

[Working Paper Series: System of Political Finance Across Asian Democracies]

Indonesian Political Party Finance for a Better Accountability

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Abstract

Political party finances are important considering that the life of political parties in terms of selecting public officials and placing representatives in representative institutions, requires a lot of money. These costs must be provided by the party. Political parties consider all efforts to obtain financial resources. Political parties usually expect financial sources from their members as well as from other sources permitted by law. However, this has created a trap for the emergence of money politics or corruption cases committed by political elites from political parties. This paper will answer the main questions, namely regarding the system and financial management of political parties in Indonesia. This paper will explain 1) the regulation of the political party finance; 2) supervision, reporting, and control of the political party finance; and 3) evaluation of the political party finance and proposals for reforms in the governance of the political parties finance. This paper uses a qualitative approach which is preceded by an introduction and a theoretical framework with case studies in Indonesia during the 2019 elections.

Keywords: Political Party Finance, the system, evaluation

Introduction: Regulatory Provisions Concerning Political Financing System and Governance

The existence of political parties in a democratic country like Indonesia is playing an important role. The political parties that existed in Indonesia usually compete for the election that is held every five years. Political parties become eligible to compete in the election only after completing many procedural activities such as the submission of the organization and structure of the political party to the General Election Commission, followed by a verification process by the General Election Commission. After the approval of the General Election Commission, the political party is then eligible to take part in the election. For the election that was held in 2019, Election law 2019 regulated that each political party had to deliver their campaign finance report to the General Election Commission according to the schedule provided by the General Election Commission. This was not merely aimed to figure out the political party campaign finance but the greater purpose was to exercise the accountability of political parties towards managing their finances. As a public entity, the political party, therefore, is subjected to financial disclosure.

In Indonesia, there are legal provisions regarding political party finance aimed at achieving better accountability for political parties as well as preventing political corruption. Based on Article 34 of Law Number 2 of 2008 and Law Number 2 of 2011, there are 3 (three) types of financial sources for political parties, namely membership fees, legal contributions, and financial assistance from the State Revenue and Expenditure Budget and Regional Revenue and Expenditure Budget

From the legal provisions above, political party finance is not only composed of their internal resources but the political parties that are able to pass the parliamentary threshold, receive financial assistance from the government through the disbursement of political financial assistant schemes regulated by political party law no. 2/2011. The political party finance assistance scheme is implemented through the State Revenue and Expenditure Budget (*Anggaran Pendapatan dan Belanja Negara/APBN*). These funds are not only used to prepare for the election, but also to turn the wheels of party organization, both for the operation of office activities and for other political party activities such as supporting cadre education, training, and enhancing human resource capabilities within political parties. Usually, each political party hosts general meetings, consolidation and coordination meetings, as well as training for their politicians.

To host multiple activities, political parties try to the best of their ability to collect financial resources from their internal resources. As financial assistance received from the government is calculated after the election, political parties have to find a way to finance their activities prior to the election. Although the amount of government assistance is considered too small, it encourages the political party to institutionalize their activities. So far, financial assistance from the government has been given to political parties whose votes have exceeded the threshold and every vote that a party can obtain at election time is rewarded with IDR.1000,- (IDR.1000,- is equal to USD 0.071 as per conversion rate on February 22, 2021) per valid vote at the national level, with IDR 1,200 (IDR 1,200 is equal to USD 0,085 as per conversion rate on February 22, 2021) per valid vote at the provincial level, and with IDR 1,500 (IDR 1,500 is equal to USD 0111 as per conversion rate on February 22, 2021) per valid vote at the regency or city level. This financial assistance, therefore, is given in line with the structure of the political party committee which is at three structural levels of the political party organization: the national level, the provincial level, and the regency or city level.¹ Article 5 Paragraph 7 of Government Regulation No.1 of 2018 states that the amount of the value of financial assistance (provincial, district/city level) can be increased according to regional financial capacity after obtaining approval from the Minister of Home Affairs.² The disbursement scheme of the financial assistance should comply with Government Regulation number 1/2018 on Financial Assistance to Political Party.

Although financial assistance is available for political parties, the financial assistance for political parties provided by the government is considered very small due to the actual funds needed by a political party to organize the activities. In Perludem's³ research, government assistance accounts for no more than 1.3 percent of the total costs required by parties in managing the organization every

¹ Surbakti, Ramlan dan Didik Supriyanto. 2011. *Pengendalian Keuangan Partai Politik*. (Controlling the Political Party Finance) Jakarta: Kemitraan bagi Pembaruan Tata Pemerintahan (Partnership for Government Reform)

² Peraturan Pemerintah Nomor 1 Tahun 2018 tentang Perubahan Kedua Atas Peraturan Pemerintah Nomor 5 Tahun 2009 Tentang Bantuan Keuangan Partai Politik (Government Regulations Number 1 Year 2018 on the Second Amendment of the Government Regulations Number 5 year 2009 on Financial Assistance to Politicak Party)

³ Perludem is stand for *Perkumpulan Untuk Pemilu dan Demokrasi* (Association for Election and Democracy), a not for profit institution that concern on the dynamics of democracy and election affairs, based in Jakarta.

year.⁴ For this reason, political party managers seek financial sources by collecting money from many available resources. Some of the politicians engaged in corrupt practices, or at least, the way politicians collect funds to support their candidacy and campaign, in turn, leads to corruption done by some political party cadres or politicians who are in power, either as an executive at the local level, member of parliaments, or public figures. This is indicated, among others, by the number of politicians who have been caught in corruption cases. From the corruption cases reported by the Commission for Eradicating Corruption in 2019, the number of corruption cases committed by political elites totaled 335 cases committed by politicians and 22 members of parliament during 2014-2019.⁵

The high cost of democracy causes political parties to compete to seek political funds, among others, by competing for strategic positions in the government and seeking unclear sponsors. According to the Commission for Eradicating Corruption, there are at least 4 types of activities that led to corruptions which are receiving gratuities in the process of formulating Regional Revenue and Expenditure Budget (*Anggaran Pendapatan dan Belanja Daerah/APBD*), gratuities during budgeting for such government projects, gratuities for social assistance and grants, and gratuities for procurements.⁶

On one hand, the need for political parties to conduct all activities requires a lot of money, on the other hand, political parties are in a difficult situation to generate appropriate financial funds to support the political party activities. It is almost impossible to expect political party members to collect fees amongst themselves to support the party. Therefore, the role of contributors to fund the political party, both individuals and legal entities, is becoming increasingly important. The political party is ideally expected not to depend on someone who has access to capital so that the political party is not centered around them.

To contribute to the healthy life of the political party, therefore, the regulation of political party finance must be carried out better so that political parties are not controlled by the owners of money, who are willing to make contributions to the political party but at the end, they demand revenge with policies, decisions, concession and political protection.

Unfortunately, according to the report provided by the Commission for Eradicating Corruption the number of corruption cases involving politicians under the pretext of seeking funds to meet the needs of political parties increased. Law on Political Party no.2/2011 gives flexibility to political parties to accept individual and business entity donations as stipulated in verse 35 of Law number 2/2011. This is the most current law that stipulates that political parties may obtain donations from the following categories.⁷

- a. individual members of a Political Party where the implementation is regulated in the political party manifesto

⁴ See <http://perludem.org/wp-content/uploads/2016/11/Buku-Bantuan-Kuangan-Partai-Politik.pdf> accessed on the 26 January 2021 at 12.24

⁵ See <https://nasional.kompas.com/read/2019/04/16/10411221/infografik-korupsi-oleh-aktor-politik-dalam-angka>, accessed 4 February 2021, at 16.22

⁶ <https://nasional.kompas.com/read/2019/04/16/10411221/infografik-korupsi-oleh-aktor-politik-dalam-angka>, accessed on 4 February 2021, at 16.22, *ibid*

⁷ DPR RI (The People's Representative Council of the Republic of Indonesia) "*Law Number:2/2011 on Political Party*", https://www.dpr.go.id/dokjdih/document/uu/UU_2011_2.pdf (accessed on May 14, 2021 at 15.06)

- b. individuals who are not members of a political party, at most of IDR 1,000,000,000.00 (one billion rupiahs or roughly equal to USD 70,919.60 as per February 22, 2021 conversion rate) per person within 1 (one) year budget
- c. companies and/or business entities, at most IDR 7,500,000,000.00 (seven billion five hundred million rupiahs or roughly equal to USD 531,897 as per February 22, 2021 conversion rate) per company and/or business entity within 1 (one) fiscal year.

The regulation stipulated by law number 2/2011 has increased the maximum amount of money that business entities can contribute to political parties from IDR 4,000,000,000.00 (four billion rupiahs or roughly equal to USD 283,718.4 as per February 22 conversion rate) which was stipulated by the former Law on Political Party no. 2/2008. The amount of aid received has a limit to the maximum amount that a political party can receive. This limitation is necessary to control possible conflicts of interest.⁸ In obtaining financial assistance, the political party has to submit a financial report before the due date set by the General Election Commission. If they fail to submit the report on time, the political party cannot receive financial assistance for the consecutive year.

Regarding the principles of transparency and accountability, law number 07/2017 on election, law number 02/2011 on political party, and government regulation number 1/2018 state that the political party should properly manage the political party finance as well as the campaign finance. The three legal foundations for creating better accountability of political parties, consisting of two laws and one regulation, do not force political parties to prepare financial reports based on correct accounting standards. The laws and regulations themselves do not provide templates for financial reports and just states the requirements on what to report. In addition, financial reports of political parties are also difficult for the public to access. Although each political party is required to submit their financial report to the General Election Commission, only some political parties provide a detailed report. As a result, political parties appear to be increasingly elitist and even personalistic, because they are controlled by people who can meet the operational funding needs of political parties.

The study conducted by Perludem shows the tendency on how the strong influence of the political party elite is in the continuation of political party life. First, it can be seen from the increasing influence of entrepreneurs in the political party elite; secondly, the leadership of the political parties increasingly depends on political party cadres who are executive public officials (president, minister, governor, and regent/mayor). In other words, the regulation of political party funds is not effective in regulating the finances of political parties, thus, political parties tend to ignore the interests of their members and the public interest.⁹

This study, therefore, aims to analyze the financial system of a political party, analyze the regulations set by the government, and analyze the mechanisms of the governance of political party finance which includes the reporting, the supervising process as well as the evaluation of the political party finance.

⁸ Hafild, Emmy. 2003. *Laporan Studi: Standar Akuntansi Keuangan Khusus Partai Politik*. (Study Report: Financial Accountance Standard) Jakarta: PT. RajaGrafindo Persada.

⁹ Perludem, 2011. *Anomali Keuangan Partai Politik: Pengaturan dan Praktek*, (Political Party Finance Anomaly: Regulations and Practice) hal.11-12 (page 11-12)

Supervision and evaluation of the Political Party Finance

The allocation of financial assistance for political parties is prioritized at 60% for political education and 40% for operational activities of these political parties. Based on Article 26 of the Minister of Home Affairs Regulation Number 36 of 2018 concerning Political Party Financial Assistance, activities that include political education are seminars, workshops, and interactive dialogue. Meanwhile, for party operational activities based on article 29, it is stated that the activities which are included in the operational activities of political parties are general administration, subscription to power and services, maintenance of data and archives, and maintenance of office equipment.¹⁰

In this case, political party finance arrangements must be distinguished from campaign finance arrangements. Political party finance arrangements regulate the income and expenditure of political parties to finance the operational activities of political parties throughout the year. The law regulates that political parties are entitled to collect money specifically for campaign purposes.

According to law no.7 /2017 on General Election, the financial campaign is regulated separately from the general political party finance. For the presidential election, there are regulations that state that campaign finance can be obtained from 3 various sources namely from the candidate themselves, from the political party that supports the candidacy of the president and vice president candidates, and from other legal forms of donation.¹¹ For legislative election campaigns, the law also regulates the sources of the campaign finance which are from political parties, the legislative candidates, and other legal sources of donation.¹²

In addition to the campaign finance for the presidential election and legislative election, the law also stipulates that ¹³

- a. the campaign donation originating from individual sources should not exceed IDR 2,500,000,000.00 (two billion five hundred billion rupiahs or roughly equal to USD 177,480 as per the conversion rate on February 24, 2021).
- b. The campaign donation originating from groups, companies, or non-governmental business entities should not exceed IDR 25,000,000,000. 00 (twenty-five billion rupiahs or roughly equal to USD 1,774,800.00 as per the conversion rate on February 24, 2021).
- c. Individuals, groups, companies and/or entities, non-governmental businesses that contribute to campaign donation have to make a report to the General Election Commission
- d. The donors referred above must include a clear identity.

¹⁰ Peraturan Menteri Dalam Negeri Republik Indonesia Nomor 36 Tahun 2018 Tentang Tata Cara Perhitungan, Penganggaran Dalam Anggaran Pendapatan dan Belanja Daerah, dan Tertib Administrasi Pengajuan, Penyaluran, dan Laporan Pertanggungjawaban Penggunaan Bantuan Keuangan Partai Politik. (The Ministry of Home affairs regulations Number 36, year 2018 on Government Budgeting at local level and its accountability reports)

¹¹ KPU RI (The General Election Commission of the Republic of Indonesia), "Article number.325 of the Law number 7/2017 on General Election", https://jdih.kpu.go.id/data/data_uu/UU_Nomor_7_Tahun_2017_-_Batang_Tubuh_-_Hal._151-317.pdf, p.202, accessed May 15th, 2021 at 20.05

¹² KPU RI (The General Election Commission of the Republic of Indonesia), Article number 329 of the Law number 7/2017 on General Election, https://jdih.kpu.go.id/data/data_uu/UU_Nomor_7_Tahun_2017_-_Batang_Tubuh_-_Hal._151-317.pdf, p. 204-205, accessed May 15th, 2021 at 20.10

¹³ KPU RI (The General Election Commission of the Republic of Indonesia), Article number 327 of the Law number 7/2017 on General Election, https://jdih.kpu.go.id/data/data_uu/UU_Nomor_7_Tahun_2017_-_Batang_Tubuh_-_Hal._151-317.pdf, p.203, accessed May 15th, 2021 at 20.08

For the campaign of the provincial council candidates, the law regulates that the council candidates may obtain financial support for campaigns from the candidate themselves and from other legal sources of donation.¹⁴ As stated in the law, the council candidates are the individual candidates who are not endorsed by a political party. Therefore, the law states that the source of their campaign finance cannot be borne by the political party.

The law stated that the regional council candidates may obtain campaign donations from other legal sources, but the limitation of money is different than the law regulated for the presidential candidates, and legislative candidates.

The campaign donation from an individual should not exceed IDR 750,000,000.00 (seven hundred and fifty million rupiahs).

The donation from other parties, groups, companies, and/or non-governmental and business entities should not exceed IDR 1,500,000.00 (One billion five hundred million rupiahs).

The donor as referred above must include a clear identity.

Conclusion

In order to have more transparent and accountable governance of the political party, financial control should therefore be based on the following pattern and direction of public policies:

1. The use of a regulatory approach and financial subsidies from the state to be the legal basis of the political party governance. Without the provision of adequate funds to parties, party finance regulations will not be effective and cannot be enforced in the governance of political party finance. Apart from fulfilling legal certainty, party financial regulations must be enforced by an independent institution with adequate authority and with clear sanctions. Financial subsidies from the state to political parties must be accompanied by clear objectives, such as encouraging political parties to carry out their functions as agents of democratization, creating fair competition between parties, and requiring parties to manage party finances in a transparent and accountable manner. The law should provide clear guidance of this particular purpose.
2. Political party ideally should have a reasonable balance between public and private sources of finance and party internal sources (membership fees and cadre contributions). By creating a balance in campaign funding sources, the advantages of both forms of funding can be realized, while the weaknesses of one form of funding can be corrected by the advantages of other funding. The party's internal financial sources will play a role in ensuring the financial independence of political parties. This will also be a mechanism to avoid the domination of certain people, who may take advantage of and instill personal interest in the political party.■

¹⁴ KPU RI (The General Election Commission of the Republic of Indonesia), Article number 332 of the Law number 7/2017 on General Election, https://jdih.kpu.go.id/data/data_uu/UU_Nomor_7_Tahun_2017_-_Batang_Tubuh_-_Hal._151-317.pdf, p. 206, accessed May 15th, 2021 at 20.12

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