

# HULAASAA: STATE-OWNED ENTERPRISES IN THE MALDIVES

## What are State-Owned Enterprises?

State-Owned Enterprises (SOEs) are often identified by different names such as public enterprises, government corporations, government companies, or government-linked businesses.<sup>1</sup>

Similar to the name, the definition of SOEs also varies across jurisdictions depending on various factors such as:

- Level of government ownership (full, majority, or minority)
- Listed or unlisted company
- Purpose or mandate of the SOE
- Level of government that owns the SOES (central, regional, or local)

Different types or forms of SOEs may often offer flexibility in the operation or functioning of SOEs, however, the multiple types could also make SOEs less transparent, susceptible to corrupt practices, and insulate SOEs from legal and regulatory frameworks applicable to other companies.

The Maldives does not have a law on SOEs or similar legislation that sets out a comprehensive framework for monitoring and regulation of SOEs.

According to the Companies Act,<sup>2</sup> SOEs can be established either by law or by a decree of the President of the Maldives. Apart from this, neither the Companies Act nor the subsequent Regulation, Companies General Regulation, formed under the Act include any provisions related to SOEs.

The Ministry of Finance lists 32 SOEs in the Maldives which can be categorised into two major groups as per their shareholding structure.<sup>3</sup>

**There is **NO** definition of SOEs given in the legal and regulatory framework of the Maldives.**

## OTHER DEFINITIONS

“A state-owned enterprise includes, but is not limited to, any entity recognised by the borrower’s national law as an enterprise in which the state or government exercises direct or indirect (whole or partial) ownership or control.”

Asian Development Bank<sup>4</sup>

“An entity that is owned or controlled by the state that carries out activities that are commercial or for public policy objectives, or a combination of these.”

Transparency International - Secretariat<sup>5</sup>

“Any corporate entity recognised by national law as an enterprise, and in which the state exercises ownership, should be considered as an SOE. This includes joint stock companies, limited liability companies and partnerships limited by shares. Moreover, statutory corporations, with their legal personality established through specific legislation, should be considered as SOEs if their purpose and activities, or parts of their activities, are of a largely economic nature.”

Organisation for Economic Co-operation and Development<sup>6</sup>

## Listed v Unlisted State-Owned Enterprises

Listed SOEs are SOEs that have been listed on the Maldives Stock Exchange and their shares are openly tradable by the public.

Unlisted SOEs are SOEs that are not listed on the Maldives Stock Exchange and their shares are not openly tradable by the public.

### Listed State-Owned Enterprises

Listed SOEs are regulated by Capital Market Development Authority (CMDA) and are accountable to the Parliament's SOE committee.

Listed companies are governed by the Corporate Governance Code by CMDA. The code provides mandatory requirements which the companies must comply with.

#	Name	Proportion of Share	
		GOM	Private Sector
1	Bank of Maldives PLC	50.80%	33.73% Public, 4.07% MTCC, 7.33% Govt. Emp. PF, 4.07% Rayyithunge Acc
2	Dhivehi Raajjeyge Gulhun PLC	41.80%	52% Batelco, 6.20% Public
3	Maldives Tourism Development Corporation PLC	47%	53% Public
4	Maldives Transport and Contracting Company PLC	64.20%	4.65% MNSL, 31.15% Public
5	State Trading Organization PLC	81.63%	18.37% Public
6	Maldives Islamic Bank PLC	28%	36% ICD, 10.53% MPAO, 5% Amana Takaful, 5% Public
7	Housing Development Finance Corporation PLC	49%	18% ADB, 18% IFC, 15% HDFC India

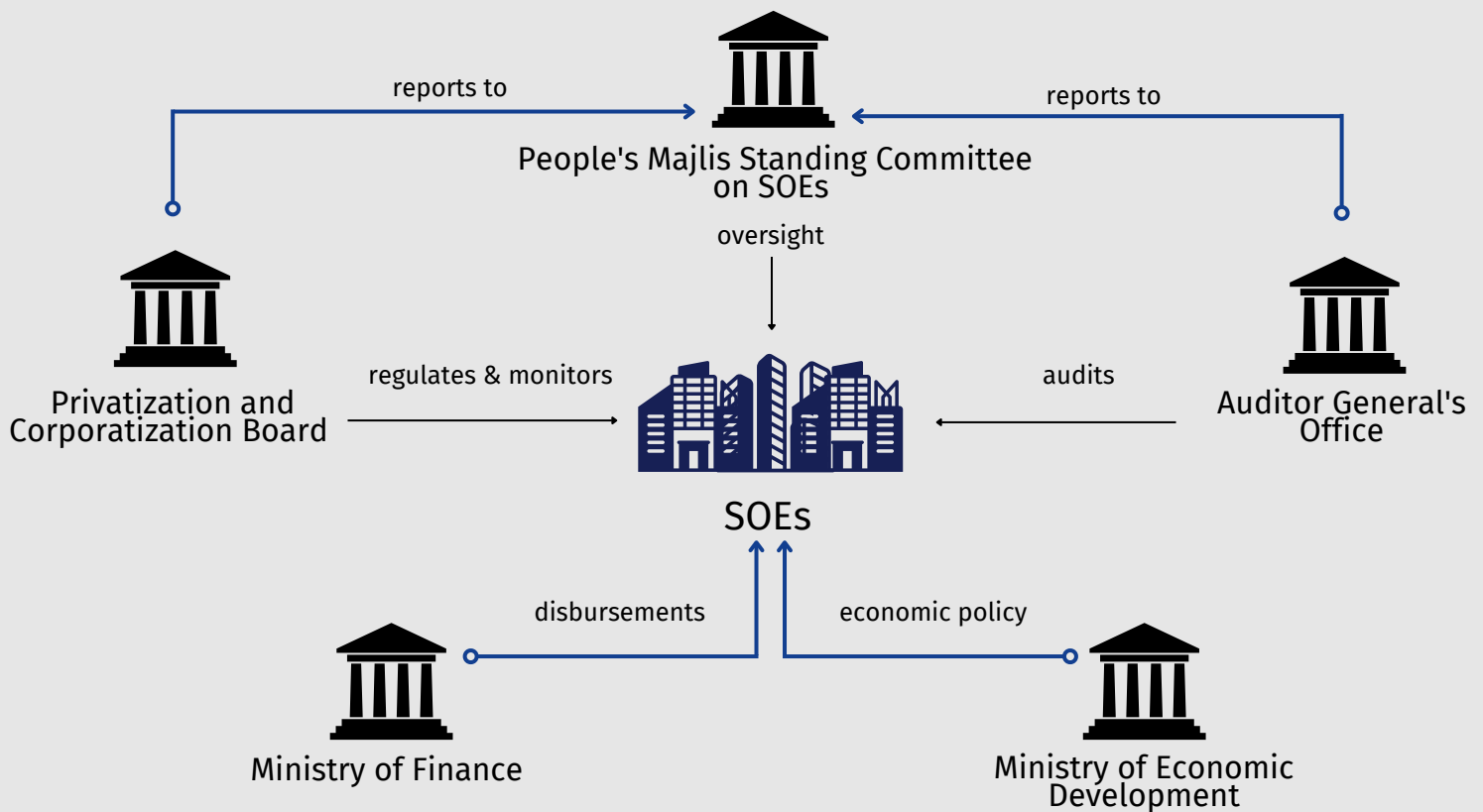
### Unlisted State-Owned Enterprises

Unlisted SOEs make up more than 80% of the total SOEs in Maldives.

Unlisted SOEs are regulated by the Privatisation and Corporatization Board (PCB) and are accountable to the Majlis's Standing Committee on SOEs. These SOEs are governed by the Corporate Governance Code for SOEs by PCB.

#	Name	Proportion of Share	
		GOM	Private Sector
8	Housing Development Corporation Limited	100%	-
9	Island Aviation Services Limited	100%	-
10	Maldives Airports Company Limited	100%	-
11	Maldives Ports Limited	100%	-
12	Male' Water and Sewerage Company Pvt Ltd	80%	20% Hitachi
13	State Electric Company Limited	100%	-
14	Maldives Marketing and Public Relations Corporation Ltd	100%	-
15	Addu International Airport Private Limited	70%	30% Kasa Holding
16	Aasandha Company Limited	100%	-
17	Kadhdhoo Airport Company Limited	100%	-
18	Fenaka Corporation Limited	100%	-
19	Maldives Hajj Corporation Limited	100%	-
20	Maldives Centre for Islamic Finance Limited	100%	-
21	Maldives Sports Corporation	100%	-
22	Maldives Integrated Tourism Development Corporation Ltd	100%	-
23	Waste Management Corporation Limited	100%	-
24	Business Center Corporation	100%	-
25	Public Service Media	100%	-
26	SME Development Finance Corporation Private Limited	85%	5% Male City Council, 5% Addu City Council, 5% Fuvahmulah City Council
27	Fahi Dhiriulhun Corporation Limited	100%	-
28	Maldives Fund Management Corporation Limited	100%	-
29	TradeNet Maldives Corporation Limited	100%	-
30	Road Development Corporation Limited	100%	-
31	Maldives Post Limited	100%	-
32	Regional Airports Company Limited	100%	-

## Key Institutes of the SOE Framework



## MAIN CHALLENGES IN EFFECTIVE MANAGEMENT AND MONITORING OF SOEs

- Lack of an SOE legislation and ownership policy
- Weak monitoring, oversight, and accountability of SOEs
- Overlapping objectives and mandates across SOEs
- Lack of skilled and qualified Board members
- Inadequate governance measures in SOEs
- Lack of transparency in reporting
- Culture of secrecy and poor disclosure of information
- Procurement and recruitment practices susceptible to corruption
- Lack of policies such as corporate social responsibility and revolving door
- Mismanagement of funds and weak performance

## The Role of the Privatisation and Corporatization Board

The PCB was established in 2013, following the ratification of the Privatisation, Corporatization, Monitoring and Evaluation of State-Owned Enterprises Act (herein referred to as PCB Act) in January 2013. The PCB Act encompasses the procedure relating to privatisation, corporatization, monitoring, evaluation and selling of public shares from SOEs and all procedures relating to such activities. The PCB Act grants power to PCB to carry out the operations specified under the Act, along with the direct and indirect powers required to execute the operations.

While the PCB Act contains comprehensive provisions relating to the privatisation and corporatization of SOEs, it contains limited provisions on the oversight and monitoring of SOEs such as:<sup>7</sup>

- Implement procedures to appoint Board Members of SOEs.
- Evaluate budget and fiscal performance of SOEs.
- Track utilization of capital allotment to SOEs.
- Maintain accounts and procedures to distribution of annual profits.
- Determine actions to take against SOEs that does generate a profit except SOEs that are run for necessary public services.
- Conduct research required to monitor the progress and advice on how to improve the work of SOEs.
- Send annual report of the previous year to the President of the Maldives, the People's Majlis and the Auditor General before end of February each year.

The PCB is required to submit an annual report detailing the work carried out within the financial year to the President of the Maldives and the People's Majlis within 3 months following the conclusion of the financial year. Additionally, they are required to submit a speed indicating report at the end of June and December of each year.

The PCB has the responsibility to set and govern all relevant regulations under the Act. They should set and publish all regulations within four months following the ratification of the Act.

The PCB consists of 7 members appointed by the President of the Maldives, including the President and Vice President of the Board. Board members are appointed by the President of the Maldives and approved by the People's Majlis. While the membership tenure of PCB is 4 years, the PCB Act allows any four members to be reappointed to PCB for an additional term to ensure continuity of work. They are required to hold at least two board meetings each calendar month.

The current members of the PCB:<sup>8</sup>

Name	Designation
Asim Mohamed	President
Mohamed Firaz	Vice President
Uz. Ali Shujau	Board Member
Aishath Shazlee	Board Member
Rushaha Ahmed Shareef	Board Member
Ali Shafeeu	Board Member
Ahmed Shareef Yoosuf	Board Member

## Training on Right to Information and Whistleblower Protection

TM organised a training on Right to Information (RTI) and Whistleblower Protection, mainly targeted for the SOEs. The one-day training was held on 28 June 2022 and this training was the first of a series of trainings on RTI and Whistleblower Protection organised under the SANCUS Project targeted towards SOEs.

### Objectives of the Training

- Ensure participants are well-versed with the RTI Act, understanding the principles of RTI, the RTI process and the exemptions.
- Promote understanding of the spirit of RTI and the importance of proactive disclosure to overcome the culture of secrecy to strengthen transparency and public trust,
- Ensure that the participants are well versed with the Whistleblower Protection Act, understand the procedures to report wrongdoings through whistleblowing and promote the culture of accountability, transparency and integrity through this mechanism.
- Create awareness on the importance of good governance processes and mechanisms to improve the performance of functions of SOEs.

The sessions of the training were facilitated by TM, Information Commissioner's Office (ICOM) and the Whistleblower Protection Unit (WBPU) of Human Rights Commission of the Maldives. A total of 26 participants from the following 13 SOEs participated in this training: Aasandha, Bank of Maldives, Fahi Dhiriulhun Corporation Limited, Housing Development Corporation, Housing Development Finance Corporation, Island Aviation Services Limited, Maldives Airports Company Limited, Maldives Fund Management Corporation, Maldives Marketing and Public Relations Corporation, Maldives Ports Limited, Public Service Media, State Trading Organisation and Waste Management Corporation Limited.



Participants from the Training on Right to Information and Whistleblower Protection held on 28 June 2022.

## Anti-Corruption Conference 2022

TM, in collaboration with the Anti-Corruption Commission (ACC) of the Maldives, organised the Anti-Corruption Conference 2022 at a national level. The two-day Conference was held from 30th – 31st October 2022 in Bandos Maldives. Scheduled to be held once every two years, this year's Anti-Corruption Conference focused on integrity of SOEs as the theme. A total of 95 participants representing 42 organisations and stakeholders attended the Conference.

### Objectives of the Conference

- Provide a platform for all stakeholders to discuss the existing barriers regarding corruption, in the legal and regulatory framework of SOEs, and ways to collectively address these issues.
- Provide an avenue to discuss good governance practices and a culture that strengthens accountability, integrity, and transparency.
- Discuss how stakeholders can incorporate monitoring and evaluation as part of increasing accountability, especially through self-assessments and regular reviews.
- Discuss how all stakeholders work to strengthen the current environment towards more open and transparent practices embedded with good governance best practices.
- Discuss how all stakeholders can make a joint effort and contribute to a culture of integrity and accountability within SOEs and institutions they engage with.
- Formulate a progress pledge for SOEs to commit and work towards to improve transparency and accountability.



Opening Ceremony of the Anti-Corruption Conference 2022  
Source: President's Office

## OPENING CEREMONY OF THE ANTI-CORRUPTION CONFERENCE 2022

The President of the Maldives His Excellency Ibrahim Mohamed Solih inaugurated the Anti-Corruption Conference 2022 as the Chief Guest. Furthermore, the Deputy Head of EU Mission to the Maldives, Mr. Lars Bredel, Head of UNODC office, Mr. Enrico Boninsega, Members of Parliament, Members of ACC, Senior Officials from the President Office, Members of the Privatisation Corporatization Board and Senior Officials from Transparency Maldives attended the opening ceremony.

During the opening ceremony, Ms. Asiath Rilweena, Executive Director of Transparency Maldives, brought attention to the challenges faced in anti-corruption efforts, including lack of political will to ensure effective implementation of laws to prevent corruption. She also called on the Parliament to pass the Asset Declaration bill which was drafted by TM in line with the international best practices. She also called on SOEs to strengthen the governance systems, ensure accountability, and increased transparency to address the corruption risks and to gain public trust.

Uz. Adam Shamil, President of Anti-Corruption Commission, highlighted that ACC has received various reports of corruption related to SOEs especially in areas of recruitment, procurement and corporate social responsibility. He noted the efforts by ACC to combat corruption and maintain integrity with the commencement of a monitoring and follow up mechanism which is designed based on the recommendations of ACC's investigations and research.

Speaking at the ceremony, Mr. Lars Bredel, Deputy Head of EU Mission to Maldives, reaffirmed EU's strong commitment as a long-term partner to strengthen good governance, human rights, uphold the rule of law, and the fight against corruption. He noted the importance of strengthening accountability at all levels- from the level of citizens, to the parliamentary oversight committees, and commissions to uphold integrity of SOEs. He also highlighted the importance of SOEs respecting the environment and sustainable development practices.

The key note address of the opening ceremony was delivered by the Chief Guest, His Excellency Ibrahim Mohamed Solih, President of the Maldives. The President highlighted that the issues within system are the biggest hindrance to combatting corruption and noted the importance of improving transparency within SOEs. In his speech, he reaffirmed the administration's commitment to fighting corruption and gave assurance that the Anti Corruption Commission will be free from political influence. He added that outcomes and recommendations from the Conference would be welcomed by the Government.



## Overview of the Sessions

### Session 1: Challenges and developments of the SOE Framework.

The panel discussion outlined the legal mandate of the institutions represented in the panel and their role in the framework of SOEs. Further, the panelists discussed what SOEs are and how they are formed, the current frameworks in place to regulate SOEs and challenges faced in implementing them. Several key issues were highlighted including the importance of having a legislation for SOEs, gaps within the legal framework for PCB and shortcomings in monitoring and making SOEs accountable.

### Session 2: Corruption Vulnerabilities and SOEs.

The panel discussion looked in depth into the various types of corruption vulnerabilities that are evident within SOEs such as the recruitment and procurement processes and, lack of internal controls and standard of procedures. The panelists also highlighted the barriers and challenges faced by the authorities in executing their duties and responsibilities, and highlighted the recurring issues. The panel concluded by underlining the actions required to minimise corruption vulnerabilities in SOEs.

### Session 3: Procurement and Recruitment in SOEs.

The panel discussion explored the specific issues and corruption vulnerabilities in recruitment and procurement practices by SOEs. In recruitment practices, issues highlighted include lack of recruitment policy and human resource needs assessment for SOEs, and recruitment cycles often falling near major political events. As for procurement processes, the panelists highlighted the implementation of single source procurement against the Regulations in place and lack of organisational level accountability in procurement. The panel also discussed best practices, challenges and areas for improvement in procurement and recruitment in SOEs.

### Session 4: Elections and SOEs.

The panel discussion looked into the nature of elections in the Maldives and the involvement of SOEs as evident from past election cycles. Various observations and lessons from past elections were explored by the panelists and specific issues were highlighted such as the utilisation of employees or assets of SOEs for campaign purposes and inauguration of projects close to elections.

### Session 5: Citizen Participation for Accountability.

The panel discussion introduced the concept of citizen participation and the various levels and processes in which citizen participation can occur. The panelists further looked into the importance of citizen participation in policy and decision-making process to increase public trust in public institutions such as SOEs, which in turn can lead to greater public engagement in the functioning and operation of public institutes. The panel discussion explored the level of public participation in the local context and the work carried out to improve both public participation and engagement.

**Session 6: Recurring Issues and Lessons from Audit.**

The panel discussion identified the recurring issues within SOEs as evident from both financial and performance audits of SOEs. The panelists looked into their mandate and the current processes followed by these institutions based on audit reports and findings. The panel discussion emphasised the challenges faced in monitoring and overseeing SOEs such as ensuring recommendations are being followed and lack of cohesion in internal and external audits. The panelists also stressed the importance of all relevant authorities working together to ensure integrity in SOEs.

**Session 7: Asset Declaration and SOEs.**

The panel discussion explored the importance of asset declaration in preventing corruption and the advantages of such an independent verification mechanism or process which can identify and verify assets to prevent cases of illicit enrichment and conflict of interest. The panel discussion also explored the Asset Declaration Bill that was drafted based on best practices, submitted to the Additionally, the panelists highlighted the importance of advocacy and building public pressure to get the bill passed by the People's Majlis.

**Session 8: Responsible Business Conduct: Business and Human Rights.**

The panel discussion explored the areas of responsible business conduct and best practices with a special focus on business and human rights. Two presentations were given where guiding principles and key steps for business integrity such as conducting a risk assessment framework, developing internal controls and, establishing policies and procedures were highlighted. The panelists also highlighted the challenges issues in business and human rights in Maldives including migrant workers' rights, racial and gender discrimination, and human trafficking.

**Session 9: Transparency for Accountability: Media, RTI and Whistleblowing.**

The panel discussion explored the avenues and tools, if implemented and enforced properly, that can ensure transparency and accountability. The panelists highlighted the importance for SOEs to tackle the issue of misinformation and disinformation, and to proactively disclose information so the public is not lost. The panel discussion further looked into the media landscape of the Maldives and challenges such as manipulated content and strings attached with media funding. Additionally, the panelists highlighted the current developments and challenges to the RTI and Whistleblowing frameworks.

**Session 10: Kleptocracy and Lessons learnt.**

The panel discussion looked into the issue of kleptocracy and the culture of secrecy that plays a huge role in increasing vulnerability to corruption. The panelists highlighted the red flags that can lead to grand corruption especially within SOEs such as lack of oversight, minimal reporting and poor management of records and data. The panelists further discussed the lessons learnt from grand corruption cases both in the local and international context.

## Training on Social Audit and Public Participation

TM organised a two day training on Social Audit and Public Participation focusing on social accountability tools. The training was held from 1 – 2 November 2022 and the training was facilitated by Mr. Anoukh de Soysa, Thematic Specialist from Transparency International Secretariat. The training was attended by a total 20 participants from TM, ACC, Local Government Authority, PCB and National Democratic Institute.

### Objectives of the Training

- Ensure that participants are well-versed with social accountability and understand how to use the social accountability tools practically.
- Learn how to implement social audits as a tool and understand how to promote accountability through this mechanism.
- Understand the importance of public participation in decision making process.



Participants from the Training on Social Audit and Public Participation.

The Strengthening Accountability Networks among Civil Society (SANCUS) Project aims to contribute to greater democratic accountability of public institutions globally, specifically by empowering civil society organisations (CSOs) to demand systemic change to address accountability and anti-corruption deficits in 26 countries over 36 months.

In the Maldives, our Project objective is to strengthen the legal and regulatory framework of State-Owned Enterprises and improve the governance, functions and operations of State-Owned Enterprises.

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