risks. Such trends can serve as useful reference points for progressively tightening internal standards over time.

7. **Public endorsements:** Credible independent assessments already exist in Sri Lanka to evaluate corporate transparency and accountability. The Transparency International Sri Lanka (TISL) – Transparency in Corporate Reporting (TRAC) Assessment systematically measures disclosure standards across leading companies, including specific indicators on political contributions transparency. Under Question 15, TRAC evaluates whether companies publicly disclose political donations, have internal policies governing such contributions, and require board-level approval for political financing.

   Rather than proposing new or hypothetical indices, Sri Lankan companies should actively engage with and seek to improve their performance in the existing TRAC assessment as a benchmark for ethical corporate conduct. High performance on the TRAC index signals commitment to integrity and can enhance both investors and public confidence.

   In parallel, businesses could collaborate with civil society and chambers of commerce to launch voluntary initiatives — for example, a "Clean Elections Business Pledge" — where companies publicly commit to transparent and non-partisan financing practices. Such collaborations would reinforce internal codes of conduct while positioning the private sector as a proactive partner in strengthening electoral integrity.

8. **Respond to changes proactively:** Should Sri Lanka's legal or regulatory framework evolve—for example, if new legislation requires corporate disclosure of political donations or introduces prohibitions on certain types of contributions—an organisation should adapt promptly and, where possible, exceed the minimum requirements. If a future regulation mandates reporting donations to the Election Commission, the organisation could choose to go further by also publishing disclosures on its website for full public accessibility. By incorporating anticipated regulatory developments into internal voluntary codes ahead of time, future compliance becomes seamless, and the organisation is positioned as a proactive leader rather than a passive rule-follower.

9. **Encourage ethical and independent leadership:** Corporate integrity in political engagement must begin at the top. Ethical leadership goes beyond personal conduct — it depends on independent governance structures that prevent undue political influence in corporate decision-making. Companies should therefore strengthen the independence of their boards and establish clear policies to identify and manage conflicts of interest, especially in cases where board members or senior executives have political affiliations or family ties to public officials.

   Appointment processes should prioritize competence and independence, minimizing nepotism and favoritism that can lead to politically motivated financial contributions. The company's voluntary code of conduct should apply uniformly to all levels of leadership and include explicit guidance on political neutrality and contribution approval procedures.

   Integrating these governance safeguards into broader Environmental, Social, and Governance (ESG) frameworks ensures that responsible political engagement becomes an institutionalized principle rather than an ad-hoc decision. Over time, such integrity-based practices not only enhance corporate reputation but also reduce exposure to regulatory, reputational, and political risks — positioning the company as a credible and transparent market actor.

5.0 Monitoring and Accountability Tools

Even with strong policies in place, companies must actively monitor compliance and ensure accountability for political financing practices. This section outlines tools and systems to achieve that:

1. **Internal audits and controls:** As mentioned, include political contributions in regular internal audit scope. Develop an internal audit checklist for this area, for example:

   a) Verify all contributions that went through the proper approval process.

   b) Cross-check accounting records (general ledger accounts like "Donations" or "Government Relations expense") against the list of approved contributions to ensure no unauthorized ones.

   c) Check if any unusual payments around election dates could be undisclosed for contributions (Such as, large payments to consultancy firms that coincide with elections – ensure they are legitimate services, not a cover).

d) Review expense reports of executives during campaign season for red flags (like expenses for meetings that might actually be contributions).

e) The audit findings should be reported to senior management and the board. If any issues are found, even minor, it's worth discussing and tightening controls accordingly.

2. **Real-Time monitoring via finance systems:** If an organisation uses an ERP or financial management system, it can incorporate controls to identify or escalate any payment with potential political relevance. One option is to create a dedicated vendor category or expense code for "Political/Donation," ensuring that any transaction entered under that code automatically requires enhanced approvals before processing. Additionally, automated rules or AI-driven keyword detection can be configured to flag payment descriptions containing terms such as "campaign," "election," or well-known political names for secondary review. Although such technological filters may catch only the more obvious cases, they contribute to a broader system of vigilance and oversight within financial operations.

3. **External audits:** If political contributions are material in scale or if enhanced credibility is desired, an organisation may engage an external auditor or independent third-party assurance provider to verify its political contribution disclosures. For example, an auditor could attest that "In FY2025, Company X disbursed a total of LKR Y in political contributions, all of which were reviewed and found to be in compliance with the organisation's policy," similar to the assurance provided for financial statements. Such verification can be included within an annual or integrated report, providing stakeholders with additional confidence in the accuracy and integrity of the disclosures.

4. **Monitoring political activity:** Public sources can be used to monitor whether a company's name appears in political finance disclosures or media coverage. For instance, under Sri Lanka's new election expenditure reporting requirements, candidates must disclose their donors; periodically reviewing these disclosures—whether through the Election Commission or observer organisations—can help identify any mention of the company. If the company's name appears without authorisation, this signals a serious concern, potentially indicating that an individual has made a contribution falsely using the company's identity or through an unauthorised channel. Even when disclosures are legitimate, cross-checking them with internal records supports accurate reconciliation and strengthens overall oversight.

5. **Media and social media monitoring:** Establish media-monitoring measures for the organisation's name together with relevant keywords such as "donation", "political", "election", or equivalents in local languages. This can involve using tools like Google Alerts or a professional media-monitoring service. Early alerts to any mention — including unverified rumours (e.g., "Company X donated large sums to Party Y") — enable timely review and response. Rapid clarification or public communication can mitigate reputational risk and demonstrate transparency in the face of potential misinformation.

6. **Whistleblower follow-up:** Ensure that any reports via whistleblower channels that touch on political contributions are fast-tracked. Due to potential sensitivity, perhaps such cases have been handled by a trusted group (like directly by the audit committee or an external ombudsman) if they involve senior executives. Protect confidentiality to encourage others to speak. Publicize internally when an issue is found and resolved (without naming specifics if sensitive) to reinforce that the system works. For example, "Last year, an employee reported a possible breach of our donations policy; it was investigated, and while no intentional wrongdoing was found, we improved our process to avoid confusion. Thanks to the whistleblower for upholding our values."

7. **Performance and penalties:** Make adherence to performance evaluations for relevant roles. For instance, if a country manager succumbs to making an unapproved contribution, that should reflect negatively in their appraisal and possibly lead to sanctions. Conversely, reward managers who navigate difficult political pressure successfully without compromising the policy (recognition in company communications, etc., to set an example). Enforce accountability through clear disciplinary procedures:

   The policy should outline proportionate disciplinary actions for violations of political funding controls, in line with Sri Lankan labor law and the company's established human resource policies.

   For example, an employee who deliberately bypasses internal approval processes or misuses company funds for political contributions may face disciplinary measures ranging from formal warning to dismissal, depending on the severity of the breach and following due process.

   Establishing clear, lawful consequences reinforces the company's commitment to compliance while ensuring that all actions respect employee rights and procedural fairness.

8. **Technology for compliance:** Investigate specialized compliance software. There are tools that help manage gifting and entertainment to public officials – these could be extended to manage donation approvals. Some companies use workflow software where any political donation request must be entered and moved through a digital approval chain, creating an audit trail and ensuring documentation is attached. This not only streamlines approvals but also ensures nothing falls through the cracks, since the system can be configured not to issue payment until approvals are logged.

9. **Independent oversight (Advisory Committee):** If feasible, form an internal "Ethics Advisory Committee" with one or two external experts (like a retired judge or a respected civil society member) that periodically reviews the company's political engagement and publishes an independent comment. This is more common in larger multinationals, but even local companies could invite an external perspective annually. It lends credibility – sort of like having a watchdog that assures the public that yes, the company is walking the talk. They could, for example, verify that the company indeed only did what it said and no more. The downside is cost and effort, but for companies very exposed to public scrutiny, it might be worth it.

10. **Scenario testing:** Conduct internal simulations or "control testing" especially before major elections. For example, have compliance do a test run: approach a couple of regional offices with a dummy scenario (like a fake request from a politician) and see if employees escalate and handle it per policy. Or do a tabletop exercise with management: "If Political Party Z (which we've never supported) offers us a lucrative project if we contribute, what do we do?" Such scenario planning can improve preparedness and reveal any cracks in procedures or resolve.

11. **Continuous learning:** Stay updated on new threats or schemes. For instance, as campaign financing evolves, there might be new mediums (maybe crowdfunding to which companies might covertly contribute, or political advertising in digital channels that companies could sponsor). Keep an eye on local and international trends and update the controls accordingly. Networking with other compliance professionals or forums on anti-corruption can help share knowledge of emerging risks.

    Through diligent monitoring and accountability mechanisms, the company ensures that the principles and policies are not just on paper but actively enforced. It turns potential weak links (like human error or temptation) into robustly managed aspects. Importantly, demonstrating an ability to police oneself can stave off heavier external regulation – regulators often target industries where self-regulation is seen to fail. If companies collectively show they are keeping themselves in check, it reinforces the argument that formal punitive oversight may be less needed, or at least that companies are partners in ensuring compliance. It also provides peace of mind to leadership that "we know what's happening in our house," avoiding nasty surprises that only come to light when an external party finds them.

6.0 Case Studies and Examples

To illustrate how the above best practices play out in real-world scenarios, this section provides case studies – some international, some hypothetical or based on local insights – demonstrating responsible (and irresponsible) campaign financing by businesses.

Case Study 1: Tata Group (India) – Policy of political non-alignment

Tata Group is one of India's largest and oldest conglomerates, operating in everything from steel to IT. Historically, Tata adopted a stance of neutrality in politics. According to its Code of Conduct, "A Tata company shall not support any specific political party or candidate for political office".

What they do: Instead of direct partisan donations, Tata channels a portion of funds through an Electoral Trust (the Tata Sons Electoral Trust). This trust distributes donations to multiple major parties based on their proportional representation in parliament. The idea is to support the democratic process without favoring one side. By giving to all mainstream parties according to seats (for example, if Party A has 60% of seats and Party B 30%, the trust allocates donations roughly in that ratio), Tata avoids accusations of bias or seeking undue influence. All donations are routed transparently through this mechanism, and in compliance with Indian laws requiring trust disclosures. This is complemented by Tata's strong internal policy forbidding individual companies in the group from making other political contributions.

Outcome: Tata has maintained a reputation for integrity and won public respect for its principled stand. Even during times when other businesses were implicated in funding scandals, Tata was largely viewed as "above the fray." This approach did not prevent Tata companies from thriving; if anything, it gave them credibility with whichever government came to power, since Tata wasn't seen as an opponent or favoritist. It's a classic example of staying engaged in nation-building (by supporting democracy) without engaging in partisan politics. For Sri Lankan companies, the Tata example shows that a policy of neutrality and fairness in political funding is possible and can enhance reputation. Rather than shunning all involvement, one can choose an even-handed approach aligned with transparency and principle.

Case Study 2: A hypothetical Sri Lankan manufacturing company – resisting a quid pro quo

Company ABC is a mid-sized manufacturing firm in Sri Lanka that regularly bids for government supply contracts. During an election year, a representative of a major political party approaches ABC's CEO with a proposition: donate LKR 5 million to the party's campaign fund, and after the election (if they win), ABC will be in a "favored" position for upcoming government tenders.

Challenge: This scenario represents a private-to-public quid pro quo, where a company offers a political donation in expectation of a government favor — such as the award of a contract or license. In such cases, the transaction could fall within the scope of bribery under the Anti-Corruption Act No. 9 of 2023 (ACA), as it involves an illicit gratification offered to a public official or political actor in exchange for an advantage.

While the solicitation may be framed as a campaign donation, its underlying intent — securing preferential treatment makes it a corruption risk and potentially a criminal offense under Sri Lankan law, but it's illegal under anti-corruption laws (Anti-Corruption Act No. 9 of 2023 (ACA) and against ABC's newly implemented political donations policy. The CEO knows it would also set a dangerous precedent of being beholden to political patrons.

Action: ABC's CEO, adhering to the company's code, politely declines the request, citing that "Our company policy does not allow contributions in expectation of business. We only support causes in a transparent manner and cannot participate in this." She immediately documents this interaction and informs the board's Audit Committee. The company also decides to double down on legitimate ways to win contracts: they ensure their tender bids are highly competitive on merits and continue building a reputation for quality and compliance. Although worried about retribution, ABC also quietly informs an industry association of such solicitations (without naming the party) to alert others.

Outcome: In the short run, when that party won the election, ABC did lose a tender it expected to win; it suspected favoritism toward a competitor who likely paid up. However, this did not deter ABC. Over time, ABC's steadfast commitment to fair business began paying off. When a new procurement head took office, known for integrity, ABC's consistent performance records and clean image helped it secure contracts. Moreover, internal morale at ABC was high – employees were proud to work for an honest company. There were no scandals or legal troubles, and ABC's investors were relieved that the company avoided entanglement in any investigations (unlike the competitor, which did face an inquiry when the dealings came to light). Eventually, ABC's stance contributed to a collective push (through the Chamber of Commerce) for more transparent public procurement processes, benefiting all ethical businesses.

Lesson: This case underlines the value of saying no to unethical deals and relying on principle and merit. While there may be short-term costs, the long-term integrity and stability of the business were preserved. It also highlights the importance of collective action – one company alone might lose out, but if many refuse, the corrupt ask loses power. For ABC, its accountability to its board and adherence to its code were crucial in making the tough but correct decision.

Case Study 3: International oil & gas corporation – Transparency gone wrong and right

An international oil corporation (IOC) operating in multiple countries decided to revamp its political donations policy after facing backlash in the United States. In 2020, the company donated to a political committee that was later linked to extremist positions, sparking public outcry and employee protests. The donation was legal and disclosed, but in conflict with the company's stated values on social justice.

What happened: This misalignment taught IOC a hard lesson. In response, IOC implemented a stricter vetting process for any political expenditure: a committee including the Chief Diversity Officer would review if the donation aligns with company values and positions. They also increased transparency further – not only disclosing amounts but also explaining the rationale behind significant contributions in their reports (why they support a certain cause or candidate). Additionally, they introduced an option for shareholders to vote on an annual political expenditures report for greater accountability.

Outcome: The following year, IOC significantly cut back on political donations, focusing only on issues that directly impacted their business (like advocacy for carbon capture technology incentives) and they did so through trade associations with clear reporting. They earned a much-improved score on the CPA-Zicklin Index of Corporate Political Disclosure and Accountability in the U.S. Public perception started to mend, as stakeholders saw the company was responsive to concerns. Internally, employees felt their voices mattered in shaping ethical guidelines. The company's stockholders overwhelmingly supported the new approach in proxy votes, preferring reduced political entanglement.

Lesson: Even transparency is not just about amount but alignment with values. Companies must ensure that political contributions (if any) do not contradict their public commitments (ESG, diversity, climate, etc.), or else transparency will simply expose hypocrisy, leading to reputational harm. IOC's course-correction shows that a company can recover by tightening controls, being even more open, and directly involving stakeholders (employees, investors) in oversight of political activities. For Sri Lankan firms, the takeaway is to consider the broader ethical context of any political spending – it's not just "is it allowed?", but "is it right by our principles and stakeholders?".

Case Study 4: Local Small/Medium Enterprise – Collective Corporate Action

A group of 15 mid-sized Sri Lankan companies (ranging from IT service providers to food product exporters) realized during a focus group (organized by an NGO) that they all shared frustrations about being hit up for campaign donations, and fears about competitors "buying" influence. They decided to form an informal alliance to lead by example.

Action: They jointly crafted a "Clean Campaign Finance Pledge" in the run-up to the 2025 general elections. Each company's CEO signed, committing to:

1. No undisclosed or under-the-table donations.
2. Compliance with the Regulation of Election Expenditure Act, No. 03 of 2023, law in spirit and letter.
3. Public disclosure of any contributions made (by posting on their websites).
4. A statement that they will not tolerate bribery or pressure for political contributions.

They announced this pledge at a press conference Transparency International Sri Lanka, which garnered media attention. They also wrote a letter to the Election Commission expressing their support for the new law and offering any assistance to strengthen enforcement (like sharing information if they encounter solicitation).

Outcome: The public reception was positive – news articles praised the businesses for taking a principled stand. This puts a bit of pressure on larger firms to clarify their own positions too. Political parties took note; with at least those 15 companies, they curbed direct donation requests, knowing it would be futile or even exposed. It also built trust among the companies themselves; they started sharing any concerning approaches privately, creating a support network ("Minister X asked us for money, we said no; heads up he might ask you too"). After the election, more companies expressed interest in joining the pledge, and the Chamber of Commerce considered adopting a similar code for all members. While it's hard to measure concretely, the participants felt that their collective action helped reduce, even if slightly, the flow of dubious money that election. One company owner remarked that not only did he sleep better, not violating his ethics, but that his company's brand received a subtle boost – clients mentioned they were impressed by the stance.

Lesson: There is strength in numbers. Especially for SMEs that might individually feel vulnerable, coming together to take an ethical stand can shield them and amplify their voice. This case exemplifies that businesses can drive change proactively, rather than waiting for regulation to force their hand. It demonstrates leadership and can influence the business culture and policy environment. For any company hesitant to stick its neck out alone, finding allies and making a collective commitment is a powerful way forward.

These case studies highlight that while challenges exist, companies can indeed navigate political financing ethically. Whether through a stance of neutrality, resisting corrupt inducements, aligning actions with values, or collective pledges – there are tangible paths to follow. The common thread is that integrity pays off in the long term, and that transparency and accountability mechanisms are key in each story. Companies that have pioneered these approaches often become role models in their industries. Sri Lanka's private sector, armed with this guidebook, can create more such success stories that ultimately contribute to a cleaner political landscape.

7.0 Templates and Practical Tools

To assist companies in implementing the best practices discussed, this section provides outlines of practical templates that organizations can adapt to their needs. These templates are meant as starting points for creating the necessary forms, policies, and checklists to operationalize responsible campaign finance management.

7.1 Political Contributions Disclosure Form

Purpose: To record each political contribution (or offer of contribution) in a standardized way for transparency and approval of workflow.

Key fields to include:

1. Date of request/contribution: When the contribution is proposed or made.
2. Recipient information: Name of candidate, party, or organization intended to receive the contribution. Include identification details (party affiliation, office contested if candidate, etc.).
3. Amount (or Description of In-kind Support): Exact monetary amount of donation, or if in-kind, a clear description and approximate value (Such as, "Printing of 5000 campaign brochures, valued at LKR").
4. Purpose/Intended use: Brief explanation (Such as, "General campaign fund support", "Event sponsorship", "Charitable initiative in candidate constituency").
5. Alignment with company policy: A checklist or short answer confirming it meets policy criteria (Such as, "Donation within annual limit? Yes/No", "Not given in expectation of business favor? Yes/No", "Legal under Regulation of Election Expenditure Act, No. 03 of 2023 and other laws? Yes/No").
6. Requested/initiated by: Name and title of the internal sponsor (who is suggesting this contribution). Perhaps also note if it was solicited by an external party (and who, if so).
7. Approved by: Signatures lines for required approvers (Manager, Legal/Compliance, CFO, CEO, Board Committee, etc., depending on policy thresholds). It should only move to payment after all required signoffs.
8. Disclosure plan: Where/when will this contribution be disclosed publicly? (Such as, "Will be included in 2025 Annual Report and posted on website in contributions list"). This reminds every one of the transparency commitments up front.
9. Comments/notes: Space for any extra context or conditions (Such as, "Approved on condition funds are used for voter education event only").
10. Verification after payment: A section for after execution: confirm the payment was made as approved and attach proof (receipt from recipient, bank transfer slip). And sign-off that it was entered into public disclosure records.

    This form, once completed, becomes part of the audit trail. It can be maintained electronically for easy tracking and included in internal audit reviews. All contributions in a year can be compiled from these forms for disclosure reporting.

7.2 Internal Policy on Political Engagement (Template Outline)

Purpose: To have a comprehensive policy document that codifies the company's stance and rules regarding political contributions and related activities.

Sections to include:

1. Introduction & purpose: State why the policy exists – Such as, "Company X is committed to conducting business with integrity. This policy ensures that any involvement in political

activities is transparent, ethical, and in compliance with laws, thus protecting the company's reputation and stakeholder trust." Mention alignment with broader anti-corruption or ethical codes and reference UNCAC/OECD principles to give it weight.

2. Scope: Define to whom and what the policy applies. Typically, all employees, officers, directors, and any third parties acting on behalf of the company. Covers financial contributions, in-kind support, use of company resources, lobbying, and any indirect support of political campaigns. Possibly clarify that it doesn't restrict personal political activities (with disclaimers).

3. Policy statements: The core rules. For example:

   a) "Company X will remain politically neutral in party politics and not support any political party or candidate in a partisan manner." (if neutrality stance) or "Company X may from time to time support policy initiatives or candidates, but strictly in accordance with this policy."

   b) "All political contributions must be approved as per procedures and will be publicly disclosed."

   c) "Under no circumstances will contributions be made in exchange for favor or advantage, or in violation of any law (including anti-bribery statutes)."

   d) "The company prohibits use of its funds or assets for any illegal political purposes, including vote-buying or funding of unlawful campaign activities."

   e) "Employees shall not be reimbursed for personal political donations, and must not use company time or resources to support campaigns without authorization."

   f) Possibly note: "Company does not contribute to individual candidates; any support will be issue-based or through recognized channels" – depending on stance.

   g) If the company has decided on an absolute ban of donations: clearly state that (then much of the rest of policy is about handling requests, etc., rather than processing contributions).

4. Procedures: Outline the required process if anyone wants to propose a political engagement: filling the form, approvals needed (perhaps specify different levels: Such as, contributions under LKR 100k need CEO + CFO approval, over that needs Board approval), and how to involve legal/compliance. Also describe how to record and disclose once approved.

5. Contribution limits: State the internal caps (annual budget, per candidate, etc.) as decided. Such as, "The total value of contributions in a calendar year shall not exceed 0.5% of prior year net profit" or a fixed amount.

6. Banned and permitted activities: List clearly what is not allowed: "No contributions to foreign candidates or entities," "No anonymous donations," "No use of charitable donations as a proxy for political funding," etc. And what is allowed: maybe "Sponsoring non-partisan voter education or public awareness campaigns is allowed with approval," etc.

7. Third-party dealings: A clause saying any third party acting for the company (agents, lobbyists, consultants) must comply and not engage in prohibited acts on behalf of the company; include in their contracts.

8. Employee political participation: Encourage civic participation but require that any personal political activity by employees is done in personal capacity, not using company name or funds, and if an employee runs for office or takes a campaign role, they might need to take leave or avoid conflict (depending on how far one goes).
9. Disclosure and transparency: Reiterate that the company will publish all contributions and that these records are available for stakeholder review. Also note record-keeping requirements (Such as, Finance will maintain records for X years).
10. Training & communication: State that all relevant staff will be trained on this policy and new hires informed. Could also say this policy is publicly available (for transparency).
11. Non-compliance: Describe consequences of violating the policy (disciplinary action up to termination) and the channels for reporting concerns (link to whistleblower mechanism).
12. Responsibility and oversight: Assign who administers the policy (Such as, Chief Compliance Officer, or General Counsel) and how often it's reviewed (Such as, "This policy will be reviewed every 2 years by the Audit Committee").
13. Effective date: When it comes into force, and any approval references (Such as, "Approved by Board resolution on (date)").

This template can be tailored. The key is covering all anticipated scenarios and firmly embedding the principles.

7.3 Compliance Checklist for Political Engagement

A quick-reference tool for decision-makers to use before approving or proceeding with any political contribution or activity. It ensures no step is overlooked. Could be formatted as a one-page yes/no checklist:

a. Have you identified a clear business rationale that aligns with company policy for this contribution (and not a personal or improper motive)? ( ) Yes ( ) No

b. Does this request fall within the allowed contribution limits of the company (financially and recipient-wise)? ( ) Yes ( ) No

c. Have the required internal stakeholders been consulted (Legal, Compliance, Finance)? ( ) Yes ( ) N/A

d. Is the recipient legally eligible to receive this contribution (Such as, not a foreign entity, not state-owned, etc., as per law)? ( ) Yes ( ) No

e. If the contribution is for an event or third-party organization, have you verified it's not just a front for a political candidate? ( ) Yes ( ) No

f. Has the contribution been logged on the official form and submitted for approval per policy? ( ) Yes ( ) No

g. Can we openly defend this contribution's purpose to the public/shareholders if disclosed (i.e., passes the "newspaper headline test")? ( ) Yes ( ) No

h. Are there any actual or perceived conflicts of interest (Such as, the receiving politician is related to a company director, etc.)? If yes, detail and get extra clearance. ( ) No conflicts / ( ) Potential conflict, elevated to Board

i. After approval, did we obtain an official receipt or acknowledgement from the recipient for our records? ( ) Yes ( ) No

j. Has this contribution been included in the register for year-end disclosure? ( ) Yes ( ) No

The checklist helps ensure compliance and that the contribution upholds integrity from conception to execution. It could be attached to or part of the approval form.

7.4 Training Exercises and Scenario Planning

To build awareness and preparedness, companies can use hypothetical scenarios in workshops. Here are a couple of sample scenarios that can be used in training sessions, perhaps during an annual compliance training or a special workshop:

a. Scenario A: The subtle request – "You are a regional sales manager for Company X. At a networking event, a local politician (who is likely to win a seat) says to you, 'We have an expensive campaign coming up, and we count on friends in the business community. It would be wonderful if your company could contribute; it'll be remembered.' He doesn't directly threaten anything. What do you do?"

   Discussion Points: Recognizing implied pressure; company policy on handling such – (Answer: Do not commit. Politely acknowledge and change topic; later report to higher management about the solicitation. The company might decide to formally respond or ignore. But ensure no rogue action by the manager.)

b. Scenario B: The charitable cover – "A minister's aide approaches your CSR department, suggesting that a donation to a certain 'Youth Skills Development Foundation' in his electorate would be looked upon favorably, hinting it'll help your industry. The foundation is legal but the timing, just 2 months before elections, is notable. The amount requested is LKR 2 million."

   Discussion Points: Due diligence – find out who runs this foundation (maybe the minister's allies), whether it's doing real work or just a vote-charm. According to policy, this is likely a political contribution in disguise. Proper response might be to decline or to offer an alternative (like "we only donate to charities we evaluate independently"). Emphasize principle: if it smells political, treat it as such under policy.

c. Scenario C: Internal pressure – "A senior executive (not the CEO, but high up) is an ardent supporter of a particular political party. He sends an email to fellow executives suggesting that all top management contribute personally to that party's campaign, implying it'd be good for the company if that party wins. Some employees feel uncomfortable. What should happen?"

   Discussion Points: Personal vs professional boundaries; policy likely forbids using corporate position to solicit political contributions from colleagues (could be coercive). Ideally HR or compliance should intervene, reminding that such solicitation at work violates policy and that people are free to make their personal choices without pressure. Management needs to set the tone that diversity of political opinion is respected, and corporate resources (like email) shouldn't be used for campaign purposes.

d. Scenario D: Gift or bribe? – "During election season, your company traditionally sends out New Year gift baskets to clients, including some government officials. This year, one of those officials is also a candidate. Is it okay to send the usual gift?"

Discussion Points: Value of gift? If it's a modest calendar or sweets as usual, maybe fine but document it, as an election candidate any gift could be sensitive. Best practice might be to hold off giving anything to candidates during campaign period to avoid any perception of favor. Use this to discuss the line between normal hospitality and campaign support.

These scenarios help employees practice applying the policy and understanding the rationale. Role-playing some of them can be even more effective (like have someone play the politician, another the manager, and see how they respond).

Using these templates and tools, a company can translate the concept of responsible campaign financing into concrete actions and documents. Adapting them to the company's specific context (size, industry, operating regions) is important – one size does not fit all, but these provide a strong baseline. Importantly, these tools also make it easier to maintain continuity: as personnel change or elections come and go, the forms and policies ensure that the approach remains consistent and institutionalized.

By employing such practical measures, companies not only comply with their own policies but also make the day-to-day process of saying "yes" or "no" to political funding requests much clearer. This reduces uncertainty and anxiety for employees who might otherwise be unsure how to handle politically charged situations. In effect, the templates and checklists act as a compass, keeping everyone pointed toward integrity and transparency in all political engagements.

8.0 Conclusion

Through the dual approach outlined in Part A (policy reform and enforcement) and Part B (private sector best practices), Sri Lanka can move toward a more transparent and accountable system of campaign finance. For businesses, embracing the guidelines in this Best Practices Guidebook is not merely an exercise in compliance or altruism – it is an investment in a stable, fair operating environment where success comes from innovation and efficiency, not political patronage. By acting with integrity and collectively championing clean financing, the private sector becomes a powerful force supporting democracy and good governance in Sri Lanka.

Annexure

Analysis of public survey responses

This annexure presents the qualitative feedback collected from the public survey on political donation transparency. The responses highlight diverse perspectives, reflecting both concerns and recommendations for reform.

Q1 & Q2. Awareness of the law and concerns about private sector influence

Respondents highlighted the risks posed by private sector involvement in political financing. Several noted that companies prioritize profit and sustainability over public interest, leading to undue influence on policy decisions. One respondent stated:

"Most of the private sector may not have public interest in mind, but more of their own sustainability and existence (profits). Business ethics do not matter; therefore, they tend to influence politicians to take policy decisions in their favor."

Others emphasized that corporate financing creates an uneven playing field, particularly disadvantaging women and smaller candidates:

"They finance with ulterior motives of getting contracts, tenders etc. This has particularly affected women."

Several respondents suggested banning institutional donations altogether, allowing only personal contributions through formal banking channels.

Q3. Requirements for companies making political donations

Respondents called for stronger restrictions and controls:

1. Some argued institutional donations should be banned, as they "embed corruption in politics."

2. Others supported regulated contributions, with disclosure and board approvals.

3. A minority believed companies should be free to decide their donation limits, aligning with organizational visions.

This divergence highlights both support for strict prohibitions and arguments for regulated flexibility.

Q4. Support for capping donations

Several respondents supported donation caps, viewing them as a safeguard against undue influence:

"One company should not influence too much."

At the same time, some raised concerns that uneven enforcement could place compliant companies at a disadvantage.

Q5. Most important information on political campaign finance

Transparency was a recurring theme. Respondents stressed the need to know who is funding campaigns and why:

“It is about transparency as to who is promoting corruption and the intention of these companies.”

“This will highlight later loans – grants – and favors to high donors.”

A few stressed the importance of knowing how money is spent, to distinguish between genuine campaigning and vote-buying:

“Knowing how it is spent helps us understand if it’s being used for the correct reasons or just to buy votes.”

Q6 & Q7. Oversight and institutional responsibility

On oversight, respondents were divided:

1. Some favored the Election Commission due to its mandate.

2. Others strongly supported an independent anti-corruption agency, citing distrust in existing institutions:

“Since at present Sri Lanka ranks very low in the anti-corruption list of countries, the reliability of any party other than an independent anti-corruption agency will be very poor.”

3. A few raised concerns about government agencies being vulnerable to threats and influence, suggesting shared responsibility or external oversight.

Q8. Frequency of disclosure

Respondents generally wanted timely disclosures, though views varied from real-time publication to annual or post-election cycles. The underlying emphasis was on credibility and accessibility of data, often linked to enforcement.

Q9. Measures to build confidence in transparency

A range of suggestions were made, including:

1. Mandatory media reporting of all donations.

2. Removal of preferential voting, with parties nominating candidates based on qualifications.

3. Oversight by an independent anti-corruption body, with audits by the Auditor General.

4. Involvement of external (including foreign) agencies to strengthen credibility.

5. Stronger enforcement of existing laws.

These responses reflect a desire for institutional reform and accountability mechanisms.

Q10. Views on a consolidated public fund

This question elicited mixed reactions.

1. Some expressed skepticism, noting that such a fund would also benefit corrupt parties:

"Why would a company give to a public fund, when a party they do not support also is going to get a chunk of it?"

2. Others emphasized accountability and meaningful use of pooled funds:

"As this will be spent in a meaningful way with accountability."

3. Concerns were raised about control and governance of the fund, with fears it too could be influenced.

4. Several respondents underscored that the profit motive of the private sector makes voluntary participation in such a fund unlikely.

In a nutshell,

1. Respondents consistently expressed distrust in private sector motives and highlighted the risk of corruption.

2. There is strong demand for transparency, with emphasis on disclosure of both donor identity and amounts.

3. Institutional trust is weak, with many favoring independent or external oversight bodies.

4. While some see merit in regulated contributions, others called for a complete ban on institutional donations.

5. Views on a consolidated public fund remain divided and cautious, reflecting broader skepticism about governance.

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