

PERSISTING CORRUPTION IN INDONESIA: EXAMINING THE FLAWS IN POLITICAL PARTY FINANCING

Fajar Surya Putra

Pegawai Direktorat jenderal Pajak, Kemenkeu RI

Email: fajar.sputra19@gmail.com

Abstract

Corruption remains a persistent challenge in Indonesia, despite significant efforts by the Corruption Eradication Commission (KPK) to prosecute high-ranking politicians. The underlying issue fueling corruption is the flawed political party financing system, which creates vulnerabilities within the electoral process and governance. This paper examines three key aspects of political party financing that contribute to corruption: (1) the financial obligations imposed on election winners, (2) the inadequate political party subsidy system, and (3) the prevalence of illegal donations. The study highlights how financial pressures on political parties drive them to seek illicit funding sources, often leading to collusion with oligarchs and the misallocation of state resources. Additionally, political dynasties and regulatory loopholes further exacerbate corruption, undermining public trust in the government. The paper proposes solutions such as enhanced financial transparency, strict audit mechanisms, and state-funded political parties to reduce dependence on illicit funding. These reforms require a strong commitment from multiple stakeholders, including policymakers, law enforcement, and civil society, to restore democratic integrity and improve governance in Indonesia.

Keywords: Corruption, Political Party Financing, Election Funding, Illegal Donations

A. INTRODUCTION

In many countries, unfortunately, corruption case remains a long-standing challenge. Indonesia's unique culture, history, and political landscape have been battling corruption for years. Since 2013, the Indonesia Corruption Eradication Commission (Komisi Pemberantasan Korupsi, KPK) has successfully brought many untouchable high politicians to jail and recovered stolen assets (Schutte, 2012). For example, KPK successfully arrested Mohammad Nazaruddin as the Democratic party (Partai Demokrat, PD) treasurer in 2011 (Parlina and Aritonang, 2012). Another success came in 2013, when the president of the Islamic prosperous justice party (Partai Keadilan Sejahtera, PKS), Luthfi Hasan Ishaaq, was accused of a bribery case in giving beef import quota to the Ministry of Agriculture (Jakarta Post, 2013). However, this success story alone is not enough to improve the reduction of corruption. CPI (2022) argues that Indonesia's corruption perception index shows a declining rank to 110 from 106 among 180 countries worldwide. The big question now is how corruption remains persistent in Indonesia despite the triumphant story of the anticorruption body. I believe these corruption cases in Indonesia are because of a

significant flaw in Indonesia's political party financing system. This paper then divides the main problem of political party financing into three subsections. Firstly, the obligation of the election winner tends. Secondly, Political Party Subsidy. Lastly, illegal donations.

In Indonesia, the main root of corruption is political party financing. Addressing this issue is vital since the party financing problem is the foundation of corruption in Indonesia. Mietzner (2015) argues that Indonesia is trying to tackle rampant corruption by introducing the anticorruption body KPK. The study highlights that KPK only focuses on the manifestation of corruption without solving the root of the problem. For example, KPK targets corrupt politicians but neglects the core issues, such as political financing. Furthermore, according to Widojoko (2017), political cartels have tried to weaken the KPK function. The solid political collation between political cartels has successfully removed KPK's authority in wiretapping and prosecution. Also, the coalition collaborates with police to criminalize KPK to stop the corruption investigations. At the heart of this vicious attempt to reduce KPK power in combating corruption lies the political Financing problem (Tambunan, 2021). The weakening of KPK manages this anti-corruption body to lose focus on the main root of corruption in Indonesia: the lack of financing political parties in funding a high electoral system. As a result, Indonesia still faces rampant corruption at all levels of government in many regions (Berenschot, 2018).

B. LITERATURE REVIEW

Corruption is not just about lowering public trust; it also has significant implications on social economics. One of the most crucial factors contributing to corruption is the political party financing problem. For Fisher and Eisenstadt (2004), money is the most crucial element in political power because it affects political spending and dominates electoral aspects. Political parties need money to prepare their candidate for the election campaign, maintain better coordination at the government level, and assist their representative in the legislature. However, Bowler and Donovan (2016) contend that there is a connection between political financing and corruption in America. This study highlights that corruption cases have taken many forms, such as money laundering, bribes, and markup prices in procurement, decreasing the efficiency of public services. Similarly, Mwangi (2008) also demonstrates that the political financing problem has adversely affected government transparency and accountability in many European countries, leading to political corruption. As a result, corruption cases become the common enemy in many countries worldwide since it can lower trust in the government and negatively impact society.

C. ANALYSIS AND DISCUSSION

1. Political Party Financing Problem and Politic Party Subsidy

Political party financing remains a vital concern in maintaining the integrity of the democratic process in Indonesia. Misbahudholam et al. (2023) argue that the current Indonesian electoral system is categorized as having a high cost that could trigger corruption. The open list proportional election system to choose candidates

in the House of Representatives (DPR) and regional heads has the characteristic that the candidates can win the election based on how many votes they get. As a result, the system has high-cost campaigns because each candidate has tried to promote themselves through media, giving donations to society, and setting up office to operational campaign. Also, the open list system creates an opportunity for candidates with the same or different political parties to compete with each other (Hosen, 2023). The fierce competition forces the political party to spend high expenditures on campaigns for each candidate beyond their financial budget. For example, there has been an enormous increase in spending in PDIP's budget since the government of Indonesia changed its electoral system into a proportional system (Indrayana, 2017). PDIP has spent Rp. 376.3 billion in campaign election, higher than its public funding donations with Rp. 1.5 billion.

Indonesia's political landscape has undergone significant transformations over the decades. Unfortunately, this transformation cannot change political parties' funding system for the election. Feith (1957) argues that history shows that in 1950, Indonesia political parties were designed only for educated and aristocratic leaders. This limited membership caused political parties to have few financial resources to accommodate the electoral campaign. During the Suharto era, political parties lost significant autonomy due to the autocratic regime (Suryadinata, 1989). They lack financial independence and political movement to gather more budget to fund their political activities. After Suharto's fall, the electoral system shifted to electoral catch-all entities that supported the democratic system (Tomsa, 2008). In this post-Suharto era, many political parties use mass media to shape public opinion for their candidate campaign. This movement creates a paradoxical situation in that the media can reach more voters, but at the same time, it increases election campaign costs. One of the solutions is for political parties to acquire more funding through mass membership. Mietzner (2015) contends that in November 2013, the National Democratic party (Partai Nasional Demokrat, Nasdem) claimed to have 13 million members. However, this number seems unreal since the political party's real power cannot hold that many members. Compared with PDIP, it has only 1.1 to 1.2 million actual members.

The funding problem in political parties is intentional and designed by their political leaders and oligarchs. Dick and Mullholand (2016) argue that high-level politicians who sit in parliament's chairs, ministers, and senior bureaucrats must negotiate bills that accommodate the transfer of funding from the state's budget to the political parties' controllers. This study is crucial since the practice can misallocate the state budget. The funds for public services are shifting to political parties and oligarchs. Tambunan (2021) contends that many political leaders have chosen illegal donations to fund high-cost elections rather than legal public funding because political parties and oligarchs are happier to access state resources and open privilege to business opportunities. Therefore, there is a tendency for political parties to control the government by passing regulations that favour the interest of oligarchs and ensure the financing problems remain or worsen.

The government of Indonesia decided to reduce the subsidy for political party results in increasing illicit funding. Under Susilo Bambang Yudhoyono era, the government of Indonesia issued regulation number 29 of 2005, which stated that reducing government subsidies for political parties per seat they won in the elections (Mietzner, 2007). The study illuminates that the rationale behind the

policy was to root out rent-seeking behaviors and discourage business people from being involved in politics. As a result, implementing the new regulation causes many political parties to see a decline in revenue. However, the actual outcomes seem to contradict the intended purpose. The severe funding cuts from the government caused many political parties to struggle to maintain operational, political activities. Therefore, several political parties try to ally with oligarchs with economic interests or use state resources to get funding. Though the regulation aims to eradicate corruption, it ironically seems contradictory, as political parties are pushed into illegal activities to fund their operations.

Political parties have many ways to cover the loss from the state subsidy. Deviansyah (2017) argues that there are three primary sources of income for political parties: the state, internal contributions, and public funding. The study highlights that one of the methods to make up for the lost income is to increase the contribution from their political party members who have a seat in parliament. This approach, while pragmatic on the surface, could have more profound socio-political implications. By pushing members to increase their contributions, parties indirectly incentivize corrupt practices such as bribery, manipulating procurement costs, and money laundering among these members. Another way is inventing regulation that increases existing parliament salary by introducing new allowance packages such as payments for telephone, family, housing, and communication bills (Kontan, 2021). This surge in allowance allows increases to nearly 82 percent of their total monthly salary. However, the drastic increase in allowances created a public uproar because the education sector remains underfunded, and many people live in poverty. As a result, the public thinks politicians prioritize personal gains over societal welfare, lowering government trust and credibility.

Politicians' misuse of state resources for party funding underscores a significant challenge to uphold the integrity of governance in a democratic era. Mietzner (2007) argues that ministers, governors, and local district heads representing their political parties are expected to contribute to their political parties. In addition, they are under pressure to extract government money from state resources by collaborating with business people and high-watt individuals. For example, the Golkar party in government representation has successfully extracted US 78 million from the government project with the Bank Bali owner (Landler, 1999). Other attempts come from Golkar chairman Akbar Tanjung to raise the source of Golkar funding; he misuses \$4 million in state funding from the national logistic agency Bulog for a fictitious charity program (VOA, 2009). Politicians also use public official facilities such as vehicles and meeting venues to support political party activities. These damaging actions threaten the very principles of democracy, which are rooted in transparency, accountability, and separation of powers. If unsolved, such practices could deeply entrench corruption, making it a systemic rather than an isolated problem.

2. The Obligation of Election Winner

Corruption still haunts Indonesia's political landscape in the democratic political system. The reformation era is marked by a significant departure from past autocratic regimens to a more open and decentralized system. Syarif (2019) argues that a critical element of this transition was the direct election of regional heads that ensured a more democratic, transparent, and maximum people-choice

approach for a better leader. However, the direct election system is paved with high expenditure as many candidates must spend more money on their political campaign activities. This financial burden is the driver of the many corruption cases. Once a candidate is elected, the pressure to recover the investment creates a fertile ground for corruption. For example, the KPK hand catch operation (OTT) program successfully caught regional leaders from many regions in Indonesia. Rahmat Effendi, mayor of the Bekasi region in West Java, is accused of bribery corruption in procuring goods and services through OTT with an amount of Rp. 57 million (Nugraha 2022). Another case from the head regional of Ambon, KPK, has arrested Richard Louhenapessy for accepting gratification of producing a business license for 20 Alfamidi mini supermarkets in 2020 (Ranggasari, 2022).

There is an opportunity to create a political dynasty from the incumbents who won direct elections. Purwaningsih and Widodo (2020) argue that there is a growing trend in incumbents who won elections at the central government level to build political dynasties to strengthen incumbents' political power and influence over the political landscape. This study is crucial since the limited term of office is for a maximum of two periods; incumbents usually nominate their relatives to win regional or national leaders to reinforce and maintain their political position and power. Wahyu (2023) argues that there is a big polemic in Indonesia now on how the constitutional court is changing the regulation of the age threshold minimum for regional heads to be candidates for the presidential election. For Instance, the public has negative sentiment toward the issues of political dynasties. This situation happens because the mayor of Solo Gibran Rakabuming Raka, son of current Indonesia President Joko Widodo as vice presidential candidate, accompanies Prabowo Subiakto for the presidential election in 2024. The polemic happened because Gibran was under 40 years old. Meanwhile, the constitutional court changed the regulation to allow Gibran to be eligible to compete in the presidential election.

There are many cases in Indonesia regarding the political empire and corruption. Jakarta Post (2017) argues that Ratu Atut Chosiyah, former Banten governor, has alleged the case of bribing Akil Mochtar, former head of Indonesia's constitutional court. Meanwhile, Tubagus, Atut's younger brother, is a famous Banten businessman, using his sister state channel to mark up medical supplies sold to the Banten health service (Adjie, 2020). This corruption practice affected public finances and compromised public service quality, given that funds meant for healthcare delivery are siphoned off. Also, the allegation that Tubagus engaged in money laundering through approximately 300 companies is even more concerning. Another example from Tempo (2017) news is that in the Kutai Kartanegara region, Syaukani Hasan Rais, a former leader in Kutai Kartanegara, was involved in a corruption case. Afterward, Syaukani stepped down. His daughter, Rita Widayasari, as the next Kutai Regent, is suspected of bribery regarding the permit of an oil plantation company. Many cases from these political dynasties lowered public trust in the governance structure and political system that the elected public official will prioritize their personal and family gain over public needs once elected.

3. Illegal Donations

The donations from companies and individuals have fostered an environment conducive to corruption and unethical practices. Fisher and Eisenstadt (2004)

posit that a dangerous relationship between political parties and private business can lead to conflicts of interest within political party organizations. The study illuminates that donations from the private sector generate favors and dependence interest from political parties to the ones who fund them. Tambunan (2021) believes that political parties are funded through legal donations from companies and individuals in Indonesia. The study is vital since these types of funding sources are easily manipulated and lack transparency. Faisal et al. (2018) and Junaidi et al. (2011) argue that there is a wide gap between total expense Rp. 375 billion and revenue Rp 1.2 billion in political party financing statements. This significant gap suggests concealed transactions in which the political parties have established connections to business people to cover the enormous deficit fund. Therefore, Mietzner (2015) introduces a different nuance to this discourse: the private sector gives donations directly to the election candidate instead of the political party. As a result, the winning candidate has a moral obligation to return the favor to their benefactors. The case of incumbent president Megawati from PDIP dealings with famous businessman Djoko S Chandra in 2004 is a vivid example of the moral obligations to donors (TII 2008). The fund Megawati received was manipulated through a complex network business of 17 companies. This serious corruption needs urgent comprehensive reforms in Indonesia's political financing landscape.

The entanglement of political parties with oligarchs transforms the electoral process, which public official seats openly barter. Mietzner's (2007) findings reveal that political parties have auctioned their electoral candidate to non-parties participation to add more revenue. The highest bidder would be the official candidate that can compete in all government-level elections. As a result, auction candidates' practices monetize democratic participation and undermine the fair electoral process. Even more concerning is that the politician who won from this scheme will return the investment they pay to political parties. Reuter's (2015) study reinforces the argument that the incumbents will try to benefit the companies through a business contract that connects to state resources if the funding comes from oligarch support. Transactions with the private sector betray public trust and raise the environment for corruption. For example, Sjafira (2019) argues that from 2010 to 2018, there were 753 corruption cases in governors and local legislature. These cases show a strong connection between illegal donations and political favors that allow the corruption cycle and erosion of democratic integrity. As a result, the government needs a strong commitment to restore public trust by disentangling politics from business interests.

D. CONCLUSION

The corruption cases in Indonesia remain persistent despite the successful anti-corruption body KPK. The KPK has successfully captured many politicians from regional to central government regarding corruption cases. However, KPK only touches the surface of corruption without solving the root problems. The flaw in the political parties' financial system is the most significant contributing factor to the rampant corruption in Indonesia. These issues trigger other problems, such as creating a political dynasty, political party subsidies, and the obligation of the winning election candidate to return the favor to their sponsors. As a result, this systematic corruption

will reduce public trust in the government, lower the efficiency and effectiveness of public service, and negatively affect broader society.

There are several solutions to solve the problems of political financing parties. One of the solutions to tackle illicit donations is through political parties' financing transparency. Disclosure can help increase public trust in the government. The government can regulate the political party to report the finance report to the national audit board considering the size and method of the donations. Also, the government can subsidize political parties 100%, but there is no other funding source besides from the state. Therefore, setting an explicit political goal in regulation is crucial to ensuring funds are used correctly and there is a mechanism system for accountability. For example, a national audit board can announce the result of a political party's financial statement audit to society. In addition, the reformation of political party financing should consider other factors such as the election system, political parties' landscape, and clean judiciary. These comprehensive solution actions must be supported by strong political will from all levels of multiple policy actors, including KPK, judiciary, police, citizens, researchers, non-government organizations, and political leaders.

Reference

Adjie MFP (2020) 'Disgraced Banten governor's younger brother convicted of corruption', *National*, The Jakarta Post, accessed on 26 October 2023.

Berenschot W (2018) 'The political economy of clientelism: a comparative study of Indonesia's patronage democracy', *Comparative Political Studies*, 51(12):1563-1593, doi: 10.1177/0010414018758756

Bowler S and Donovan T (2016) 'Campaign money, congress, and perception of corruption', *American Politics Research*, 44(2):272-295, doi:10.1177/1532673X15594232.

Corruption Perception Index (CPI) (2022).

Deviansyah RV (2017) 'Why political parties should get more funding', *Indonesia at Melbourne*.

Faisal, Barid B and Mulyanto D (2018) 'Pendanaan partai politik di Indonesia: mencari pola pendanaan ideal untuk mencegah korupsi', *Komisi Pemberantasan Korupsi (KPK)*, 4(1):265-287

Fisher J and Eisenstadt TA (2004) 'Introduction: comparative party finance what is to be done?', *Party Politics*, 10(6):619-626.

Hosen M (2023) 'The hunger games: Indonesia's problematic electoral system will continue in 2024', *Indonesia at Melbourne*.

Indrayana D (2017) 'Money politics in a more democratic Indonesia: an overview', *Australian Journal of Asian Law*, 18(2):151-165.

Jakarta Post (2013) 'Former PKS Boss gets 16 years for graft', *National*, Jakarta Post, accessed on 24 October 2023.

Junaidi V, Gunadjar, Alimsyah S, Nuraini A, Anggraini T, Wulandari L, Gutomo H, Rahman MA and Marom AA (2011) 'Anomali keuangan partai politik pengaturan dan praktek', *Keuangan Partai Politik Pengaturan dan Praktek*, Kemitraan Bagi Pembaruan Tata Pemerintahan.

Kontan.co.id (Kontan) (2021) 'Gaji DPR RI 2021 jadi sorotan, ini daftar gaji dan tunjangan anggota DPR', *Nasional*, accessed on 25 October 2023.

Landler M (1999) 'INTERNATIONAL BUSINESS; An Indonesian Banker, on Trial, Finds Fame Is No Friend', *The New York Times*, accessed on 25 October 2023.

Mietzner M (2007) 'Post-Soeharto Indonesia: Between State Subsidies and Political Corruption', *Contemporary Southeast Asia*, 29(2):238-263.

Mietzner M (2015) 'Dysfunction by design: political finance and corruption in Indonesia', *Critical Asian Studies*, 47(4):587-610, doi:10.1080/14672715.2015.1079991.

Misbahudholam M, Rofik, Hanafi A (2023) 'Expensive political costs in the 2024 simultaneous elections', *Jurnal Hukum dan Sosial Politik*, 1(1):1-20.

Mwangi OG (2008) 'Political corruption, party financing and democracy in Kenya', *The journal of Modern African Studies*, 46(2):267-285.

Nugraha RM (2022) 'Rahmat Effendi named suspect in KPK money laundering investigation', *National*, Tempo.co, accessed on 26 October 2023.

Syarif LM (2019) 'Addressing the root of political corruption in Indonesia', *Jurnal Antikorupsi Integritas*, 5(2):191-190, doi: 10.32697/integritas.v5i2.487.

Parlina I and Aritonang MS (2012) 'Nazaruddin jailed until 2017', *Paper Edition*, Jakarta Post, accessed on 24 October 2023.

Purwaningsih T, and Widodo BEC (2020) 'The interplay of incumbency, political dynasty and corruption in Indonesia: are political dynasties the cause of corruption in Indonesia?', *Revista UNISCI*, 53, doi: 10.31439/UNISCI-89.

Ranggsari R (2022) 'KPK Names Ambon Mayor Richard Louhenapessy as Money Laundering Suspect', *National*, Tempo.co, accessed on 26 October 2023.

Reuter T (2015) 'Political parties and the power of money in Indonesia and beyond', *Trans regional National Studies of Southeast Asia*, 3(2):267-288, doi:10.1017/trn.2014.23.

Schutte SA (2012) 'Against the odds: anti-corruption reform in Indonesia', *Public Administration and Development*, 32(1):38-48, doi: 10.1002/pad.623.

Sjafrina AGP (2019) 'Dampak politik uang terhadap mahalnya biaya pemenangan pemilu dan korupsi politik', *Jurnal Antikorupsi INTEGRITAS*, 5(1):43-53, doi: 10.32697/integritas.v5i1.389.

Tambunan D (2021) 'Democracy under threat: the politics of corruption and party financing system in Indonesia', *Journal of Social Political Science*, 2(1).

The Jakarta Post (2017) 'Ratu Atut gets 5.5 years for another graft conviction', *Politics*, accessed on 26 October 2023.

Transparency International Indonesia (TII) (2018) 'Pemilu 2004 tidak bebas politik uang ! : laporan pemantauan dana kampanye: laporan pemantauan dana kampanye', Jakarta.

Voice of America (VOA) (2009) 'Indonesia's supreme court throws out corruption conviction of top politician - 2004-02-12', News.

Widojoko JD (2017) 'Indonesia's anticorruption campaign: civil society versus the political cartel', *The Changing of Corruption in the Asia Pacific*, 253-266, doi:10.1016/B978-0-08-101109-6.00017-4.