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## SHORT FEATURE

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# Preparing for the Election: Political Campaign and Its Financing

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**T**HE FIRST QUARTER OF 2014 is enlivened by the preparation towards the election, particularly the campaign period of the contesting political parties. Campaign is naturally a very significant period of an election, and most attention was paid to all matters related to campaigning.

Starting in the 2014 election, in accordance with the Law No. 8 of 2012 on the legislative election, and KPU Regulation No. 17 year 2013, all political parties are required to submit their campaign financing budget. In addition to making this report, political parties are also required to open a special bank account assigned for their campaign fund, separate from their regular accounts. The objective of both reporting and the separate account is to establish an open and clean system of party financing, in addition to avoid money laundering activities. This review analyzes the

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implementation and consequences of these two regulations, particularly in relation to the parties' internal management and the implications on the efforts to combat corruption.

## **Towards an Open and Clean System**

On 2 March 2014, at 18:00, the General Elections Commission (*Komisi Pemilihan Umum*- KPU) closed the period for the submission of campaign financing reports by political parties. The published report shows that Gerindra has the largest campaign fund, with the total amount of IDR 306 billion. Partai Demokrat is second with a total of IDR 268 billion, while the third is Partai Demokrasi Indonesia Perjuangan (PDIP) with IDR 220 billion. In contrast, Partai Keadilandan Persatuan Indonesia (PKPI) is the party with the lowest amount, with IDR 21 billion.

The reporting of campaign financing is a positive reflection of political parties' willingness to support a democratic election and their responsibility towards their constituencies. Possible sanction of disqualification seems to be an effective factor for the political parties' obedience to the regulations. Political parties are required to maintain a meticulous recording of their income and expenses, which in the long run will help establish a culture of transparency and accountability of party financing.

Such obedience from political parties indicates the current state of Indonesian political parties, which are able to implement their assigned functions in addition to going by the rules and administrative requirements, as opposed to only seeking power. This is important to establish parties' credibility before their constituents, where parties can prove to the public their ability to obtain and manage clean and accountable funds. Consequently, such clean system will encourage more stakeholders to contribute to party financing, which would be a positive implication for the parties.

Strict laws on campaign financing are intended to prohibit any sort of unclear fund, particularly in relation to money laundering, which is also the main factor for the limitation of external donations, as stipulated by Electoral Law article 131. Individual donations should not exceed IDR 1 billion, while donations from group or companies should exceed IDR 7.5 billion. With such restrictions, it is expected that all political parties would have similar funding resources, so that an open political system can be established, where all parties can compete healthily and

proportionally. This means that the people's votes would not be decided by how much a party spends in its campaign; rather, the votes would be based on the ability and performance of the parties and their candidates. With comparative campaign financing, all parties share the challenge to be creative in designing their campaign methods, so that it can be effective and interesting in order to attain the sympathy of the public.

Restricting campaign financing is also intended to avoid any attachment between political parties and their fund resources. Law No. 8 year 2012 article 130 stipulates that all donations to political parties from individuals, groups, or corporations are non-binding.

## The High Cost of Campaigning

It is inevitable that electoral campaign requires substantial funding. A legislator, who is running again in the 2014 election, said that at least IDR 2 billion is required, which is exclusive of the in-kind donations from supporters. The high amount of campaign fund is mostly due to Indonesia's vast geography, with uneven quality of infrastructure in most regions of the country. Reaching out to the voters, to convey the messages and build sympathy, is naturally costly.

Nonetheless, rules and regulations are needed to avoid such high cost. Setting a limitation to the advertisement of political parties and/or their candidates on television or other mass media is needed, not only to prohibit the monopoly of certain media by a party or candidate, but also to ensure the real portrayal of political situations.

It has often been the case that political parties seek to collect as much money as possible without putting much attention to the sources of the fund. The need to collect as much money as possible has led to bad practice, including the misuse of budget in ministries, illegal fees collected by legislative members, and corruption cases in the House of Representatives.

Legislative candidates are generally required to spend a great deal of money to visit the constituents in their districts. This is to cover expenses for meetings, fees for intermediaries, the local committees, transport money for the public to attend the event(s), consumption, and even to fund certain requests/proposals from their constituents. Naturally, such amount of money is more than the candidates originally have, so some of them resort to corruptive behaviours.

## The Financial Strength of Political Parties

As the report of campaign financing shows, there is noticeable gap of the available campaign fund among political parties. Campaign fund is still considered a significant factor to win the election. From the report published by KPU on 22 February 2014, the largest source of campaign fund is from the legislative candidates, which is around 35% to 90%. Such a large proportion of fund from the candidates reflects the huge demand from political parties to their candidates, particularly after they obtain seats at the House. This can amount to about IDR 20 million per month per candidate, which is taken from their monthly income. This implies that, as political parties only generate a very small proportion from their internal/central party fund for campaign, it is the candidates are the ones who support the party, and not the other way around. Hence, parties would normally only recruit famous people or those known to have sufficient amount of fund.

The low proportion of party fund for campaigning is based on two factors. First, parties only have very limited revenues. Government Regulation No.5/2009 and Decree of the Minister of Internal Affairs No. 212/2009 stipulate that the government allocates subsidy for political parties based on the number of votes for the seats obtained in the House, which is IDR 108 per vote. This translates to, for example, based on the result of the 2009 election, Partai Demokrat that obtained the largest number of seats would receive about IDR 2 billion. Partai Hanura, on the other hand, would obtain IDR 423 million. For the 2014 election, Partai Demokrat has a budget for campaign of IDR 268.1 billion. This means that the government subsidy only contributes to about 1% of the total fund. Retribution from members of the political parties also only amounts to a very small percentage of the campaign fund.

Comparing the data from 2009 and 2014 elections, Gerindra is the party with the largest campaign budget, although the 2014 budget is actually less than 2009. In 2009 it was IDR 308.77 billion, while the 2014 budget is IDR 306.6 billion. As for Partai Demokrat and Partai Golkar, there is about 10% increase in their campaign budgets. The highest increase is found in the budget of Partai Kebangkitan Bangsa (PKB), with an increase of 19 times the previous budget. Hanura has an increase of 12 times, while PDIP has an increase of about 5 times.

The significant shift from conventional campaign method to the use of media and digital technology contributes to the increase of campaign fund. The prohibition in some districts to use massive campaign attributes has

pushed political parties to use expensive alternative campaign models, which include the use of the political consultant services. Another large spending is needed for paying the fees of witnesses in poll stations in the villages, municipalities and provinces. Assuming that the fee for two witnesses is IDR 100,000 per day, then parties would need about IDR 125 billion.

The budget increase also reflects the tendency of political parties to be able to obtain new sources of fund. PKB and Hanura are examples of political parties that were recently joined by rich capital owners. This clearly contributes to their increase of campaign budget. Nonetheless, it is difficult to co-relate the size of a political party (based on the seats in the House or the number of supporters) with their campaign fund. Benefit calculation, both in terms of economy and political benefits, by the capital owners seems to be more decisive in the budgeting.

Unfortunately, in the KPU data, not all parties include the data on the amount of donations from external sources. Those who include such data, only put a very number, some are less than 5%. This raises the question of whether this is logical, as political parties admit that they request for and receive donations from corporations. There is the possibility that capital owners do not want their name included based on various reasons. This has to be criticized, as the public are not clearly informed. It is also not clear whether or not the parties obey the regulations regarding the limitations of fund from external sources.

Nonetheless, at the end, the effectiveness of campaign fund would be measured by the new votes obtained after the campaign period. Naturally, voters with solid preference would be hard to persuade. Political education by the media and non-governmental organizations would also mean that the public has other “voices” to listen to instead of merely what the candidates say during the campaign.

There are, of course, still undecided voters. Some surveys claim that the number of undecided voters amount to about 40%, which would naturally decrease in the week just before the election day. There are also “swing voters” who may alter their choice just before the election day. These are the type of mass that the campaigns wish to persuade. In this regard, in some cases money politics might still work.

## Concluding Notes

The regulations regarding the reporting of campaign financing reflects

a very positive note towards a clean and open election. Nonetheless, the quality of the reporting is still poor. It does not include the amount of each donation received, or the complete identity of the donor/contributor. Moreover, the format of the report does not yet comply with the standard set by KPU.

Producing a meticulous financial report seems to still be difficult for political parties, as they require a long time to finish the task. This is due to not only administrative and technical procedures, but also the lack of discipline in the recording of revenues and expenses in an accurate and systemized manner.

There is still a need for a regulation that can promote the use of low-cost campaign methods. Effective campaign should inform the voters about the quality, ability and integrity of the candidates, and not araucous mass gathering.