



Review of the Regulation of Election Expenditure Act No.3 of 2023
as per
Transparency International Standards for Integrity in Political Finance

A Legislative Brief prepared by Transparency International Sri Lanka

Compliance with the Standards for Integrity in Political Finance *(Please see annexed)*

** “Comments/Recommendations” include feedback received from representatives from the public sector, private sector, and civil society organizations and representatives from 3 political parties.*

Principle as per Standards for Integrity in Political Finance	Standards	Provision in the Regulation of Election Expenditure Act No.3 of 2023 (REEA) or other laws	Comments/Recommendations*
1.TRANSPARENCY	1.1. BOOKKEEPING OBLIGATIONS	No provision	Introduce provisions; • For record management in line with international accounting standards. • Mandating all income and expenditure of political parties, candidates, and their campaigns to be managed through dedicated bank accounts to ensure transparency and accountability. • Even in situations where receipts are not available, political parties should maintain adequate documentation or book-keeping records to support the expenses declared. Such supporting documents should be organized and submitted along with the financial returns to ensure accuracy, accountability, and compliance with the requirements of the Act.
	1.2. REPORTING OBLIGATIONS	• S.3(1) Within a period of five days after the conclusion of the period of nomination specified in the Proclamation or Order requiring the conduct of an election under any law specified in section 2, the Election Commission shall, in consultation with the recognized political parties, and the independent groups contesting such election, fix by Order published in the	• The Election Commission of Sri Lanka (ECSL) shall introduce, and make it mandatory to comply with, a standardized reporting format to ensure uniformity across all candidates and political parties. The format shall cover details such as value, date, source of each income, identity of vendors etc. which would improve verification and recordkeeping. The reporting structure should be simplified to promote transparency and encourage accurate reporting of expenditures.

		Gazette, a sum of money in Sri Lankan rupees to be used for the purpose of calculating an authorized amount, in accordance with the provisions of this section, for such election: • S.6(1) Every recognized political party, independent group and candidate at an election conducted under any law specified in section 2 shall within twenty-one days of the date of publication of the result of such election, submit to the respective authority specified in subsection (3) - a. a return of all donations or contributions b. a return of all expenses • S.6(6) The returns referred to in subsection (1) shall be signed by the secretary to the recognized political party, group leader of the independent group or the candidate as the case may be and accompanied by a declaration signed by such secretary, group leader or candidate and attested by a Justice of the Peace, to the effect that the information in such returns is to the best of the knowledge of such secretary, group leader or candidate, true and correct.	• Expand the provision mandating reporting to cover a pre-nomination period, in order to ensure comprehensive monitoring of all election-related expenditures, irrespective of when campaign activities begin. • The ECSL should be mandated to provide a standardized digital platform to submit expenditure and donation reports. • Amend S.3(1) of the REEA to extend the timeframe to capture expenses incurred, and donations and contributions received prior to the nomination period, in their final returns. • The reporting format to also require the inclusion of third-party contributions, as these need to be systematically captured in the financial returns to ensure full transparency and compliance. • Mandate returns to be signed by a qualified professional in accounting, to ensure oversight and auditing of returns so that expenses and donations match supporting documents. • Mandate the ECSL to undertake a review process to assess the quality of expenditure and donation/contribution returns submitted by candidates and political parties. • Require all candidates, political parties and independent groups to retain a copy of submitted returns, to enhance and ensure accountability and transparency in financial reporting. • Mandate the ECSL to ensure proper reporting in terms of donations/contributions, while addressing practical challenges around donor anonymity, as contributors may be reluctant to disclose identities due to fears of political or social repercussions, making reporting obligations and compliance difficult in practice.
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	1.3. PUBLICATION OF POLITICAL FINANCE INFORMATION	• S.7 Publication of notice relating to receipt of returns and declarations	Introduce provisions for; • Publication of reports through a centralized and user-friendly platform. • ECSL to publicly disclose all donations/contributions made to independent groups, political parties, and candidates prior to the day of the election, enabling voters to make informed decisions. • Introduce a system to monitor party activities related to illicit finance, in accordance with the module guidelines and within the framework of existing campaign rules and regulations. Such a mechanism is essential to ensure transparency, prevent unlawful financial practices, and strengthen overall compliance within political party operations. The ECSL is expected to be mandated with this responsibility.
2.CLEAN MONEY	2.1. DUE DILIGENCE AND “KNOW-YOUR- DONOR” GOOD PRACTICES	No provision	• Donations received by candidates that exceed the prescribed threshold (see 3.1) must be reported and published by the ECSL in near real-time, prior to the election date, to prevent delays in disclosure and facilitate early detection of any irregularities. • Regulatory authorities to be legally empowered to inspect, monitor, and audit the bank accounts of independent groups, political parties, and candidates

			used for campaign finance purposes as and when needed. The mandate of this authority should be clearly defined in the legal framework. • Mandate financial institutions to regularly monitor the bank accounts designated to manage political finance and report any suspicious transactions to authorities. • Stipulate provisions defining a reasonable period during which political parties, candidates and campaigns can carry out appropriate checks before accepting, refusing or returning a donation.
	2.2. CRIMINALISATION OF ILLICIT POLITICAL FINANCING AND VOTE BUYING	• S.8 Offence of an illegal practice	• Establish an independent oversight body specifically to monitor campaign financing and ensure compliance with legal requirements. This body must be legally empowered to access information directly from financial institutions in order to verify the accuracy of financial reports.
	2.3. REPORTING OBLIGATIONS FOR THIRD PARTIES INFLUENCING ELECTORAL OUTCOMES	No provision	• Third parties that engage in activities aimed at influencing electoral outcomes or promoting political parties and candidates should be required to submit detailed expenditure reports to the ECSL to ensure transparency and accountability. • Expenditure caps should be placed on third parties when influencing political parties and candidates. • Extend reporting requirements to third-party or non-contestant groups which aim to influence electoral outcomes. • Local media agencies involved in political advertising should disclose the amounts incurred by candidates and political parties to the ECSL. • Introduce provisions mandating media outlets and online platforms to submit reports on prices of and revenue from paid political advertising, as currently, media including social media are not obliged to disclose

			advertising prices and income generated from political publicity.
	2.4. CLOSING LOOPHOLES FOR ANONYMOUS DONATIONS	• S.5(1) A recognized political party, an independent group and a candidate at an election conducted under any law specified in section 2, shall not, directly or indirectly accept or receive a donation or contribution whether such donation or contribution is in cash or kind from (a) a government department, a public corporation or a company incorporated under the Companies Act, No.7 of 2007 or under any former written law relating to companies in which the government or a public corporation owns any shares; (b) a foreign government, an international organization or a body corporate incorporated or registered outside Sri Lanka; (c) a company incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 or under any former written law relating to companies where the foreign shareholding in such company, either direct or indirect, is fifty percent or above; or (d) any person whose identity is not disclosed,	• Introduce provisions mandating to include in reporting, the donations received in cryptocurrency and other crypto assets without a public or open ledger, or those that are unsupported by a central bank, which are currently not explicitly required.
	2.5. ONLINE POLITICAL ADVERTISING		• Introduce a clear and comprehensive definition of “<i>online political advertising</i>”, encompassing all forms of paid or sponsored digital content intended to influence electoral outcomes. (For eg: indirect promotional methods by candidates, including sponsored online

			content, digital advertisements, and subtle or embedded messaging, which could fall outside the scope of the law.) • Require platforms or publishers of advertisements to create and maintain machine-readable registers of all adverts and relevant details including the aggregated amounts or value of the publishing services incurred for placing the ads. • Require online platforms to implement safeguards against the abuse of paid online communications by third parties to circumvent political finance rules.
	2.6. CORPORATE POLITICAL DONATIONS	No provision	• Introduce caps on corporate donations, in alignment with existing expenditure caps for candidates and political parties. Additionally, limits should be set on the amount a single corporation can contribute to any one candidate or political party. • Mandate corporates to publicly disclose all political contributions in their annual financial statements. • Establish corporate donation limits in alignment with existing expenditure caps for candidates and political parties, to ensure a balanced and transparent electoral process. • Restrict or limit donations from companies or legal entities targeted by their lobbying, or from companies that provide services to public administrations, participate in public procurement tenders, or receive state subsidies, permits and concessions. • Mandate proactive disclosure of companies' political finance contributions, ahead of elections. • Require corporate policies on monetary and in-kind contributions to be subject to review and approval by the company's governing body. • Require corporates making political finance donations to declare their beneficial owners.

	2.7. FOREIGN DONATIONS	• S.5(1) A recognized political party, an independent group and a candidate at an election conducted under any law specified in section 2, shall not, directly or indirectly accept or receive a donation or contribution whether such donation or contribution is in cash or kind from - (b) a foreign government, an international organization or a body corporate incorporated or registered outside Sri Lanka;	• Expand the provision to restrict donations from ‘foreign citizens’ and Sri Lankan diaspora domiciled outside Sri Lanka.
3. A LEVEL PLAYING FIELD	3.1. RESTRICTIONS ON DONATIONS AND SPENDING	<u>Spending</u> • S.3(1) Within a period of five days after the conclusion of the period of nomination specified in the Proclamation or Order requiring the conduct of an election under any law specified in section 2, the Election Commission shall, in consultation with the recognized political parties, and the independent groups contesting such election, fix by Order published in the Gazette, a sum of money in Sri Lankan rupees to be used for the purpose of calculating an authorized amount, in accordance with the provisions of this section, for such election: • S.4(1) A recognized political party, an independent group and a candidate at an election conducted under any law	• Introduce a limit for donations/contributions to limit the amount a single donor can contribute to an individual candidate or a political party. In the absence of such a threshold, certain candidates may receive disproportionately large sums from a small number of wealthy donors, while others must operate with significantly fewer resources. This financial imbalance distorts the level playing field and undermines the democratic principle of equal opportunity for all candidates.

		specified in section 2, shall not incur expenditure in excess of the authorized amounts referred to in subsections (3) and (4) of section 3 as the case may be, in respect of such election. <u>Donations:</u> • The provision is silent about the donation limit, although there are provisions banning donations from certain sources.	
	3.2. DIRECT AND INDIRECT PUBLIC FINANCING	• S.114 of the Presidential Elections Act and S.125 of the Parliamentary Elections Act allow the candidate or the Secretary of a recognized political party or the group leader of an independent group contesting an election, as the case may be, to post communications relating to only such election free of any charges for postage to each elector. • Further, S. 117 of the Presidential Elections Act and S.126 of the Parliamentary Elections Act allow candidates to use broadcasting facilities upon application on that behalf subject to conditions stipulated.	• State-owned media outlets can play a key role in ensuring equitable campaign opportunities by providing airtime and newspaper coverage to all political parties, particularly those with limited financial resources. However, the extent of such media support should be proportionate to the type of election. While media coverage may be less critical for local-level elections, it becomes essential for presidential and general elections where broader public outreach is required.
	3.3. MEDIA ACCESS AND OWNERSHIP	• Media Guidelines by ECSL https://elections.gov.lk/en/elections/election_Media%20Guidelines_E.html	• Introduce separate limits for the expenses incurred in electronic and print media. • Mandate media outlets to disclose their full ownership structure, including beneficial owners.

			During election periods, the cost of media advertising tends to increase significantly, creating barriers for equitable access. To address this issue, regulatory controls should be placed on advertising rates to ensure that all political parties and candidates, regardless of financial capacity, have fair access to media platforms for political advertising.
	3.4. INTERNAL PARTY GOVERNANCE	No provision	Mandate political parties to adopt, publish and periodically review their own integrity policies (e.g. codes of conduct, rules or guidelines), including during nomination and campaign periods.
	3.5. PUBLIC FUNDING TO SUPPORT UNDERREPRESENTED GROUPS	No provision	It is recommended that the campaign finance framework introduce a targeted public funding mechanism to support underrepresented groups, including women, youth, and persons with disabilities. Such funding, administered by the ECSL, should be designed as direct support or incentive-based allocations linked to inclusive candidate nominations by political parties. To ensure accountability, the mechanism should include strict disclosure requirements, real-time reporting, and independent audit provisions. This would help reduce structural barriers to participation and promote a more inclusive and representative electoral process.

4.GENDER EQUALITY	4.1. TARGETED FINANCIAL MEASURES TO INCREASE WOMEN'S REPRESENTATION	No provision	It is vital to actively promote women's participation in politics and advocate for the inclusion of specific provisions in this law to this effect. Genuine progress requires more than merely permitting women's engagement in politics; it necessitates deliberate efforts to actively encourage and change public attitudes and perceptions about women in political leadership. Political parties also play a critical role in advancing gender inclusion. Political parties should be encouraged (if not required) to actively promote the participation of women in party activities and in election nominations. The underlying principle is that leadership and decision-making should not be the domain of men alone; women must be equally empowered to engage in and contribute to political and governance processes. A key challenge identified is the challenge women candidates face in terms of campaign financing. Many women may not have access to the same level of financial resources, as their male counterparts, especially when campaign expenses can reach extremely high amounts. To address this imbalance; • Introduce provisions that facilitate greater financial accessibility for women candidates, thereby enabling them to compete on a more equitable footing. • Mandate political parties to adopt and implement gender-responsive policies aimed at increasing women's representation in political structures. This should include deliberate measures to identify, promote, and support female candidates. In addition, parties should ensure equitable campaign practices by
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	4.2. PUBLICATION OF GENDER DISAGGREGATED INFORMATION	No provision	• Mandate political parties to include gender-disaggregated information, when reporting candidate data. The number of male and female candidates, and other relevant gender-related data should be clearly and accurately reported, in order to track progress and gaps in gender representation.
5.STATE NEUTRALITY	5.1. PROHIBITION OF THE MISUSE OF STATE RESOURCES FOR ELECTORAL PURPOSES	• S.2 of the Offences Against Public Property Act No. 12 of 1982 . • Gazette on Directions to prevent direct or indirect use of moveable or immovable properties belonging to the state, state corporations or statutory boards during the period of an election for the promotion of or in prejudice to any party group or candidate or obstructing the conduct of elections.	• Although the REEA does not explicitly address this, other legislation such as the <i>Misuse of Public Property Act Gazette issued by the Election Commission on directions to prevent direct or indirect use of moveable or immovable properties belonging to the state, state corporations or statutory boards during the period of an election for the promotion of or in prejudice to any party group or candidate or obstructing the conduct of elections</i>, exists. • Use of government vehicles by the President and unequal media airtime for political parties may constitute undue political influence by the State, in violation of the REEA.

	5.2. DECLARATION AND REIMBURSEMENT OF COSTS ASSOCIATED WITH THE USE OF STATE RESOURCES	No provision	• Mandate all candidates and political parties to declare the value of any state resources they use, as well as the mechanisms to reimburse these costs. (Eg: use of public services when attending political rallies on behalf of their political party) • Introduce a provision mandating the relevant state authority to report such costs to the Election Commission.
	5.3. EMPOWERING RELEVANT OVERSIGHT AUTHORITIES TO MONITOR AND SANCTION ABUSE OF STATE RESOURCES	• The REEA does not have an oversight body to monitor campaign finance expenditure and to monitor accuracy of the returns filed by candidates. This responsibility is left with the public in this regard.	• Establish an independent oversight authority with a mandate of monitoring and sanctioning the abuse of state resources. • Empower other law enforcement authorities to monitor and sanction abuse of state resources with an enhanced mandate during election periods.
	5.4. ENSURING NEUTRALITY OF STATE AUTHORITIES INVOLVED IN ELECTION CAMPAIGNS	• The Establishment Code exists to ensure that state authorities involved in election campaigns are neutral. As the Code recognizes public officers 'with political rights' and 'without political rights', and this is used by the Election Commission when issuing Gazettes. Particularly, the Gazette on Directions to prevent direct or indirect use of moveable or immovable properties belonging to the state, state corporations or statutory boards during the period of an election for the promotion of or in prejudice to any party group or candidate or obstructing the conduct of elections.	-
	6.1. ESTABLISHING EFFECTIVE	No provision	• The ECSL can be made the custodian of the REEA while CIABOC and Inland Revenue Department (IRD) and the

6.ACCOUNTABILITY	OVERSIGHT BODY OR BODIES		Attorney General's Department receives separate mandates to carry out aspects of the legislation. • A permanent oversight authority is recommended to ensure compliance with electoral regulations not only during election periods but throughout the year. This body should be mandated to monitor pre-election, election, and post-election phases comprehensively. • Offences should be made civil, not criminal. And should be penalized as soon as possible, during the election without any delay.
	6.2. PROMOTING INTER-AGENCY COOPERATION	No provision	• Mandate the ECSL, CIABOC, IRD, and National Audit Office (NAOSL) to cooperate in terms of information-sharing, verification of information including financial reports submitted by candidates and political parties, and taking necessary actions for non-compliance. Matters involving suspected major criminal offences or tax evasion may be referred to the Police or the IRD, as appropriate. Given the complexity of the existing system and the excessive burden placed on the ECSL during election periods, there is a need for enhanced inter-agency cooperation. Relevant departments and authorities should be assigned specific responsibilities to ease the operational load on the ECSL. While interagency cooperation shall be facilitated where necessary, the overall supervision and coordination of the campaign finance system shall remain under a single authority within the ECSL. • The performance and effectiveness of oversight mechanisms should be reviewed regularly under a structured framework, possibly involving agencies like CIABOC and the IRD. • The campaign finance database should be connected with other government agencies such as tax authorities

			or anti-corruption bodies to verify the accuracy of information. • While the AG's mandate primarily covers the misuse of public property, their role in election oversight could be expanded through referrals from the ECSL. • The ECSL should perform its statutory functions independently and without the involvement of third parties in its official duties, in order to safeguard the integrity and autonomy of the electoral process. The CIABOC, as a government oversight body, may provide support to all relevant stakeholders; however, such support must be structured in a manner that does not compromise the neutrality, credibility, or independence of election administration (Institutional Roles in the Electoral Process)
	6.3. STRENGTHENING SANCTIONS AND ENSURING THEIR ENFORCEMENT	No criminal sanctions	• Introduce clear and proportionate sanctions. The severity of the punishment is not proportionate to the nature of the offence. Therefore, the Act requires amendment, as it did not originally envisage certain types of violations. For example, offences such as exceeding expenditure limits and receiving funds from prohibited sources currently carry the same penalty, despite differing in gravity. Furthermore, the loss of voting rights and the right to contest for three years for committing an offence at a presidential election is disproportionate, given that presidential elections are held every five years. • Introduce the establishment of a dedicated court or tribunal (An Election Tribunal) specifically to handle election law violations. Currently, regular courts are overloaded and may not have the capacity to address election-related offenses in a timely and informed manner. A dedicated body would ensure that such

			violations are taken seriously and dealt with efficiently in a timely and a fair manner. • The statutory limits on election-related expenditure may be reviewed and, where appropriate, increased, in recognition of the insufficiency of existing campaign expenditure limits for practical campaign needs. • Mandate the ECSL to establish a dedicated sector responsible for anti-corruption initiatives within the electoral process, and all election-related laws, regulations, and guidelines shall be made transparent and readily accessible to the public to ensure openness and accountability in the administration of elections.
	6.4. ENCOURAGING PARTICIPATION FROM SOCIETY IN CAMPAIGN FINANCE MONITORING	• S.7(3) permits any person to inspect and allows taking copies of returns and declarations upon a payment. • However, no provision mandating real-time information with public access which facilitates scrutiny.	• Introduce a centralized, digitized system to provide real-time public access to political finance information and other electoral data. This will enhance transparency, ensure accessibility for citizens, and reduce potential litigation costs arising from post-election disputes. • Recommend integrating citizens into formal monitoring and feedback mechanisms, while encouraging citizens to report irregularities and participate more actively in democratic processes. • Utilize platforms/tools created by civil society organizations/election observer organizations to simplify election manifestos, monitor campaign finance violations etc. • Introduction of a system requiring candidates to submit police clearance reports at the time of nomination. This measure would enhance voter awareness regarding the integrity of candidates and support informed decision-making. • Introduce digitization of various components of the electoral process to enhance transparency, efficiency, and ensure accessibility for citizens.