TRANSPARENCY
MALDIVES
A Coalition for Integrity

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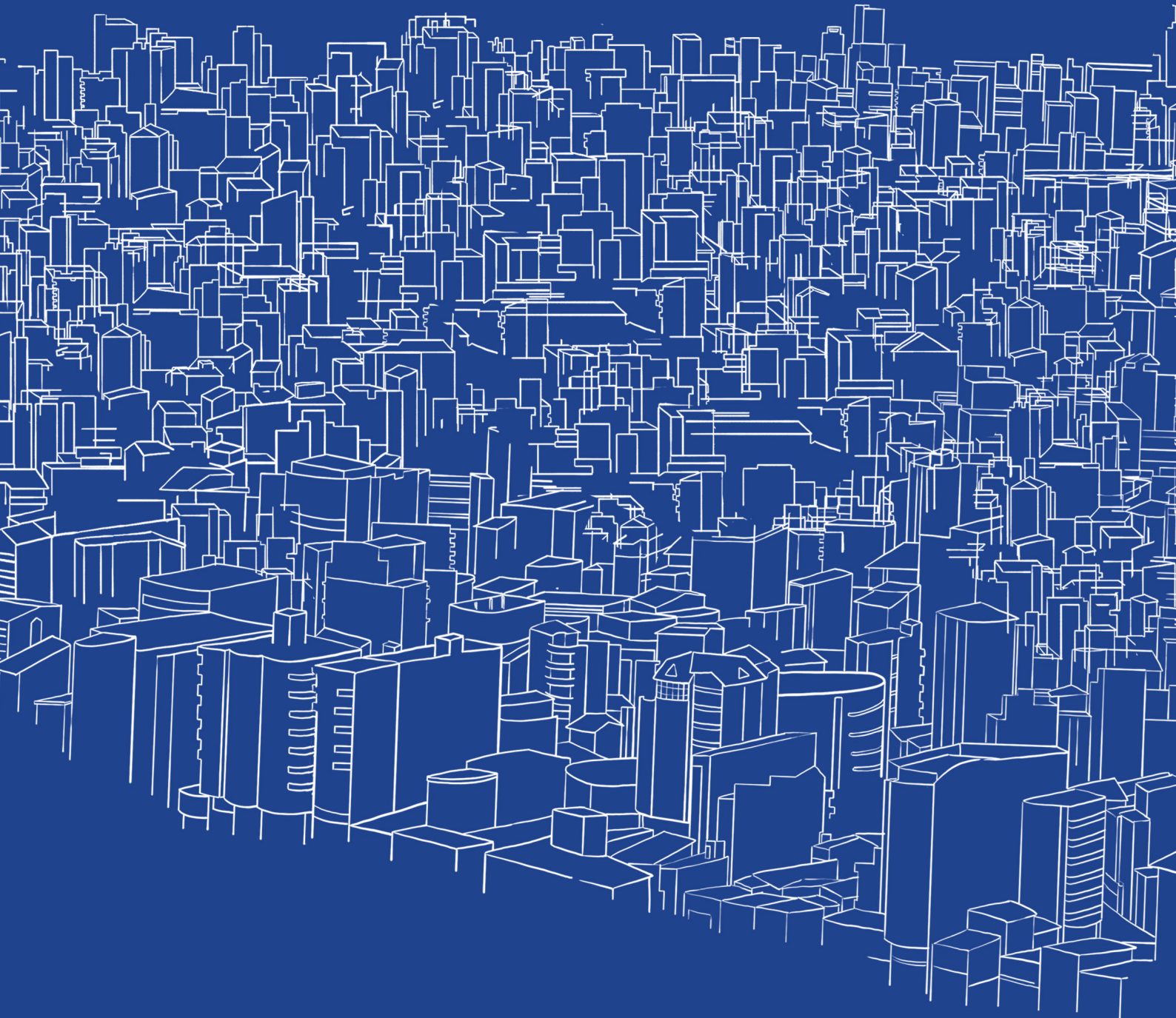CENTER FOR INTERNATIONAL
PRIVATE ENTERPRISE

AN ASSESSMENT OF BUSINESS INTEGRITY
PRACTICES IN THE MALDIVES

Transparency Maldives, the National Chapter of Transparency International in The Maldives, is a non-partisan organization that promotes collaboration, awareness and undertakes other initiatives to improve governance and eliminate corruption from the daily lives of people. Transparency Maldives views corruption as a systemic issue and advocates for institutional changes that will punish and prevent corruption.

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Acknowledgements

FOREWORD

Since Transparency Maldives began our work over 15 years ago to promote governance and eliminate corruption from our daily lives, our focus has been primarily on addressing systemic issues within the public sector.

Today, across the globe, the focus of anti-corruption programs has moved to a whole-of-society approach, acknowledging that the public sector, private sector and the community should work together to combat corruption and promote integrity. The private sector landscape of Maldives now includes micro, small, medium and large businesses active in multiple sectors and with significant foreign investments. Over the past decade, a thriving business community has emerged with the formation of professional bodies and associations and closer engagements with civil society that contributes to the development of Maldives.

Given the significance of private sector, Transparency Maldives embarked on a project "Maldives: Enhancing Practices of Business Integrity" with the objective of promoting awareness of effective business integrity practices within civil society and the private sector. With limited publicly available research on the private sector, this research was undertaken to assess the level of understanding of business integrity and how business integrity standards are applied in practice among business and professional associations, cooperative societies and Civil Society Organizations in the Maldives.

As this is one of the very few research that focuses on business integrity within the private sector and Civil Society Organizations, we are hopeful that the report will add further value to existing studies in the area governance and anti-corruption in the Maldives. The report provides insight into level of understanding and compliance to business integrity standards by organizations and presents the experiences and challenges of these organizations in applying business integrity standards as part of their business practices. The report also highlights current gaps in practice and policy and make recommendations on areas for improvements to enhance business integrity practices in these organizations.

I would like to take this opportunity to thank all the research participants who made time to share their valuable insights and experiences with the research team. Special thanks also to our research consultants and to Transparency Maldives's project team, who supported the research at all stages. Finally, I would like to extend our sincere appreciation to the Center for International Private Enterprises , for their generous support and guidance, which made the research possible, and provide value to the limited research that is available on business integrity practices in the Maldives.

I hope that the findings from the report will assist relevant authorities in addressing the current gaps in policy and capacity of organizations and in developing future programs on business integrity and ethics in the Maldives.

Asiath Rilweena
Executive Director

TRANSPARENCY MALDIVES
A Coalition for Integrity

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LIST OF ACRONYMS

ACB	Anti-Corruption Board
ACC	Anti-Corruption Commission
AGM	Annual General Meeting
AoA	Articles of Association
CA Maldives	Institute of Chartered Accountants of Maldives
CEO	Chief Executive Officer
CIPE	Center for International Private Enterprise
CSO	Civil Society Organization
FSI	Financial Secrecy Index
MDB	Multilateral Development Bank
MED	Ministry of Economic Development
MMPRC	Maldives Marketing and Public Relations Corporation
MYSCE	Ministry of Youth, Sports and Community and Empowerment
NGO	Non-Governmental Organization
TI	Transparency International
TM	Transparency Maldives
UNCAC	United Nations Convention against Corruption
UNDP	United Nations Development Program

EXECUTIVE SUMMARY

As private sector organizations and civil society increase their role in the provision of essential services, a 'whole-of-society' approach in anti-corruption work is needed; and is increasingly viewed as more effective in fighting corruption. This notion is also relevant in the context of Maldives where civil society organizations, professional associations, cooperative societies and business organizations increasingly deliver public services. In addition to the various functions that private sector organizations and civil society undertake, their role in promoting integrity in society is also important.

This assessment report is designed to add further value to existing studies on governance and anti-corruption in the Maldives through a review of four categories of organization - business associations, professional associations, civil society organizations (CSOs), and cooperative societies - that are largely untouched when it comes to assessing the anti-corruption landscape of the Maldives. The key focus of the assessment is to understand if, and in what areas, organizations have business integrity policies and practices, and to identify where gaps exist.

The qualitative research methodology adopted for this assessment involved interviews with key informants and focus group discussions. Focusing on 13 areas of inquiry related to business integrity, an organizational assessment tool was administered through conducting interviews across the four categories of organizations.

Data from the interviews and focus group discussions indicate that across all four categories of organizations, the majority of organizations see business integrity standards and practices as nonessential due to the nature of their operations. This perception is accounted for by the fact that the majority of organizations lack awareness of business integrity standards, and its importance in strengthening the organization and building public trust.

Larger organizations in terms of number of members, annual budgets and operations have business integrity policies and practices. However, small organizations with limited capacity and resources at their disposal see themselves unable to or ill equipped to adopt and adhere to business integrity standards.

Internal accountability within organizations was observed to be weak because the general members' role in holding the governing board and management accountable is limited. Weak internal accountability mechanisms can also be explained by the fact that most organizations are founded and run by close-knit groups, which tends to blur lines of accountability.

There is a mismatch between what is required in the law and what is practiced by

organizations. Despite legal requirements such as the requirement to adopt a code of conduct or publicly disclose information, the majority of organizations do not fully comply with these requirements, and compliance to these requirements are also unchecked.

In spite of the challenges that many organizations experience in terms of resources, capacity and support, all organizations expressed eagerness and willingness to adopt business integrity standards. It is in the interest of the organizations to espouse a culture of business integrity in order to build public confidence in their respective sectors and to ensure that measures are in place to prevent corruption.

1. INTRODUCTION

1. INTRODUCTION

Undertaken as a component of the "Maldives: Enhancing the practice of business integrity" project implemented by Transparency Maldives (TM), this assessment was commissioned to assess the level of understanding and compliance of business integrity standards within business and professional associations, cooperative societies and CSOs in the Maldives.

The assessment report is designed to add further value to existing studies on governance and anti-corruption in the Maldives through a review of business associations, professional associations, CSOs and cooperative societies that are largely untouched when it comes to assessing the anti-corruption landscape of the Maldives. Whilst there have been studies undertaken to understand CSOs and their operations, such as the United Nations Development Program (*UNDP), Comprehensive Study of the Maldivian Civil Society (2011),* and TM's *National Integrity Systems Assessment (2014)*, these studies do not delve deeply into the business integrity standards and practices of these categories of organizations. Research on corruption and other governance issues in the Maldives largely focuses on public institutions, with limited focus on private sector organizations, in particular these categories of associations. This assessment report also provides insight into how business integrity standards are practiced in Maldivian context, and will assist in developing future programs to enhance awareness on business integrity and ethics within organizations in the Maldives.

This report is divided into 5 sections. The report begins by considering definitions of business integrity and its importance in the fight against corruption. The proceeding sections of the report detail business integrity in Maldivian context, methodology utilized, the main findings, challenges, and concludes with recommendations.

1.1 What is business integrity?

Terms such as 'honesty', 'loyalty' and 'adherence to rules' are commonly stated as part of the values of most organizations. This is particularly true in the context of Maldivian organizations but there is limited understanding of or actual application of business integrity and ethics. Transparency International (TI) provides a broader definition of business integrity as "adherence to globally-recognized ethical standards, compliance with both the spirit and letter of the law and regulations, and promotion of responsible core values (e.g. honesty, fairness and trustworthiness)."[1]

Center for International Private Enterprise (CIPE) describes business integrity, when applied to an organization, as "*setting up an organizational code of conduct and ensuring*

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[1] Transparency International, Policy Position, *Building Corporate Integrity Systems to Address Corruption Risks*, #4/2009

that standards are consistently applied and upheld" and as the "*rules and processes that make it harder for bad actors to getaway with harmful and dishonest behavior.*"[2] CIPE also recommends, organizations need to go beyond "paper" compliance, and adhere and uphold business integrity and ethics beyond compliance to rules, regulation and laws.[3]

The terms 'business integrity', 'ethics' and 'compliance' are often used interchangeably in most literature despite the slightly different connotations and for the purpose of this assessment, the term 'business integrity' is used with a focus on anti-corruption standards and practices.

Further, for the purpose of this assessment, **business integrity is defined as a set of standards, safeguards and code of conduct by which an organization undertakes its operations and ensures that the organization has safeguards against corrupt or unethical behavior.**

1.2 Why is business integrity important in private sector organizations[4] and civil society?

While public institutions are more often subject to moral scrutiny, it is equally important to scrutinize business and professional associations, cooperative societies and other CSOs; not only because they are legal entities, but also because these organizations are formed with a purpose - to serve and promote a particular profession, industry, community or cause, and raise revenues/funds for this purpose. To gain legitimacy in the eyes of those these organizations seek to serve, it is important that they undertake their activities not only to merely comply with a set of laws or rules but also to adhere to business integrity and ethical standards and principles at the organizational level.

Increasingly, countering corruption is becoming a priority within the private sector and civil society. This is evident in the rapid development of rules for corporate governance, establishment of mechanisms for corporate responsibility and focus on good business practice. The same can be said of civil society, where increasingly guidelines, compliance rules and codes of business integrity are applied and adherence is expected of CSOs.

Private sector organizations and CSOs are not free from risks of corruption and ethical breaches. Such organizations also do face legal risks, financial costs and reputational risks when they fail to effectively counter corruption. It is in the interest of organizations to adopt ethical behavior in order to avoid risks and to be seen as trustworthy. There are consequences of not being seen to have anti-corruption commitment because funders/donors/sponsors and the public see an organization's integrity system as an indicator of its role and strength of its management and governance.

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[2] *A Guide for Companies in Emerging Markets: Strengthening ethical conduct and business integrity,* Center for International Private Enterprise (CIPE), November 2020, (2020), Page 4.

[3] ibid*.*

[4] Business associations, professional associations and cooperative societies are considered as private sector organizations for the purpose of this assessment.

Looking at the private sector, increasing evidence indicates that corruption is bad for business.[5] The World Bank indicates that over $1 trillion is paid in bribes each year around the world.[6] There is also clear evidence that in many countries corruption adds up to 10 per cent to the cost of doing business and that corruption adds as much as 25 per cent to the cost of public procurement, undermining business performance and diverting public resources from development while leading to potentially lower quality results.[7] Increasingly, businesses are also facing consequences for lack of adherence to business integrity. For instance, in 2010, Multilateral Development Banks (MDBs) including the World Bank, the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and the Inter-American Development Bank Group mutually agreed that if one MDB declares a firm or an individual ineligible for procurement contracts because of fraud and corruption, then all the other MDBs will do the same. In 2010 alone, the World Bank banned dozens of contractors guilty of corruption from bidding on projects supported by World Bank funds.[8]

Some studies suggest that higher levels of integrity are also correlated with commercial success. Businesses with solid integrity frameworks are generally able to reduce their exposure to corruption and avoid costs associated with paying bribes. Furthermore, businesses with a reputation for acting with integrity may enjoy additional commercial opportunities over their competitors, reduce costs, retain a motivated workforce, enjoy public trust and sustain growth patterns.[9] Serafiem (2014, cited in Transparency International, 2018) states "where bribery is exposed by a company's own internal control mechanisms or whistleblowing channels, the negative impact of the bribery incident on the firm's regulatory relations is considerably less severe than when it is uncovered by external bodies such as the media, competitors, or law enforcement".[10]

Anti-corruption effort and promotion of integrity is increasingly seen as being more effective when using a 'whole-of-society' approach rather than focusing only on the integrity of public institutions. Private sector organizations and civil society are increasingly taking on roles played by the State including provision of essential services. This is seen in the context of Maldives, where some CSOs and professional associations provide public services ranging from health services to social services. Business associations in the Maldives also play an integral role where they act as key lobbying groups and stakeholders in promoting key industries in the country.

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[5] *Business Against Corruption: A Framework for Action,* UN Global Compact, 2000. Page 6. Available at https://d306pr3pise04h.cloudfront.net/docs/news_events%2F8.1%2Fbac_fin.pdf (Accessed on 02.10.2022)

[6] ibid.

[7] ibid.

[8] *Business Against Corruption: A Framework for Action,* UN Global Compact, 2000. Page 4. Available at https://d306pr3pise04h.cloudfront.net/docs/news_events%2F8.1%2Fbac_fin.pdf (Accessed on 02.10.2022)

[9] *The Relationship Between Business Integrity and Commercial Success,* U4 Anti-Corruption Resource Centre, January 2018, Transparency International.

[10] *The Relationship Between Business Integrity and Commercial Success,* U4 Anti-Corruption Resource Centre, January 2018, Transparency International. Page 10.

Therefore, it is integral that such private sector organizations and CSOs adopt strong measures to establish and maintain business integrity. It is a combined effort of both the public and private sector of a society that effectively counters corruption in a country.

TM recognizes the importance of business integrity in the private sector and civil society as part of a whole-of-society effort to counter corruption. This assessment report seeks to add new insight into how business integrity is practiced, identify gaps and provide recommendations on future actions in strengthening business integrity compliance in the Maldives. The following sections provide analysis of the current context of business integrity in the Maldives and the methodology used in this assessment.
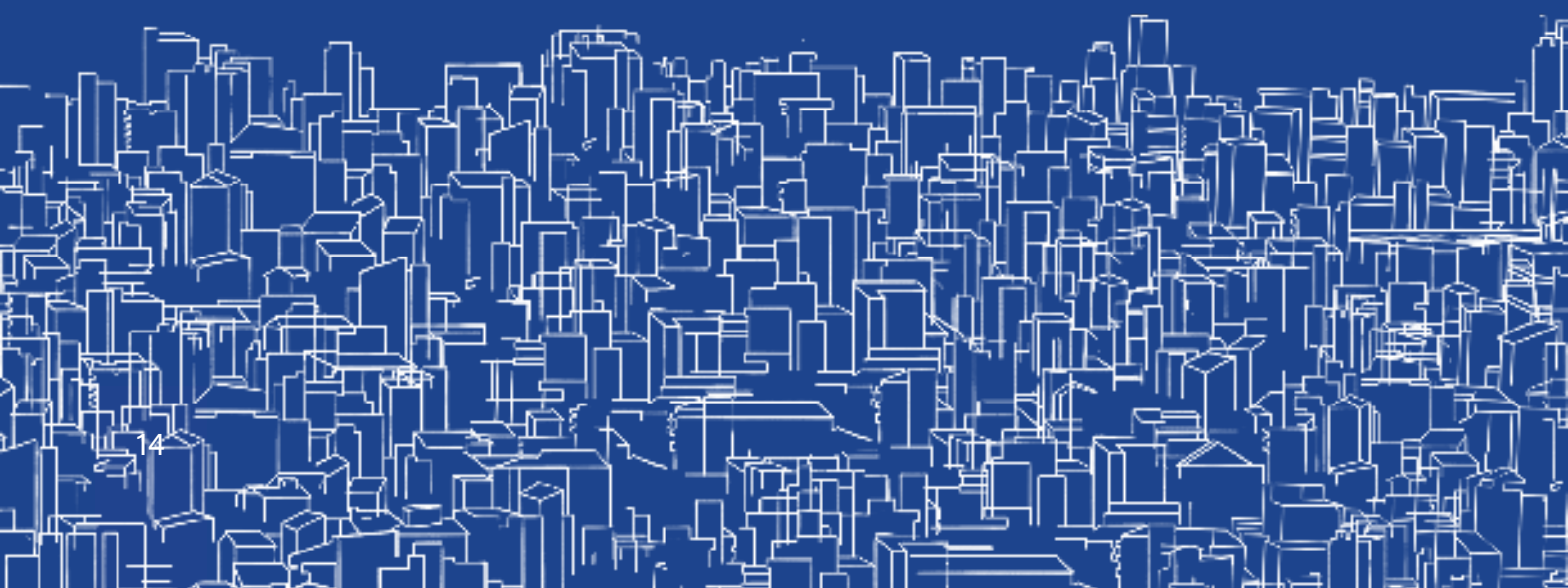
2. BUSINESS INTEGRITY IN MALDIVIAN CONTEXT

BUSINESS INTEGRITY IN MALDIVIAN CONTEXT

Since the establishment of the Anti-Corruption Board (ACB) in 1991 and later the Anti-Corruption Commission (ACC) in 2008, in the national effort to fight corruption the focus has been on public sector integrity and corruption, applied mostly through criminalization and law enforcement. Preventive and educational programs are also mostly directed towards the public sector. With the increasing need to effectively address public sector corruption along with the restraints in resources, venturing into private sector corruption has been secondary and limited. Thus, so far, there has not been an organized effort to identify or address issues of integrity and ethics in the private sector or the civil society in Maldives and how it can adversely affect the whole anti-corruption system.

Corruption indicators show the Maldives' alarming experience with the problem of corruption. According to the 2021 Global Corruption Perception Index published by TI, the Maldives fell three points in score and 10 positions in ranking in comparison to the previous year and continued to be among two thirds of countries who score below 50.[11] According to the 2020 Global Corruption Barometer Survey by TM, 90% of Maldivians believe that corruption is the biggest problem in the public sector and 53% believe that corruption has increased.[12] According to the 2022 Financial Secrecy Index (FSI) Maldives is ranked 91 with a high secrecy score of 75.2, indicating that the legal and regulatory framework in the Maldives enables illicit financial flows to a high degree.[13] The high level of secrecy and the high level of public perception of corruption indicates the need to assess the drivers and impact of corruption across the whole anti-corruption system of the country.

The National Integrity Systems Assessment undertaken by TM in 2014 offers one of the few notable studies which comprehensively assess the integrity system of the country where civil society and the business sector is included as one of 12 key pillar institutions, and provides recommendations to increase transparency, governance and integrity mechanisms in the country. The study noted that political bias embedded in the institutional framework, together with institutional shortcomings, reduces the level of accountability, transparency and integrity functions of all institutions in the country including civil society and business sector.[14]

The first amendment to the Anti-Corruption Commission Act (16/2020) ratified on 21 September 2020 broadened and specified the ACC's role in terms of engaging with civil society and the private sector to prevent corruption and promote and establish

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[11] *Global Corruption Perception Index 2021*, Transparency International, Available at https://www.transparency.org/en/cpi/2021/index/mdv (Accessed on 01.08.2022)

[12] Global Corruption Barometer Survey 2020, Transparency Maldives, Available at https://transparency.mv/publications/global-corruption-barometer-survey-2020/ (Accessed on 01.08.2021)

[13] *Financial Secrecy Index 2021,* Tax Justice Network, Available at https://fsi.taxjustice.no/fsi/2022/MDV/index/top (Accessed on 01.08.2022)

[14] National Integrity Systems Assessment 2014, Transparency Maldives.

standards of ethics.[15] This indicates the growing need and interest to involve the private sector and civil society to counter corruption in the Maldives. Furthermore, the Maldives, as a party to the United Nations Convention Against Corruption (UNCAC) is also obligated to undertake measures to prevent corruption involving the private sector, and promote the active participation of society in the prevention and fight against corruption.[16]

While it is difficult to ascertain the size of the crime economy of the Maldives, media reports, corruption indicators from local and international assessments, grand corruption cases such as the Maldives Marketing and Public Relations Corporation (MMPRC) grand corruption case and anecdotal evidence show that the effort to counter and prevent corruption need to be undertaken using a whole-of-society approach where the private sector and civil society are included as part of the solution. Further, it is in the best interest of private sector including companies, business and professional associations, cooperative societies and CSOs to adopt business integrity standards, as a lack of safeguards, and checks and balances can make way for corrupt practices, which

can ultimately hold the organization or party liable under the penal laws which can adversely affect the functioning and reputation of the organization.

2.1 Categorization of organizations in the Maldives

In order to categorize organizations for the purpose of the assessment, international definitions of target groups were studied as well as the definitions under Maldivian law.

Business associations are membership organizations that are engaged in and supports the business interests of their members[17] , whilst professional associations (used interchangeably with the term professional bodies) are organizations that act as a peak body or umbrella for professionals working in the same or similar fields.[18] The United Nations defines CSOs as non-governmental organizations (NGOs) that operate as non-profit, voluntary citizens' groups organized on a local, national or international level.[19] Cooperative societies are defined as "a voluntary association of individuals who come together with the intention to work together and to promote their economic interest."[20]

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[15] First Amendment to the ACC Act , Law No. 16/2020, Clause 21 (e), (m), (r): promote values of honesty and integrity among the public institutions, and publicly owned or shared companies, increase cooperation with CSO and raise awareness against corruption within the CSO's and train them on standards of integrity and collaborate with them to combat corruption, establish standards, guidelines and systems to prevent corruption within the public institutions as well as the private sector and assess adherence to those systems and make any necessary changes to the systems and order to comply in cases of non-compliance.

[16] Maldives acceded to the United Nations Convention Against Corruption on 22 March 2007.

[17] *Business Association Meaning: What You Need to Know, Upcounsel,* 2020, Available at: https://www.upcounsel.com/business-association-meaning#:~:text=October%2029%2C%202020%3A-,The%20business%20association%20meaning%20refers%20to%20membership%20organizations%20that%20are,business%20interests%20of%20their%20members. (Accessed on 01.08.2022)

[18] Professional Associations, University of Sydney, Available at: https://www.sydney.edu.au/careers/students/career-advice-and-development/professional-associations.html (Accessed on 01.08. 2022).

[19] *Who we are*, United Nations: Civil Society, Available at https://www.un.org/en/civil-society/page/about-us (Accessed on 01.08.2022)

[20] *Co-operative Societies – Meaning and Formation*, Available at https://www.indiafilings.com/learn/formation-of-co-operative-societies-in-india/ (Accessed on 02.08.2022)

In the Maldivian context, categorizations of organizations are nuanced. For example, whilst some professional associations are formed under specific laws, there are professional associations that are formed under the Associations Act (1/2003) such as Maldives Medical Association and Maldives Journalist Association. Professional associations that regulate specific professions such as the Bar Council of the Maldives and the Institute of Chartered Accountants of the Maldives (CA Maldives) are governed by specific laws pertaining to the respective profession. Associations falling under categories 2, 3 and 4(b) as stated below are governed by the Associations Act (1/2003) and are under the purview of the Registrar of Associations under the Ministry of Youth, Sports and Community Empowerment (MYSCE). Cooperative societies are governed by the Cooperative Society Act (3/2007) and are under the purview of the Registrar of Cooperatives under the Ministry of Economic Development (MED).

Based on the legal framework in the Maldives, and for the purposes of this research, organizations were categorized as follows:

1. Cooperative societies
2. CSOs
3. Business associations
4. Professional Associations

    a) Professional Associations formed under specific laws

    b) Professional Associations formed under the Associations Act (1/2003)

A more comprehensive Act for Associations, Act no: 3/2022, that categorize and clarify types of associations was ratified on 9 May 2022, however, the law was not in effect at the time of research.[21] Thus, the key legislation currently in effect for governance and regulation of 'associations' in the Maldives is the Associations Act (1/2003) and Regulation on Associations (2015/R-180). The Associations Act (1/2003) does not define or categorize different types of associations and provides a more general definition in its clause 39 (a) for associations and defines an association as "*associations and clubs incorporated in accordance with the Act as business organizations or non-profit organizations*". Given that the law in effect at the time of research for this assessment is the Associations Act (1/2003), categorization of organizations and study of requirements in the law is based on the Associations Act (1/2003).

2.2 Existing business integrity requirements for organizations under governing laws

Governing laws pertaining to CSOs, professional associations, business associations and cooperative societies consist of some similarities in the prescribed governance structure, oversight and reporting mechanisms, transparency standards and other legally required compliance rules. This subsection provides an overview of the business integrity requirements identified in the governing laws and regulations of organizations

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[21] Associations Act, Law No. 3/2022, Clause 10 and 80. This law was in effect at the time of publishing.

targeted in this assessment.

With regard to cooperative societies, the rules and regulations are prescribed in the Cooperative Society Act (3/2007), the General Regulation on Cooperative Societies (09 August 2010) and the Cooperative Society Governance Code (09 August 2010) and Cooperative Societies' Articles of Association (AoA) or *Hingaa Gavaidhu* and Memorandum of Association or *Asaasee Gavaidhu* prescribed under the said regulation. The legal framework covers, among other things, rules related to how the governing board should conduct itself, maintaining meeting minutes, access to information, due diligence measures for electing members to the governing board, auditing and maintaining financial records, internal controls, fundraising and reporting requirements.

Similarly the Associations Act (1/2003) and Association's Regulation (2015/R-180) have provisions or requirements for the rules of procedure of the organization, the code of conduct, financial record keeping, the place and duration for maintaining financial records, preparing annual financial reports and annual reports, auditing, banking requirements for maintaining funds, fundraising, getting international funds, access to information and reporting to the registrar should there be any abuse of the organization's funds and property by a member of the organization.

Although the new Associations Act (3/2022) was not in effect at the time of writing, it must be noted that the new Act also has provisions or requirements on record keeping, auditing, annual reporting, fundraising, and complaints mechanisms. The new Act also stipulates prohibitions such as political activity or partisanship, military training or participation, and personal financial gain.

For professional associations formed under specific laws, the Legal Professions Act (5/2019) and the Rules of Procedure of the Bar Council of the Maldives (2019/R-1042) *inter alia*, stipulates requirements or rules for due diligence for the position of President and Vice President of the Council, members of the governing council, the Secretary General, reporting requirements on activities and finances and conflict of interest. The Maldives Chartered Accountants Act (13/2020) and the CA Maldives Membership Regulation 2020 (2020/R-121) has rules for due diligence for the members of the Institute, procedures for financial management and auditing, reporting, ethics committee, code of professional conduct and ethics of the Institute.
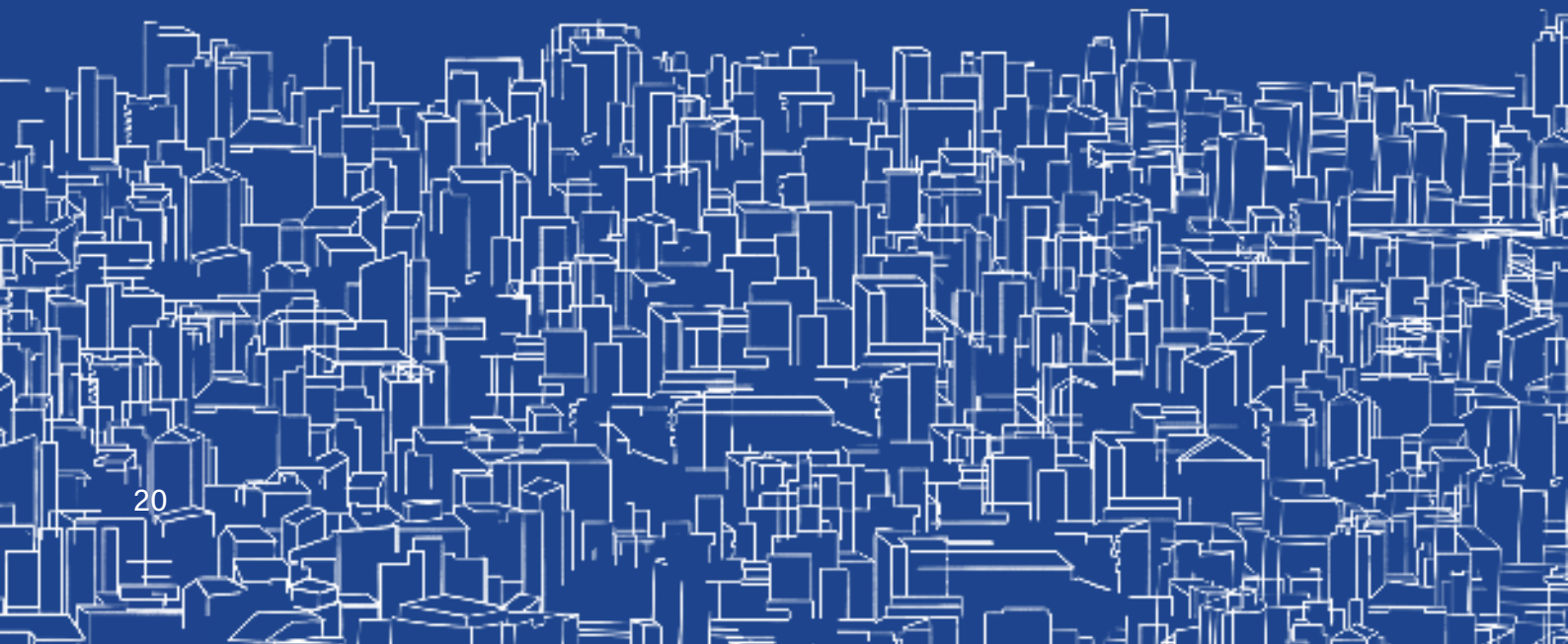
3. METHODOLOGY

3. METHODOLOGY

The research methodology adopted for this assessment involved an interview and questionnaire-based qualitative approach. The key focus of the assessment was to understand if and in what areas organizations have business integrity and ethics policies and practices, and to identify where gaps exist. Interviews were conducted with 1-2 key personnel of selected organizations using an organizational assessment questionnaire based on 13 areas of inquiry. The key areas of inquiry identified for interviews with individual organizations were guided by the existing literature and similar organizational assessments on business integrity and ethics reviewed for the research. Focus group discussions were held to further understand structural issues and challenges, and identify areas for improvement.

3.1 Desk review

The first phase of this assessment consisted of a desk review examining the national legislative and policy documents, and existing studies relevant to the civil society sector, professional associations, cooperative societies and business associations in the Maldives. The desk review also included international and national commitments to good governance and anti-corruption, with a particular focus on civil society and the business sector. In order to categorize the target groups of organizations, international definitions and conceptual understanding of these target groups, as well as definitions prescribed in Maldivian law were studied.

In order to assess the level of compliance to business integrity standards, international handbooks, compliance manuals and compendiums were studied to identify areas of inquiry. An organizational assessment tool/questionnaire was developed which was designed to guide the purposive qualitative interviews with organizations. 13 areas of inquiry were identified for the assessment tool as follows, and 56 questions were developed in relation to the 13 areas as part of the assessment tool.

1. leaderships and commitment
2. oversight and governance
3. human resource management
4. internal control and audit system
5. fundraising and resource mobilization
6. gift policy
7. anti-corruption policy/program
8. code of conduct
9. conflict of interest
10. reporting systems and whistleblowing
11. risk assessment
12. access to information and transparency
13. communication and training

3.2 Data collection and analysis

According to information collected from the MYSCE, 885 NGOs registered under the Associations Act (1/2003) were categorized as 'active' NGOs by the Ministry[22], though it is not clear how the Ministry assesses active and non-active NGOs. From data collected from the MED, there are 116 registered cooperative societies in the Maldives.[23] Using purposive sampling (also known as selective sampling) organizations were selected for the interviews, founded on the categories of organizations as described in Section 2.2 and based on the lists obtained from the Ministries. The qualifying criteria for selecting organizations were based on a number of factors including level of activity or operations, length of operation, geographic location, purpose of the organization (public interest or private interest), community based or national level, availability, accessibility and ability to influence and impact. Anticipating that a proportion of organizations would be inactive or unreachable, an initial list of 84 organizations across all four categories was drawn up. Out of these, 32 organizations were selected for the sample and contacted - eight from each category. Multiple attempts were made to contact each organization and after multiple attempts, other organizations in the initial list were contacted. 51 organizations were contacted in total.

Semi-structured purposive interviews were held with 30 organizations (Annex 1) with 44 senior officers from organizations participating in the interviews. 22 interviews were conducted face to face with eight interviews conducted online via Zoom. Five organizations outside Male' were interviewed including three civil society organizations and two cooperative societies. Out of the 30 organizations interviewed 19 organizations had a membership base of over 100 members and 14 organizations had an annual operating budget exceeding MVR 300,000, with 16 organizations having an annual budget between MVR 10,000 to MVR 299,999.

20 organizations and individuals were contacted to participate in the focus group discussions. A total of three focus group discussions were conducted, one in Addu City and two in Male' with 11 participants representing various organizations and professions. Focus group discussions were designed to supplement the information gathered from the interviews with individual organizations and allow deeper understanding of the issues and challenges and to guide future actions.

Given the qualitative nature of the data, all the information from the interviews and focus groups discussions were transcribed, collated and categorized, followed by analysis and report writing.

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22 Associations This information was gathered from the Ministry from a response to a Right to Information request. Letter dated 23 August 2022.

23 Cooperative Societies List, https://business.egov.mv/BusinessRegistry (Accessed on 25.07.2022).

3.3 Limitations and ethical considerations

The assessment was not designed to seek an all-inclusive assessment of the experiences and level of understanding across all different types and scope of organizations that fall within the categories. The contextual analysis of the operating environment for organizations in the Maldives indicate varying degrees of operations, influence, resources and capacity of organizations, hence it would be difficult to capture the experience of all types of organizations in their various capacities. However, the categorization of organizations and the sample selection criteria, was designed to capture the experiences of a wide range of organizations as much as possible.

Further, given the nature of the areas of inquiry for the assessment, senior personnel of organizations may downplay issues and present their organizations in a more positive light than actual reality, which may skew some information. However, the organizational assessment questionnaire was designed to mitigate this as much as possible with questions designed to collect factual information as well as subjective opinions.

There were also difficulties reaching the target number of interviewees due to lack of response to interview requests, and due to unavailability of updated contact information. As a result of this, 30 out of the initially targeted 32 interviews were conducted. The 30 interviews provided a robust set of results, which was not impacted by missing two of the originally targeted number of interviews.

In terms of ethical considerations, due to the sensitive nature of the information shared by organizations, it was essential that confidentiality and anonymity was maintained. None of the information shared is attributed to any organization apart from factual and legal information related to the two professional associations registered under specific laws. At the start of all interviews and focus group discussions, ethical conduct of the research was communicated to the participants.

4. MAIN FINDINGS

4. MAIN FINDINGS

After a review of relevant laws, local and international business integrity standards and guidelines, information related to the key areas of inquiry were collected from in-depth interviews with organizations and focus group discussions. Drawing on information from the interviews and the focus group discussions, and the existing laws and regulations in the Maldives in relation to business integrity standards, the following sections summarize the main findings across each of the 13 areas of inquiry and the challenges reported by organizations.

4.1 Leadership and commitment

Leadership engagement and commitment, also referred to as the 'tone from the top', influences the norms and values by which an organization operates. The organization's executive committee or governing body, the Chief Executive Officer's (CEO's) and/or the Senior Management's commitment towards business integrity can be established in the form of formalized commitment to an anti-corruption program, by providing sufficient resources for such a program, and through policies and procedures. Leadership commitment to business integrity should not just be a tick-box exercise but should be an active initiative and monitored by the leadership.

Across all categories of organizations interviewed, none of the organizations had a specific formalized commitment from the leadership in the form of programs or allocated resources to promote anti-corruption or business integrity standards in their operations. However, the majority of the organizations noted that they are committed to business integrity standards and noted the different internal policies they have that prevent corruption such as standard operating procedures on finances, recruitment, procurement and decision-making. Regardless of the type of organization and its scope of operation, compliance to specific laws relevant to the type of organization such as the Associations Act (1/2003) or Cooperative Society Act (3/2007) is also understood as leadership commitment to business integrity standards. One business association noted that they do not agree or believe that anti-corruption programs are needed in their operations because they do not experience corruption and noted that corruption is specific to the public sector.

The majority of the organizations interviewed are led and managed by either the President of their governing board (also referred to as the Executive Committee) or the Secretary General. Owing to lack of employees, resources and small-scale operation, very few organizations have a separate management layer from the governing board. Responsibilities of members of the governing board are stipulated in the organization's AoA/

constitution. Only one CSO noted that their noted that their CEO's role has written responsibility to adhere to business integrity standards and promote integrity. All other organizations across the four categories in the sample noted that the President/Secretary General/CEO responsibilities are stipulated in their AoA but only covers the responsibility to uphold the organization's rules and procedures.

Interestingly, one organization noted that their governing board was elected on the pledge of promoting integrity and preventing corruption through amendments to their constitution and to stipulate policies to prevent corruption. Apart from the more established organizations in terms of governing framework, scope and years in operation, there appears to be limited awareness of what constitutes top level commitment to business integrity standards and anti-corruption. The existence of operational policies and compliance to the minimum standards in the law and guiding regulations does not constitute strong commitment to business integrity standards.

4.2 Oversight and governance mechanism

Organizations are required to have an effective governance structure, sometimes by national laws, or by international partnership rules and by internal policies. The governance structure of an organization can be stipulated in the AoA/constitution or in a specific law. The credibility of the organization, its ability to achieve its mission and objectives, and the level of public trust in the organization will depend on the strength of its oversight and governance mechanisms. The governing body of an organization is responsible for the strategic tasks of setting the organization's goals, directions and accountability frameworks, whereas the management of the organization is responsible for allocation of resources and overseeing day to day operations. Conventionally, it is the governing body that takes decisions on the organization's resources; monitors compliance to laws and donor requirements; oversees fiduciary requirements; and ensures that the organization is in compliance with the mission and operates independently.

The governance structure of business associations, professional associations, cooperative societies and CSOs are guided by law in the Maldives. The laws pertaining to these four categories of organizations all require the organizations to have an elected governing board with a minimum number of board members specified. While board membership numbers ranged from 3 - 21 members across all organizations interviewed, individual organizations determine the number of board members for their governing body. In terms of management of the organization, 8 out of the 30 organizations interviewed have an executive management role in the style of CEO and Manager, and the majority of organizations have the President or Chairperson or Secretary General of the

governing board undertake the dual role of strategic and operational oversight.

All organizations interviewed noted that their respective organization is structured to govern itself autonomously and are equipped to control its own activities; and that their activities, policies and vision are determined mainly by members and guided by their internal strategic plans and governing board. CSOs affiliated with international or partner organizations noted that they ensure that their activities align with their affiliated partners. Very few organizations noted that their activities are aligned and on occasion guided by donor agencies.

The majority of the organizations interviewed noted that they monitor the effectiveness of their activities by assessing their annual work plans. Some notable examples of internal monitoring practices include quarterly and annual presentation of work plans and performance reports for the governing board to review. However, the majority of organizations do not have specific monitoring and evaluation frameworks, and some organizations noted that they assess effectiveness and performance of their activities as per donor requirements.

All organizations registered under the Associations Act (1/2003) are required to submit their annual activity and financial reports to the Registrar of Associations under the MYSCE. Similarly, cooperative societies registered under the Cooperative Society Act (3/2007) are required to submit

their annual activity and financial reports to the MED. Only six organizations affiliated with local or international organizations noted that they submit reports to their affiliated organization.

From the two professional associations established under specific laws and with allocated state budgets, the CA Maldives, by law, is not accountable to any state oversight body but is accountable to its members. However, the organization submits their annual activity and financial reports to the Parliament as required by the Maldives Chartered Accountants Act (13/2020). The Bar Council of the Maldives is accountable to its general members, however as required by the Legal Professions Act (5/2019), annual reports along with external audit reports are sent to the Parliament while audit reports are also sent to the Auditor General's Office. Further, the governance structure of both these organizations are noted to have separate governance layers in the form of a governing council and a separate management layer.

All organizations interviewed noted that despite the submission of annual reports there is no verification of their reports and questioned if authorities actually read the reports submitted by organizations.

The majority of organizations, across all categories, noted that they do not have a legal department or function in the organization, citing reasons such as lack of a need for legal advice, resource constraints and ease of access to a pro bono lawyer. Only eight organizations reported having a

specific legal support function in the form of a legal officer, legal division or a voluntary legal advisor in the governing board. The majority of organizations seek legal advice externally through pro bono lawyers or hire lawyers on retainer basis when the need for legal advice arises.

The governance structure of organizations in the sample are primarily determined by existing laws. However, there are some differences in their layers of accountability and monitoring mechanisms within organizations based on their organizational structure and capacity. Some of the larger, more established organizations in terms of their annual budgets, scope of operation and length of service, have governing board, council, committees and management layers for oversight and accountability.

It is also observed that there are overlapping functions between the governing body members and managers in most organizations. Except for a few organizations, there is no separation of responsibilities and powers for governing body and management. The President of the governing board also acts as the CEO/Manager. Due to lack of resources, lack of awareness and small-scale nature of organizations' operations, governing board members undertake the dual tasks of governing responsibilities and management of day-to-day operations of the organization.

In terms of autonomy and independence of organizations, all organizations operate with full autonomy irrespective of their affiliations and dependency on donor funds. Reporting to relevant state authorities is noted as a mere compliance requirement and is not perceived as a functioning oversight mechanism due to the lack of feedback or inquiry by authorities. Whilst it may not be feasible for authorities to review and clarify reports of thousands of organizations and excessive regulation of CSOs is not encouraged, in order to build trust in this oversight function, authorities need to undertake some level of monitoring and verification, whether it is by spot checks or based on annual operational budget thresholds for monitoring an organization.

4.3 Human resource management

As the function which manages all issues related to people working or volunteering in an organization, the human resource management system ensures that processes, procedures and policies are in place as a defense against any improper, unethical and corrupt behavior. The recruitment, hiring, evaluation, and rewarding or sanction of employees within human resource management therefore must be continuously evaluated to understand the extent to which they provide protection against corrupt practices and to ensure that all processes are fair.

Out of the 30 organizations interviewed, only seven organizations have a separate recruitment policy with one organization awaiting board approval for their recruitment policy. Out of the 22 organizations that do not have a specific recruitment policy, eight organizations stated that they have no paid staff or no requirement for paid staff.

In terms of recruitment procedures for paid employees, 20 organizations noted that a panel of 3-4 individuals evaluates a candidate's credentials. These organizations note that even if they do not have a written recruitment procedure or policy, they practice standard recruitment procedures such as advertising for posts, candidate evaluations and interviews. Most organizations reported that decision making on staffing requirements is often based on projects and activity needs, and is decided by the governing board of the

organization. Only three organizations noted that staffing requirements are guided by an organizational structure.

For organizations that recruit paid or unpaid employees, they undertake due diligence via criminal record checks from state authorities, references and other background checks. However, the majority of organizations do not undertake due diligence for members and membership into the governing board. Professional associations noted that due diligence for membership of the association or the governing board are not required because criminal record checks, eligibility criteria and other compliance rules are already specified and applied to them by their respective regulatory bodies. Business associations noted that often members elected to governing boards are already reputable, distinguished individuals in their respective industry, hence do not require due diligence.

Overall, in terms of organization's procedures and practices related to human resource functions, the majority of organizations undertake recruitment practices, and due diligence measures to some extent. Whilst it is best practice to have a recruitment policy, understandably, many of the smaller organizations with no staff, and where the organization depends on the voluntary contributions and time of the governing board members, do not see the need to have a recruitment policy. Despite the absence of a recruitment policy, more positively, all the organizations reported that they do practice standard

recruitment practices such as having job adverts and interviews by panels.

By law all categories of organizations are required to undertake due diligence in varying levels (some applicable to general members whilst others are only applicable to governing board members), as prescribed in their relevant laws. However, based on the discussions with organizations, there appears to be limited awareness of the level of due diligence organizations are required to undertake by law as well within their own agreed standards, and refer to informal and ad hoc practices for staff, governing board members and general members. It is also observed that instead of undertaking their own due diligence, some organizations rely on the due diligence mechanisms that members are subject to in relation to their profession or industry.

As for procedures followed in undertaking disciplinary action, all organizations appear to have some type of mechanism to undertake disciplinary action, with some organizations noting a more structured approach to disciplinary action than others. Two organizations have an internal ethics committee that oversees ethical violations, whilst the majority of organizations refer to their AoA or use the Employment Act as a guideline for disciplinary action. Although the majority of organizations report that they have not experienced a situation where corrupt or unethical behavior by staff or members needed to be addressed, they were confident that such behavior by staff or members will be sanctioned through the current procedures or practices of

the organizations. Although this is an indication of their confidence in their own internal mechanisms, it is not a guarantee or assurance that safeguards are in place to address or sanction for corrupt behavior or violations.

Further, smaller organizations appear to rely on internal understanding and unwritten rules when it comes to sanctioning corrupt or unethical behavior.

4.4 Internal control and audit system

An adequate and effective control and audit system minimizes opportunities for abuse or corrupt behavior through mechanisms such as segregation of duties, establishing levels of authorities and checks and balances, internal procedures and requirements for maintaining financial records, safeguarding of assets, internal and external audits, subjecting those involved in the processes to be accountable for any inconsistencies or discrepancies. Such a system would also help in identifying areas that have weaker controls and are more prone to be abused.

In terms of requirements for financial record keeping, reporting and auditing, the relevant laws and regulations prescribe annual financial reports and auditing. As such, all four categories of organizations prepare annual activity and financial reports, however, the level of transparency and proactive disclosure of these reports vary across organizations. Organizations appear to be more open to the idea and practice of sharing their reports with their

members only and see public disclosure of their annual and financial reports as secondary. With some organizations noting that they do not see public disclosure as a requirement because they don't see it as a public interest matter. Most of the organizations noted that the reports shared during the AGM can be accessed by general members of their respective organizations upon request. Few organizations stated that annual reports can also be accessed from their websites and via members only intranets or portals.

4.4.1. Auditing

While the law requires auditing for all categories of organizations, only those organizations with larger annual budgets and operations reported that they undertake annual external audits. Organizations that do not undertake annual auditing report that the small scale of their operations, the lack of funds to undertake external auditing and due to their cash basis operations, they are unable to undertake external auditing. One organization noted that because their governing board members were collectively involved in the operations, spent their own money on the organization, and were aware of all activities, an external audit was deemed unnecessary.

For those organizations that undertook external audits, they noted that when issues are identified in the audit, the audit issue is often discussed among the governing body and plans are formulated to address the issues identified. For instance, one

organization noted that when their audit report identified issues in their financial reporting and reconciliation, the governing body set up a plan to draft a financial policy for the organization.

In order to reduce risk of error or inappropriate action in carrying out financial transactions, organizations do undertake segregation of duties to the extent that their organizational structure and capacity allows. While larger organizations in terms of budget and operational capacity, segregate duties in undertaking financial transactions, smaller organizations with budget and staff limitations do not segregate duties. Often smaller organizations are run by the same group of people undertaking multiple duties; hence lines of responsibility and duty are blurred. However, all organizations appear to understand the importance of segregation of duties and appear to practice segregation according to their structural capacity and ability.

Overall, despite organizations' intention to audit and follow financial best practices such as segregation of duties, due to capacity and resource constraints, informal organizational structures and culture, and weak internal accountability most organizations do not uphold these best practices.

Furthermore, it was also observed that there is a mismatch between what is required in the law and what is practiced by organizations, for instance by law organizations are required to audit but due to the above-mentioned constraints

a majority of organizations only submit their annual financial report; and it was noted by interviewed organizations that the Registrar of Associations do not raise the absence of an audit report as an issue with the organizations.

4.4.2. Procurement

A large majority of the organizations interviewed do not have a written procurement policy or guidelines. While some organizations followed the procurement policies of their affiliated international organizations or the procurement guidelines of the donor agency, other organizations used the Public Financial Regulations as a guideline in their procurement practice.

Although the majority of the organizations do not have written procurement policies or procedures, there are varying degrees of procurement practices such as obtaining quotations from multiple parties, or having an internal understanding to procure at the minimum price available or discussion at the board level before procuring certain items or services. Some of the organizations interviewed noted that because they are self-funded or utilize member's own resources, and undertake limited procurement activities, they do not find it necessary to have very stringent or strict procurement policies in written form.

Organizations with written procurement policies or procedures use different formats for their procurement policy. Some organizations have a separate policy, whilst other organizations incorporate procurement procedures in their financial policy or spending policy or operating manual. Most of the organizations noted that they follow their own unwritten procurement practices, except for when a specific requirement is set by funders or donors. One CSO noted that their financial policy mostly aligns with donor standards or requirements for procurement.

Although some established, more structured larger organizations have a specific finance function in the form of a separate finance department or a specific job role such as a finance manager, smaller organizations perform their financial functions either collectively by the governing body, or by the treasurer.

In terms of the type of procurement method frequently used by organizations, the majority of the organizations procure goods and services using single source procurement method as opposed to competitive bidding method, citing different reasons based on their operation and scale. Some organizations stated that their self-funded status and use of personal funds do not require strict procurement procedures. Other organizations noted that owing to the small scale of the organization and due to the nature of some of the goods they are required to procure, they resort to obtaining goods from sole distributors.

Except for tenders opened to the public, none of the organizations across all the four categories have a formalized or set procedure to report non-compliance

to procurement policies or procedures, and none of the organizations reported receiving any complaints. However, all the organizations noted that complaints or reports can be directed to the governing board or the President, CEO or Secretary General of the organization in writing.

With the exception of the two professional associations registered under specific laws, it was noted that while organizations understood general procurement practices and while some had some procedures set, the general preference for procurement appeared to be of a more informal and flexible approach that is more in line with the scale and operating culture of each organization.

Given that many of the organizations interviewed across all four categories undertake their activities on behalf of either members of their profession, their industry, their community or the general public; raise funds and sponsors in the name of these groups; and undertake public services in some instances involving large budgets, it is concerning that organizations do not have written minimum standards of procurement. For instance, one cooperative society with a huge operational annual budget noted that they do not have a written procurement policy and rely on the governing board for their procurement.

4.4.3. Budgeting and revenue

Budgeting and reporting practices are fairly uniform across all categories of organizations. All of the organizations, with the exception of one noted that their income and expenditure reports, functions and activity reports are prepared annually. Majority of organizations undertake budget forecasting and have their governing body approve the organization's annual budget with only six organizations noting that they do not approve an annual budget. Just over half of the organizations (16 out of 30) practice preparation and provision of financial statements to the governing board on a quarterly or monthly basis. Only six organizations reported that they do not prepare and provide financial statements on a regular basis citing reasons of capacity issues, and operations based on projects. The majority of organizations also practice reporting to the governing board on discrepancies between budgeted expenses and actual expenses, and budgeted revenues and actual revenues. Some organizations note that because the governing board uses their own money for activities, regular reporting is never needed.

Revenue generating activities varied across different categories of organizations. CSOs largely undertake their activities from projects they undertake funded by donor agencies, and the in-kind contributions of its members. Cooperative societies generate their funds mainly from selling their shares and from their business activities such as restaurant business, speedboat hire services and from products they sell. Business associations generate funds mainly from membership fees and sponsorships. Professional associations generate funds from donor agencies and

from sponsorships.

Some exceptions were noted from the sample in terms of how they raise their finances. One CSO and one cooperative society noted that they generate funds from the rental income they receive from renting land provided to the organization from the State. Professional associations established under specific laws - Bar Council of the Maldives and CA Maldives - are the only organizations that have a state budget to operate. Some cooperative societies also undertake projects in partnership with government bodies.

For the organizations that generate revenues from membership fees, the income from membership fees are recorded and accounted for. Though very few organizations noted that they have a specific membership fee policy, it was noted that the organizations' constitutions have rules on membership fees.

With the expectations of a few, the majority of organizations noted that their sources of funds are demarcated in their internal reporting. However, the majority of organizations do not avail this information to the public, but share it with members only via different mediums and at their AGMs. Reporting methods of sources of income varies across organizations with some organizations noting that their annual financial report clearly demarcates sources and make the report available to both public and its general members, whereas some organizations note that while they publish their annual reports, the sources

of funds are not clearly demarcated and are instead combined into broader budget lines. Organizations where the governing board members make significant contributions to the organization's operations and budget noted that their contributions are not always recorded and demarcated in their financial reports.

Overall, it appears that across all organizations, at the minimum, financial reports and statements are shared with their members at their AGM; with very few organizations noting that they undertake regular and structured processes of reporting to the governing board. In terms of the level of information recorded and disclosed by organizations on their financial reports, owing to the informal practices of some organizations, contributions such as in-kind contributions and members financial or other contributions, are neither recorded nor reported in their financial reports, indicating organizations' need to undertake better budgeting and accounting practices.

4.4.4. Asset management

Organizations were also questioned on the asset management practices they undertake because inventory and tracking systems are a safeguard against abuses. The majority of organizations maintain an inventory list of their assets, with only five organizations noting that they do not maintain an inventory. The main reason cited for not maintaining an inventory list is because the organization does not have any assets and do not have their own office

space. It was also noted that where much of the assets used by the organization are personal belongings and contributions of the governing board members, an inventory list was not believed to be necessary by the organization.

4.5 Fundraising and resource mobilization

Whilst funds can be raised internally through membership fees, most non-state organizations raise funds from outside their organization from foundations, private businesses, individual donors, foreign embassies, aid agencies and government agencies. As such organizations, depending on the donor/funder's requirements, will have obligations to the donor or funder. However, it is paramount that organizations are transparent, open and accountable about the funds they receive not only to their donors, but to members, relevant authorities and the public. Furthermore, it is important that fundraising activities of the organization are consistent with the mission of the organization and do not compromise the principles of the organization.

There are variations in how organizations mobilize and access funds and resources. Some of the organizations in the sample receive State support. Two of the professional associations established under specific laws, received state funding; and two organizations reported that they were provided land from the State which they use to generate income for their operations. Some cooperative societies

that are registered as welfare associations specific for employees of public offices, had access to office space and premises to run cafes or other business activities within the office space of their affiliate public office.

Majority of the organizations interviewed reported that they do not have a specific written fundraising guideline or requirements in accepting funds. Only five organizations noted that they have some guidelines in their AoA and agreed standard or understanding on the type of funds and method of fundraising they will utilize. Majority of the organizations reported that in practice, they only accept funds that are consistent with their mission and core principles. Some limitations set by organizations on resource mobilization include decisions to not accept funds and donations from private parties, to only accepting funds and donations from private business that align with the organizations mission and principles. Only two organizations noted that they have no set limitations on accepting funds.

The safeguards and controls to ensure that the organization's fundraising is free of improper motive, inappropriate conduct or unreasonable award were fairly similar and weak across all organizations. A majority of organizations reported that in the absence of a set guideline, the governing board undertakes the role of scrutinizing the type of funds, sponsors and in-kind contributions their organization will accept on a case-by-case basis. Similarly, all organizations reported that governing board scrutiny as

the key control to ensure that political and charitable contributions are not used as a subterfuge for corruption. While some organizations noted that as a principle, they do not accept any political contributions, others noted limited fundraising with internationally reputed donor agencies and collective decision making as a safeguard and control measures taken by organizations.

The monitoring mechanisms in place to deter improper or unethical use of funds vary across organizations. Some monitoring measures undertaken noted by organizations include submission of activity and financial reports on projects and activities for governing board review before submission to the donor; financial accounting systems; and measures to ensure all funds received are accepted under signed agreements with donors and sponsors. For the organizations that receive donor funds, it was noted that the monitoring measures are in place because of donor requirements to document and report on financials and activities, rather than an organizational practice.

Overall, it was observed that in the majority of the organizations there are no set controls or safeguard measures or guidelines adopted in writing, specifically to address issues that may occur in fundraising or in utilization of funds, instead reliance on needs based and ad hoc practices could potentially cause financial and reputational risk for the organization.

4.6 Gift policy

Gifts, hospitality and expenses can be offered to organizations, sometimes disguised as bribes. Hence, it is important for organizations to understand what gifts and other related expenses are appropriate, reasonable and do not interfere in any decision-making process, or provide an advantage to the gift provider or its associate.

None of the organizations interviewed had a gift policy. However, the majority of organizations reported that they document any donations and in-kind contributions they receive. Some organizations noted that any gift and assets they receive as donations would be recorded in their inventory.

However, the majority of organizations do not appear to fully understand what constitutes a 'gift' and why safeguards are needed.
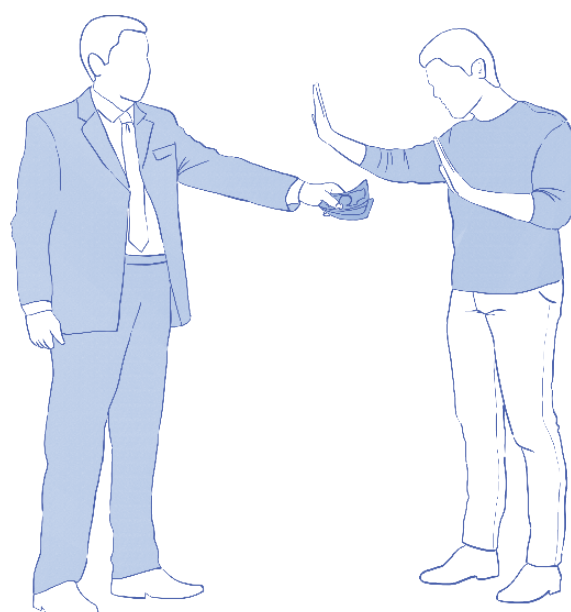
4.7 Anti-corruption policy/ program

An anti-corruption policy/program that focuses on all aspects of the operations of the organization, in its internal and external operations, provides the basis to establish a strong, ethical framework that upholds standards of integrity and anti-corruption. An anti-corruption program helps to materialize the organization's commitment to prevent corruption. An anti-corruption program consists of policies and procedures to address the risks of corruption.

All the organizations interviewed noted that they do not have a specific anti-corruption policy or program as they are generally more focused towards their particular area of work and noted that their internal policies and practices serve as measures to mitigate risks of corruption.

Although not guided by a specific anti-corruption policy, some organizations noted that they have participated in good governance and anti-corruption related trainings such as trainings on the Right to Information Act, and are receptive to incorporate anti-corruption policies or practices into internal policy framework and to participate in good governance and anti-corruption related trainings and programs.

4.8 Code of conduct

A code of conduct systematically identifies ethical practices and acceptable standards applicable within and outside an organization. The adoption and internal enforcement of a suitable code provides an ethical check for the organization, ensuring that all resources and functions of the organization operate within and maintain ethical standards. A code of conduct prevents the organization from private or corrupt interests and serves as a statement to beneficiaries, donors and the public that the organization takes the importance of maintaining high ethical standards seriously.

The majority of organizations reported that they have ethical codes instead of a code of conduct, written as part of their AoA or Rules of Procedure. Only three organizations interviewed reported that they have a separate document covering code of conduct. Although not specifically a code of conduct, the governance code for cooperative societies has some provisions for how members of the governing body must conduct themselves in relation to their position at the cooperative society.[24] Some professional organizations noted that they are required to comply with code of conduct associated with their profession, hence, the organization is bound by such codes of conduct.

Very few organizations noted that the code of conduct defined prohibited practices and disciplinary actions, however, the majority of organizations noted that disciplinary action for violation and non-compliance of ethical codes are stipulated either in their constitution, regulations or undertaken as an unwritten practice.

Irrespective of the format, mode of

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[24] Article 4 of Cooperative Society Governance Code (09 August 2020)

communication of the ethical codes varied across organizations. While some organizations have their ethical codes included in the membership application form and employee agreements, others share the constitution with members and employees in order to communicate the code of conduct. Seven organizations noted that they explicitly present and share their code of conduct as part of their induction/orientation program.

It was noted that some of the more established organizations in terms of structure, scope and budget, have more detailed instructions for expected behavior and separate codes for employees and the governing board. However, while organizations reported that they undertake disciplinary action against violations of standard practices and ethics of the organization, the lack of a formalized code of conduct inclusive of values, guidelines for expected behavior, day-to-day business practices and disciplinary actions, indicate a more informal and unstructured approach to the application and adherence of a code of conduct.

4.9 Conflict of Interest

Identifying and managing conflicts of interests is a key preventative measure to create a high ethical standard within the organization and its members, and safeguards the organization from being abused or misused for personal gain or purposes that deviate from the organization's legitimate purposes. A conflict of interest policy with guidelines on measures to identify such interests and ways to address them can ensure that instances of actual and perceived conflicts of interest are properly addressed and opportunities for unethical or corrupt behavior is minimized.

Whilst the laws, regulations and codes have some provisions to adhere to conflict of interest practices, these provisions are not harmonized and organizations have varied practices and application.

Among the organizations interviewed, only one organization noted that they have a separate policy for conflict of interest. However, even in the large majority of organizations that did not have a separate policy for conflict of interest situations stated that their AoA or Rules of Procedure covered the procedures to follow where conflict of interest situations arise and that they practice self-declaration and recuse from participating in discussions where such conflicts may occur. Despite the existence of some procedures, with the exception of a few, for the majority of the organizations there is no disclosure of actual and potential conflicts of interest in advance, and no written declarations are provided at the outset of their terms of service for the governing board, top management and employees. None of the organizations practiced maintaining a conflict of interest registry.

Some organizations also noted that although not practiced as a requirement to declare conflicts of interest, the

membership application form requires information such as place of employment to be declared and note that this was also a means for them to identify potential conflict of interest of members.

Some organizations reported that due to their existing close affiliation, and personal and professional relationship among general members and governing members, they do not see the need to have a structured or formalized conflict of interest policy or rules.

Based on the interviews, the majority of the organizations have a basic understanding of conflict of interest but do not have the technical know-how or the knowledge to undertake measures to address or mitigate conflict of interest situations. Some of the larger organizations report that because the entire concept of their organization is based on the business interest of those they represent, they do not see conflict of interest as a compliance area they should focus on, indicating a lack of understanding of conflict of interest, conceptually. Overall, conflict of interest practices and procedures adhered are inadequately informed and ad hoc, putting the organization at risk from corrupt practice.

4.10 Reporting systems and whistleblowing

Whistleblowing is the most common way of detecting unethical behavior and corrupt practices among employees, members and management. Whilst taking into account cultural and other obstacles that prevent reporting, it is important that organizations have a safe complaints mechanism where employees, members and the general public are able to lodge complaints and report suspicious behavior. A proper whistleblowing mechanism should allow for ways to receive and handle information, conduct investigation, a decision-making process and corrective measures.

All the organizations interviewed reported that they do not have a formalized whistleblowing mechanism or internal reporting mechanism; however, should a member of the public or someone within the organization want to submit a complaint, they can do so by sending an e-mail to the President or governing board or to their general office email. Some organizations also noted whistleblowing mechanisms available within their affiliate offices such as cooperative societies that run as a welfare organization for employees within a public office, can be used to submit complaints to the cooperative society. Other organizations noted their reporting mechanisms on sexual harassment and child protection as existing whistleblowing mechanism.

While organizations reported that they are open to anyone submitting complaints via email and to the senior leadership of the organization, the lack of a set reporting procedure or mechanism, and the view that an email, a call to a governing board member or a visit to their office would suffice as an internal reporting mechanism indicated that organizations lacked awareness and did not meet the minimum standards of safe whistleblowing or internal reporting mechanism.

4.11 Risk assessment

Identifying risks of corruption and taking proactive measures to mitigate such risks is essential to ensure that the organization operates in accordance with the law and in accordance with ethical standards. Risk assessments can identify areas that are more susceptible to corruption and help adopt relevant internal controls and formulate mitigation strategies.

Across all categories of organizations interviewed, very few organizations undertake risk assessments in general. The majority of organizations reported that they do not undertake corruption risk assessments.

Many organizations noted that despite the lack of a corruption risk assessment, policies and procedures are formulated within the organization to mitigate corruption based on past experiences, and that effort is made to have measures in place to deter corruption. However, across all organizations, technical know-how on undertaking risk assessment was observed as an area that required capacity building and training, particularly on how to undertake risk assessments.

4.12 Transparency and access to information

Access to information and transparency will enhance public trust in the organization and can act as a deterrence for corrupt practices/behavior. To garner public confidence and trust, organizations should demonstrate that they are accountable and transparent to the public and proactively disclose information. Information disclosed should also be easily accessible to all stakeholders relevant to the organization.

All the organizations interviewed noted that information on their programs, services and financials are available to the members of the respective organization. Furthermore, laws relating to all the organizations have similar requirements with regard to having the organizations' annual activity reports and financial reports accessible to the members of the organization. However, there are varying degrees of requirements on having the annual reports publicly available for example the Cooperative Society Act (3/2007) requires audited annual financial statements be published[25], whilst organizations registered under the Associations Act (1/2003) are not required to publish their reports. This perhaps explains why only one CSO among those interviewed reported that they published their annual reports.

Although the cooperative societies are required to publish their audited financial reports it is concerning that only one cooperative society reported that they published their reports, particularly given some cooperative societies operated on large budgets, undertook large operations and utilized public resources.

In terms of other measures of transparency, the majority of the organizations interviewed noted that information on their governing board and changes to board

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[25] Article 42 of the Cooperative Society Act (3/2007)

membership are disclosed to the public via their websites and social media platforms. One organization based outside Male' reported that they write to all the institutions within their island to communicate and inform changes to the governing board. All the organizations had either a website, hotline, contact number, email address or social media pages that the public could use to communicate with the organization.

Overall, organizations are transparent in reporting their activities to the public but hesitant to publish information related to their annual finances for the public. A majority of the organizations are only willing to share their annual activity and financial reports with their members, and believe this to be right and continue to practice as such. However, this is not best practice, and can pose risks for the organization in terms of public trust and weak accountability due to lack of transparency. The majority of organizations are willing and open to transparency measures but some organizations noted their concerns in full disclosure with information of their governing board members, donors and programs, due to security risks and owing to the sensitive nature of the work they undertake, hence the difficulty in striking a balance between transparency and safety concerns. However, this difficulty in balance was reported and applied to only a few organizations.

4.13 Communication and training

Standardized communication and training for staff on business integrity standards and ethics, the organization's internal policies and relevant laws shows the organization's commitment towards compliance and integrity. Regular communication with staff and periodic training for employees will allow employees to understand the rationale, processes and objective of the organization's policies and procedures.

Out of the 30 organizations interviewed only five organizations noted that they have a training policy. Only one organization noted that they are in the process of undertaking a training needs analysis in order to develop a training policy. Some organizations noted that even without a training policy, they do provide training related to their field of work and awareness sessions to their members. Some noted that since the governing body members are already skilled and come with diverse work experiences, they did not see the need to provide specific training for them. However, many organizations noted that they do provide training for their staff members, primarily from external training opportunities.

Across all categories of organizations, their training focus was primarily on areas directly related to their work or industry rather than on business integrity and ethics. Only two organizations noted that they participated in an ethics and compliance program. For the majority of organizations, internal training on organizational policies also appears to be undertaken on an ad hoc basis rather than

as part of a planned process. Organizations with training policies, however, take on a more structured and planned approach to training, undertaking training needs analysis, induction programs and regular training on internal policies as well as other skills based training. However, all the organizations are open to opportunities of training their members and staff on governance, corruption prevention and ethics and training programs should there be opportunities.

4.14 Challenges identified

From the interviews with individual organizations and the focus group discussions, a number of issues were identified as challenges organizations face in implementing business integrity standards, and the operation of organizations in general in the Maldivian context.

a) Resource constraints

Resource constraint was noted as one of the key underlying issues behind a lot of the challenges organizations face. Despite the good intentions behind formally registering and establishing organizations, lack of resources, particularly in a sustainable way, means organizations have very few individuals overseeing the day-to-day running of the organization's operations and limited funds to undertake operations. This is particularly noted by those organizations run by the goodwill of members who worked on a part-time volunteer basis for the organization. Interviewees also noted

limited sources of funds and lack of skills and knowledge in fundraising and income generation.

b) Lack of awareness of business integrity standards and best practices

While some of the more established organizations do have policies and procedures set in place, the majority of organizations noted that their practices are not backed by policies, citing reasons of lack of awareness of what the best practices and standards are. It was also noted that upon formal registration, apart from authorities prescribing regulations and guidelines to adopt and follow best practices, there is very limited training or awareness raising on the prescribed policies and guidelines on a conceptual level from their registered authority.

c) Lack of knowledge share and central platform

Interviewees noted the lack of local platforms for organizations to seek information on best practices, identify success stories, and share knowledge across organizations. Due to resource constraints and lack of technical know-how, organizations noted that it was difficult to develop policies themselves but would welcome templates of policies and standards from other organizations that have already adopted business integrity related policies.

d) Weak accountability

Across all organizations interviewed and from the focus group discussions, it was

noted that apart from the requirement to submit annual reports to the regulating or accountable authorities, there is no verification of the information they provide, and no monitoring of organizations. None of the organizations reported ever having to clarify the information they submit with their annual reports.

Their argument was that due to the lack of verification and checks on organizations, they do not feel the need to have set standards and policies, some of which are required by law. Further, it was noted that because there is no verification or monitoring, authorities that are mandated to regulate and promote these categories of organizations, do not understand the structural and organizational challenges they face.

e) Inadequate support

Interviewees also noted that the relevant ministries do not provide adequate training, technical support and guidance to organizations in areas such as reporting, writing and fundraising.

f) Lack of recognition

Some organizations noted that in spite of the important role civil society undertakes in raising awareness of community and development issues, in undertaking public services, and in promoting key industries and professions, there is not enough recognition by the State. The lack of recognition and understanding of civil society role and contributions is cited as a reason why State effort to support, promote and strengthen civil society is limited. As a consequence, it was noted that not enough training opportunities and support are made available to CSOs.

g) Safety and security of organizations

Some organizations noted that proactive disclosure of some information such as information on their governing board members and on donors can sometimes be a challenge for them because of security concerns. It was also reported that information on some activities that are of a sensitive nature can also result in security risks for such organizations.

5. CONCLUSIONS AND RECOMMENDATIONS

5. CONCLUSIONS AND RECOMMENDATIONS

This assessment is designed to capture the level of awareness and compliance, as well as understand the challenges and experiences of CSOs, professional associations, business associations, and cooperative societies in the Maldives. Using a qualitative approach, the assessment undertook a desk review, in-depth interviews with organizations across various categories, and focus group discussions to understand the current gaps in practice and policy and identify areas for improvement.

Overall, the data from the interviews and focus group discussions indicate that despite the large number of organizations registered in the Maldives in the four categories, adherence to business integrity standards in policy and practice is not seen as essential and, in some cases, not even necessary, and there is room for improvement across all organizations on awareness and compliance to business integrity standards.

While larger, more established organizations have policies in place and practice business integrity standards, smaller organizations see themselves unable to or ill equipped to adopt and adhere to business integrity standards because of lack of capacity and resources at their disposal. This perception by organizations, however, can be explained by organizations' lack of awareness of business integrity standards, its importance, and how it can strengthen an organization internally, how it can build public trust, and facilitate better access to sponsors and donors.

Internal accountability within organizations is also observed to be weak because an organization's general members' primary role, as described by most organizations, appears to be to contribute to activities, elections and AGMs, but lack a more active role in ensuring that organizations and its governing boards and management adhere to business integrity standards. Internal accountability mechanisms are also weak because organizations are often founded and run by close-knitted groups, which blur lines of accountability.

There is also a mismatch observed between what is required in the law and practiced by organizations in their operational reality. From the requirement to adopt a code of conduct to the requirements to publicly disclose financial information - these requirements in the law are not fully complied by organizations and compliance to these requirements are unchecked.

As noted by many organizations, it is also important to take into consideration the challenges organizations face in terms of resources, capacity and security, availability of support mechanisms, when we assess an organization's ability to adhere to business integrity practices. More positively, all organizations reached in the course of the assessment expressed their eagerness

and willingness to adopt business integrity standards via procedures and policies where they can access policy templates or guidelines together with training.

Given that CSOs, business associations, professional associations and cooperative societies are ultimately established with the purpose i.e. to serve and promote a particular profession, industry, community or cause; it is in the interest of these organizations, regardless of their scope to espouse business integrity and ensure that measures are in place to prevent corruption through business integrity policies and practices.

It is hoped that the findings of this assessment will provide further impetus for the relevant authorities to provide more support to organizations and to establish better coordination amongst stakeholders to address the capacity and policy gaps that organizations face.

The following is a list of recommendations based on the findings of this assessment. These recommendations intend to provide a basis for the development of strategic actions that strengthen the knowledge and capacity of organizations to uphold business integrity and ethics.

Recommendations

- The ACC of Maldives, particularly its Prevention Department, should design business integrity programs for various categories of organizations, in collaboration with the relevant regulatory/oversight institution.

- The ACC should raise awareness of and train the governing board and management of organizations on undertaking corruption risk assessments.

- Regulatory and oversight authorities of organizations should undertake a more active role in accountability. Verification of annual reports by a large number of organizations may not be practically feasible, however, thresholds in terms of annual budget of organization can be set to determine organization selection for verification or spot checking.

- Regulatory and oversight authorities should offer standard scheduled training on relevant laws, regulations, integrity standards and other organizational skills relevant to effectively operate an organization. This should be offered prior or upon registration of organizations, and offered as a refresher course.

- The Registrar of Associations should establish a knowledge sharing platform or a resource center, where existing policy templates, best practices and other information and resources for CSOs are shared and available.

- The Registrar of Cooperatives should establish a knowledge sharing platform or a resource center, where existing policy templates, best practices and other information and resources for cooperative societies are shared and available.

- The Registrar of Associations should develop a guideline or handbook specifically for organizations registered under the Associations Act (1/2003) where guidelines and best practices on fundraising, human resource management, financial management, code of conduct, advocacy and other areas relevant for strengthening operations of organizations.

- The Registrar of Cooperatives should develop a guideline or handbook specifically for cooperative societies registered under the Cooperative Society Act (3/2007) where guidelines and best practices on fundraising, human resource management, financial management, code of conduct, and other areas relevant for strengthening operations of organizations are included.

- Organizations with large operations and financial capacity should take a more visible and explicit commitment to promote integrity to set precedent for similar organizations.

- Integrity promoting responsibilities should be incorporated into the job responsibilities of the most senior role within organizations.

- Organizations should provide exposure and conduct awareness raising workshops for its members on business integrity standards and ethics so that members take a more active role in accountability of the governing board and the organization in general.

- Minimum procedures for procurement should be established for organizations, regardless of the method or frequency of procurement.

- Fundraising strategies and best practices should be a key focus area for capacity building of organizations.

- Organizations should have an internal, written guideline on fundraising covering methods, requirements and safeguards in fundraising.

- Organizations should ensure that a guideline or procedure is set in place to determine the types of gifts that the organization can accept, and document or record the receipt of gifts.

- Organizations should incorporate and undertake activities related to ethics and integrity standards relevant to their respective profession or industry or cause.

- Organizations should establish a separate code of conduct inclusive of values, guidelines on behavior, prohibited actions and disciplinary actions for non-compliance and violations.

- Organizations should make it mandatory for the governing board members to proactively declare their actual and potential interests upon appointment or election to the governing board in written form via a declaration or registry, and organizations should maintain a register of such interests.

- Organizations should establish reporting mechanisms where the general members of the organization and the public have the opportunity to report violations anonymously and not be subjected to reprisals.

- Even in the absence of a fully-fledged website, organizations should ensure that there is proactive disclosure of information related to the governing board, or management or key personnel of the organization.

- Organizations should proactively disclose annual reports for members of the general public in order to build public trust and be accountable to the public.

- Anti-Corruption CSOs should take a lead in providing ethics and compliance training on best practices.

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ANNEX

1: List of organizations interviewed

1.	Society for Health Education
2.	Maldives Resilient Reefs
3.	Hope for Women
4.	Women Enhancement Association
5.	Zikura Foundation
6.	Association for Democracy
7.	JCI Addu
8.	International Aid Campaign
9.	Customs Cooperative Society
10.	Maldives Authentic Crafts Cooperative Society
11.	Police Cooperative Society
12.	Prison Cooperative Society
13.	Addu Meedhoo Cooperative Society
14.	Juvenile Cooperative Society
15.	Institute of Chartered Accountants of Maldives
16.	Bar Council of the Maldives
17.	Maldives Journalist Association
18.	Maldives Medical Association
19.	Teachers Association
20.	Women in Tech
21.	Maldives Fishermen's Association
22.	Maldives Association of Human Resources Professionals
23.	Faiymini Association of Creative Entrepreneurs
24.	Women Entrepreneurs Association
25.	Maldives Association of Travel Agents and Tour Operators
26.	National Hotel & Guesthouse Association of Maldives
27.	Maldives National Association of Construction Industry
28.	National Boating Association of Maldives
29.	Maldives Association of Tourism Industry
30.	Association of Maldives Maritime Industry