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# RSIS COMMENTARIES

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No. 040/2014 dated 26 February 2014

## The Economics of Indonesia's Election Campaigns

By Fitri Bintang Timur and Adhi Priamarizki

### Synopsis

*Political parties have submitted for official vetting their preliminary campaign budgets for the legislative elections that will be held on 9 April 2014. There are lessons to be learned from the 2009 elections. This commentary is part of a series on Indonesia's national elections this year.*

### Commentary

INDONESIA'S ELECTION campaigns are an expensive business. They can even lead political parties to financial ruin. From spending on such things as free music concerts, food, t-shirts and stickers to expenses for candidates, parties need funds to cover their campaign costs. Some politicians may even attempt to use illegitimate funding sources which will undermine their parties' and candidates' integrity.

How much are the political parties willing to invest in order to contest the forthcoming elections in April 2014 compared to the last election? Political parties and candidates often do not hesitate to heavily invest in their campaigns. In the 2004 and 2009 legislative elections, the total funds reported to the state auditor is Rp 298 billion (US\$25 million) and Rp 826 billion (US\$62 million) respectively. For the upcoming election, the preliminary campaign budgets registered with the Indonesian Election Commission (KPU) have reached Rp 927 billion (US\$76 million).

### The high cost of Open-List system

Presidential contender Prabowo Subianto's Gerindra Party is the "high roller" with Rp 144 billion (US\$12 million). Meanwhile President Susilo Bambang Yudhoyono's Democrat Party will provide Rp 135 billion (US\$11 million) and the Indonesian Democratic Party-Struggle (PDIP), headed by former president Megawati Sukarnoputri, allocated Rp 130 billion (US\$11 million) for their campaign budget. Although Gerindra and Demokrat are among the biggest spenders, their campaign funds are smaller than for the 2009 elections.

This year Gerindra's budget is lower by 53 percent and Demokrat by 43 percent. Conversely, PDIP and other political parties are growing their budget between three (United Development Party, Crescent Star Party and PDIP) to 14 times of its 2009 budget (National Awakening Party). Golkar, one of Indonesia's oldest political parties that produced many of the country's top politicians, cuts its budget to almost 50 percent, from Rp 143 billion (USD 11.8 million) to Rp 75 billion (USD 6.2 million).

However, even the large political parties' budgets often fail to fully support their candidates, who are thus forced to seek additional sources of funding. The open-list system, in which the electorate votes for the person rather

than the party, forces every candidate to do self-promotion to woo voters. For example in the last national legislative elections, each candidate spent an average of Rp 2 billion (US\$167,000) although some better-known candidates were able to spend as little as Rp 300 million (US\$25,000).

The open-list system undermines Indonesia's democratic progress. This can be seen from the flourishing candidacies of public personalities such as actors, actresses, religious leaders and well-off business people outside the party hierarchies. Coupled with the absence of ideological platforms, the erosion of parties' reputations and questions about their *raison d'être* may arise. Nevertheless, without those public figures, the campaign costs of parties are bound to increase.

### **By any means necessary: Persuade, borrow or steal**

There are several ways for political parties to overcome the high cost of the elections. Firstly, candidates can and do use their own money. However this creates cynicism that political participation is only for the rich. Secondly, candidates borrow money and promise to pay back when they win. This leads to problems as winning candidates focus on repaying their debts rather than working as legislators and losing candidates face debt burdens, causing stress and social problems. Thirdly, candidates tend to turn to large donors. This 'donation trap' weakens the integrity of the candidates as they feel indebted and give preferential treatments to the sponsors when it comes to government tenders, eliciting corruption.

Another source of questionable election funding is the use of the state budget for campaign purposes. Some politicians allegedly use their institutions' facilities for campaigning. For example, recently a Prosperous Justice Party candidate was under fire as her campaign team pasted her campaign photo sticker on the Ministry of Health biscuits donated to the flood victims in Jakarta. There was even a candidate from United Development Party (PPP) that went as far as robbing a bank customer to obtain election funds.

In an attempt to solve the campaign funding trap, the KPU has demanded political parties and candidates to report their campaign financial accounts as well as list donations received from individuals and organisations (capped at Rp 1 billion or about US\$85,000 and Rp 7.5 billion respectively).

Campaign financing activities are audited; failure to meet these requirements will disqualify political candidates and parties. Those providing fake financial reports will have their votes annulled. KPU cooperates with the Election Supervisory Board and Indonesian Police Force to investigate any suspicious financial reports. Notwithstanding these procedures critics are still demanding for the election funding to be better regulated.

### **Need to limit overall campaign funding**

One issue that keeps arising is that there is no limit for overall campaign funding - only limits on the amount of donations received per individual or organisation. If not regulated, this system will produce sky-high campaign costs. It creates a focus on gathering more resources rather than creating smarter campaign strategies, while high campaign budgets may also lead to vote-buying rather than providing political education to the electorate. Additionally, political parties select candidates based on resource ownership, or public popularity, rather than quality.

If these problems are to be solved it is necessary for the government to set a reasonable election campaign fund limit. Candidates will be able to focus on engaging the voters and develop campaign methods based on voluntarism as a way to reduce cost. To attract volunteers, candidates should pay attention to grassroot-level political involvement instead of focusing on elite political deals.

To support the standardising of election costs, the government must impose campaign conditions that provide political education for voters as a balancer to candidates' pragmatic campaigning. For example, the government can arrange open debates between candidates and parties so that the public know their quality and style of communication. Capping campaign budgets will help Indonesia build a quality democracy rather than a wasteful political system.

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