INTRODUCTION
The past two decades have witnessed a surge of institutional efforts – either by introducing anti-corruption legislation or by setting up supervisory bodies – to improve regulatory systems of political financing. While the structural capacities of these agencies vary greatly from country to country, most of these bodies – with few exceptions – have been dogged by cumbersome, ineffective operational frameworks. Aware of the fact that knowledge sharing of the successes and failures of different regulatory experiences is important to the development of better institutional governance, the Asia-Europe Foundation (ASEF) and the Instituto de Ciências Sociais (ICS) of the University of Lisbon organised a workshop on “New Trends in Political Financing Regulation in Asia and Europe: the New Role of Monitoring and Enforcement Bodies” on 18-19 February 2010, in Lisbon, Portugal.

Organised with the support of the Council of Europe/GRECO – Group of States against Corruption, Assembleia da República Portuguesa, Transparency International and the Fundação para a Ciência e Tecnologia, the meeting was held in the Auditório Edifício Novo, at the Assembleia da República under the Asia-Europe Democratisation and Justice series.

This report aims to distil the common threads and challenges that recurred during the discussion as well as to mention some of the limitations and issues that deserve more attention for potential future co-operation.

Mr. Luís de Sousa from ICS and Ms. Natalia Figge from ASEF acted as rapporteurs in the drafting of this report.

PROCEEDINGS
The two-day workshop was divided into four panel sessions and two roundtable discussions with the latter being mainly addressed by representatives from national supervisory bodies. To facilitate discussions on the challenges and trends facing political financing regulation and to map the diversity of monitoring/enforcement bodies, the sessions were divided thematically, into

1. Setting Standards in Countries Undergoing Political Transition
2. Institutional Innovation, Performance and Capacity Building
3. The Watchdog Role of Civil Society: Potential, Application and Limits
4. Comparative and Regional Regulatory Reforms

*The conclusions/recommendations result from the discussions held during the conference and do not necessarily reflect the official positions of the institutions involved.*
1/ When looking at standard-setting in countries undergoing political transition, transitional societies, emerging and developing democracies as well as post-conflict and divided societies, are vulnerable targets of illicit political finance. Many of these countries receive international development assistance. Such assistance is usually negotiated and agreed between the executive branches of the donor governments and the beneficiary countries thereby essentially bypassing other important political actors in the democratic process – parliaments and political parties – so that any weaknesses in the design and implementation of such assistance can also offer opportunities to illicit political finance.

It is also worth noting, however, that even consolidated democracies face a number of challenges even if the nature and debates begin from different points of departure.

Furthermore, the financial crisis and the global expansion of transnational crime have continued to feed the phenomenon of illicit money in politics and have become more aggressive and more competitive. The financial crisis has shown that in consolidated democracies for example, businesses who are put in a painful situation try to escape by increasing their political financing activities.

2/ Benchmarking discussions on how to develop frameworks for legislative development and institution-building noted that there increasingly efforts are being made to set transparent and accountable standards. The 3rd evaluation round launched by GRECO in 2007 highlighted three key themes for standard setting: Transparency, Supervision and Sanctions.

Transparency, practically speaking, is referred to mostly in terms of accounting records, the recording of all contributions and donations, public and regular access to information—although it was also pointed out that the notion of political financing transparency should also include ‘informal’ gaps that have to be addressed in order to promote trust and credibility of electoral systems. The framework and indicators developed by Transparency International (TI) that allow for system evaluation and cross-country comparisons can certainly help to develop benchmarks and international frameworks.

Supervision has generally been referred to independent monitoring mechanisms as well as the monitoring of party funding and campaign funding. In this regard, the question arises of whether or not such bodies should be created or existing offices be designated; and whether they should be independent or located within the public administration apparatus?

The enforcement of political financing rules remains a particular concern for external supervisory bodies and the courts. Recent changes to political financing regulations tend to move from exclusive external enforcement to a control-system based on burden sharing. The idea is to improve internal accountability of parties and make them co-responsible for the success or failure of the implementation of political financing rules.

It is interesting to note that while institutional innovations were discussed, it was not necessarily on how positive experiences can be built upon or even adapted in other contexts. Perhaps more in-depth consideration of capacity building to anchor innovations in a systematised way could be of interest in the future.

3/ The role of the media and civil society in monitoring party finance was one of the running threads of the workshop. It is true that strong media strategies and interactive web platforms can be used to generate wider public engagement - as was evidenced in
the TI and Freedom House case collaborative project in Hungary, by which means, ‘campaign financing’ was introduced into national consciousness.

Also discussed was the use of new technologies as a practical and cost-efficient means to monitor electoral finance. The rise of such new technology allows ‘non-expert’/non-specialist contributors to use and analyse available data to create and share knowledge/information that is both collaborative and responsive. Clearly mass media has the ability to transmit knowledge to the public sphere. However, while the successful use of such methods is conditional on the availability of data as well as the individual political systems in which they operate, there is no guarantee that the greater quantity of information will improve the quality of public understanding. Without balances, it can be distorted to become a form of ‘yellow journalism’ or co-opted by unscrupulous parties in a form of illicit political financing or unethical behaviour.

And this is where supervisory bodies have important responsibilities—to ensure that the relevant data is not only easily accessible, but to also ensure that it is in the proper context and that the micro and macro implications are clearly understood by all. Through the analysis it was realised that civil society and regulatory bodies have a complementary role – to work together and support each other. Non-government, non-state actors often have more flexibility than official authorities to innovate and adapt so that while it is with the latter that the ultimate responsibility to monitor political financing lies, the role that societal watchdogs play in providing information and analysis cannot be underestimated.

4/ Regional institutions play a very important role. With mechanisms already in place, for example – at the EU-level, they provide good tools to exchange experiences and build effective partnerships and networks and should be used more extensively. At the level of the European Parliament, current regulations on party financing as applied to EU transnational political parties provide good analytical insight for supra-national regulatory frameworks with the European Parliament playing the key role in monitoring political financing. There is a need to balance between control frameworks but at the same time leave room for flexibility and vitality.

KEY RECOMMENDATIONS

As has been demonstrated through the meeting, while international and regional conventions all acknowledge the need for independent supervision, very little attention has been paid to the format, functions and actual capacities of political financing supervisory bodies. While one of the outcomes of this workshop has been to work towards creating guiding principles for the institutional capacitation of political financing supervisory bodies, some of the key recommendations for better institutional design and management that have emerged are:

- Ensuring there is a pro-active consensus for reform so that those who sit at the helm of power do not institute structures which lack real authority, but make supervisory bodies qualified and legally competent to resolve political financing issues, effectively and efficiently, through regulatory mechanisms. The link between knowledge sharing on one hand and the capacity of political actors to use the information on the other hand, needs to be strengthened.

- There is a natural partnership that regulatory bodies can develop with an active civil society and it would be strategic to anchor the monitoring and regulatory efforts of regulatory bodies in civil society. For this, strong communication strategies have to be created to ensure that 1) relevant data is provided to citizen actors 2) this data is placed in proper context so that the misrepresentation of facts can be circumvented.

- Where regional integration is not as deep, capacity-building and exchanges still play a role even if not as institutionalised. In fact, there is a strong need to
develop good practices from shared experiences, which can be adapted to local contexts. To achieve this, it would be desirable to integrate supervisory bodies into international networks.

With regard to building up of the competencies of supervisory bodies, certain guidelines have been proposed. While this is an ongoing exercise, the body of ten principles have been listed below:

At the legislative level it is recommended that

**P1:** The institutional set-up of a PFSB has to be clearly articulated. Its mandate and design but be clearly defined.

**P2:** There has to be a clear consensus for regulatory reforms. All political actors must be proactive in their efforts to establish a PFSB. There has to be an “open source” law-making process

**P3:** Ambiguity and obfuscation of terms should be avoided in the PFSB statutes. There is a need to consider competence sharing and inter-institutional cooperation beforehand

At the managerial level,

**P4:** The chairperson should be appointed through open & competitive procedures.

Certain issues to be kept in mind when recruiting: parliamentary audition of candidates & their work plans; security of tenure; promotion / recruitment based on merit, integrity and dedication

**P5:** Funding for all activities should be budgeted and financial commitments met.

Provisions should also be made for a resource management strategy.

And finally, at the operational level, it is recommended that

**P6:** Strong communication strategies – both internal and external – should be created.

An IT-based report system would help in better dissemination of the agency’s work and findings. It also improves transparency.

**P7:** The day-to-day processes and functioning of the agency should not be cumbersome.

Attention must be paid to flexibility, adaptability and low red tape procedures

**P8:** Supervisory bodies must make an effort to build up strategic alliances. An effort has to be made to not mistrust but bridge control efforts.

**P9:** To ensure that PFSBs are up to date with new innovations and regulatory mechanisms, it is essential to integrate the PFSB into international cooperation/professional networks

**P10:** It is extremely important to anchor PFSB monitoring and regulatory efforts in civil society.